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From Disgust to Delight

Do Customers Hold a Grudge?

Tor Wallin Andreassen

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This article investigates the effect that satisfaction with service recovery may have on complaining customers' future intent and perception of, and attitude toward, the faltering service provider. The main findings indicate that service recovery has a positive impact on both dimensions. Somewhat surprisingly, companies' current recovery efforts do not bring complaining customers back to par. On the other hand, excellent service recovery efforts as perceived by complaining customers only restore intent and image. Contrary to contemporary thinking, the latter challenges the existence of the service recovery paradox.

Studies of customer dissatisfaction and complaining behavior (see, e.g., Bearden and Teel 1983a; Day and Landon 1976; Folkes 1984, 1988; Gilly and Gelb 1982; Richins 1983a, 1983b, 1985, 1987; Singh 1990) can be divided into three broad areas: (a) the development and testing of theories of consumer dissatisfaction, (b) the study of complaint behavior types, and (c) the analyses of various factors initiating complaining behavior. In an early review of the complaint literature, Robinson (1978) underscored the historic emphasis on consumer orientation, reporting that almost all the studies focused on the person filing the complaint and the nature of the complaint rather than the outcome of service recovery. From a customer's perspective, complaining and recovering are integral parts of the process. Clearly, from a company perspective, it is critical to know not only who, where, and how customers react to dissatisfaction but also the consequences of service recovery efforts.

Despite limited academic evidence of the impact of service recovery on key business variables (e.g., corporate image and customer intent), growing bodies of business managers adhere to the idea of wowing the customer through excellent service recovery.

Spurred by the impact that customer dissatisfaction may have on companies' performances, research pertaining to customer dissatisfaction is experiencing a new renaissance. Contrary to previous research, current research on customer dissatisfaction is more concerned with *unfavorable incidents* (Bitner, Booms, and Tetreault 1990), *customer switching behavior* (Keaveney 1995), *customer evaluations of service complaint experiences* (Tax, Brown, and Chandrashekar 1998), *the proper fit between service failure and recovery effort* (Smith, Bolton, and Wagner 1999), and *antecedents to satisfaction with complaint resolution* and *antecedents to customer intent for complaining customers* (Andreassen 1999, 2000).

Marketing research has long battled with the question of whether superior recovery efforts can create greater satisfaction than if nothing had gone wrong. Most often, this apparent contradiction is referred to as the *service recovery paradox*, that is, customers who have experienced a service failure and received an excellent recovery are believed to be more satisfied than customers who have never experienced a service failure at all. In keeping with this, several contemporary textbook authors make implicit or explicit assumptions about the existence and/or the effects of the service recovery paradox:

A good recovery can turn angry, frustrated customers into loyal ones. It can, in fact, create more good-

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will than if things had gone smoothly in the first place. (Hart, Heskett, and Sasser 1990, p. 148)

Satisfaction with service recovery sharply increases customers' willingness to recommend the firm and significantly improves their perception of overall service quality. (Berry 1995, p. 95)

The benefits of turning around a complaining customer are dramatic. (Rust, Zahorik, and Keiningham 1996, p. 182)

Customers whose complaints are satisfactorily resolved often become more company-loyal than customers who were never dissatisfied. (Kotler 1997, p. 481)

On a more scientific note, three recent articles (McCullough, Berry, and Yadav 2000; Smith and Bolton 1998; Tax, Brown, and Chandrashekar 1998) acclaim the existence of the paradox. McCullough, Berry and Yadav found that the higher the recovery performance, the higher the postrecovery satisfaction. Tax, Brown, and Chandrashekar argued for the existence of the paradox through the direct impact of complaint handling on trust and commitment. Finally, Smith and Bolton found support for the paradox through cumulative satisfaction and repatronage intentions becoming more favorable with excellent service recovery.

In summary, there is a considerable body of conjecture and intuition pertaining to the existence of the service recovery paradox. However, changes in postrecovery satisfaction, trust, commitment, or cumulative satisfaction as a function of recovery satisfaction are not the acid test of the existence or not of the paradox. The test is whether superior recovery performance affects complaining customers' perception of and attitude toward the service provider and their future intent. The key question is thus, Does a high degree of satisfaction with service recovery have a positive impact on dissatisfied complaining customers' future intent and perception of, and attitude toward, the faltering company?

This study looks at the impact of satisfaction with service recovery on corporate image and customer intent for existing customers' real experience with companies' complaint resolution. Based on cross-sectional data, the study compares complaining customers' corporate image and intent with that of dissatisfied noncomplaining customers and ordinary satisfied customers who have not experienced any recent service failure. Building on the disconfirmation-of-expectations paradigm, the article discusses the interrelationships between satisfaction with service recovery, customer intent, and corporate image. The general idea is that complaining customers who are very satisfied with the complaint resolution will have a corporate image and a customer intent score that are significantly different from those of the control groups. Results

and managerial implications are discussed at the end of the article.

CONCEPTUAL FRAMEWORK

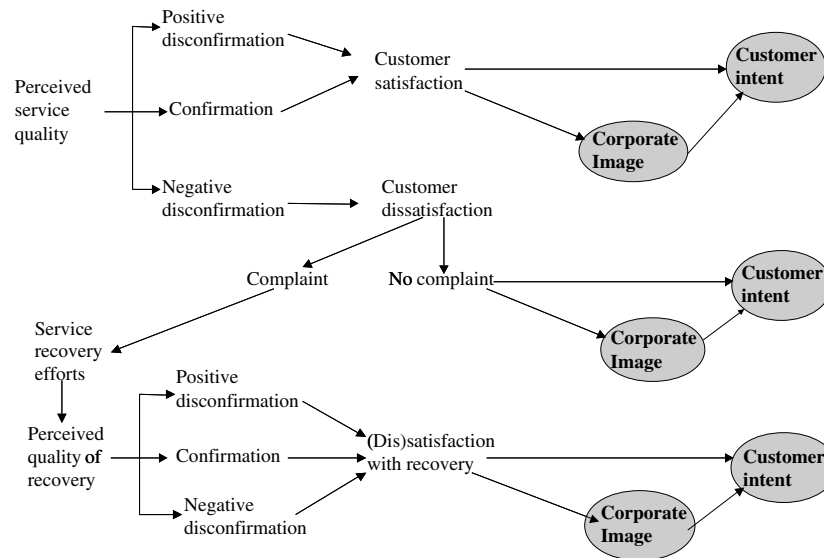
According to the disconfirmation paradigm (Oliver 1980), customer satisfaction is the result of an evaluation process whereby the customer compares his or her expectations of how the service should perform with the actual experience with the service. Positive, negative, or share confirmation of expectations will either alter or maintain current levels of the customer's image of the supplier and his or her subsequent satisfaction with, and intent to remain with, the supplier. A service failure is said to occur when the service encounter falls short of the customer's expectations (i.e., negative disconfirmation) (Bell and Zemke 1987). More often than not, service recovery is triggered by a customer complaint. For dissatisfied noncomplaining customers, we would expect a negative change in corporate image and their intentions to remain with the supplier. Service recovery consists of all the actions an organization may take to rectify the failure. The purpose is to move the dissatisfied customer to a state of satisfaction and, it is hoped, retain the customer for the future. Perceived quality of the recovery efforts is believed to be the foundation for forming a satisfaction judgment with service recovery. In keeping with the disconfirmation paradigm, positive, negative, or share confirmation of expectations of service recovery will either alter or maintain current levels of the customer's image of the supplier and his or her subsequent satisfaction with, and intent to remain with, the supplier. These mechanisms are outlined in Figure 1.

In the next two sections, I will discuss the interrelationship between satisfaction with service recovery, customer intent, and corporate image. With reference to other studies, I will argue that satisfaction with service recovery is an antecedent to customer intent and corporate image for complaining customers. Finally, because corporate image is not as well established as satisfaction and intent, I will elaborate on this construct

Satisfaction With Service Recovery and Customer Intent

The correlation between customer satisfaction and customer intent has been documented in numerous studies pertaining to the financial impact of service quality (see, e.g., Anderson and Sullivan 1993; Bearden and Teel 1983b; Bolton and Drew 1991; Fornell 1992; Rust and Zahorik 1993; Rust, Zahorik, and Keiningham 1994). Zeithaml, Berry, and Parasuraman (1996) found that cus-

FIGURE 1
Three Different Situations That May Impact Image and Intent



tomers who experienced recent service problems and received satisfactory recovery had significantly more positive behavioral intentions than those with unresolved problems. Finally, in a study based on cross-sectional data of service companies, Andreassen (1999) found a strong correlation between satisfaction with complaint resolution and customer intent.

Assuming that customers would prefer a no-service failure situation to a service failure situation, I anticipate that a complaining customer's intent with his or her service provider who caused the incident is equal or lower than a noncomplaining customer's intent with his or her service provider and lower than that of an ordinary satisfied customer. However, with a high degree of satisfaction with service recovery, I anticipate that customer intent for complaining customers is higher than that of noncomplaining customers and higher or equal to that of ordinary satisfied customers.

Satisfaction With Service Recovery and Corporate Image

Market researchers distinguish between transaction-specific satisfaction and their global or cumulative evaluation of the service (Holbrook and Corfman 1985; Olshavsky 1985). *Transaction-specific satisfaction* is a postpurchase or postconsumption evaluation resulting from the customer's comparison of the rewards and costs of the purchase or consumption process in relation to the anticipated consequences. *Cumulative satisfaction* reflects the customer's satisfaction with multiple interac-

tions with the company over time (Bitner and Hubbert 1994; Crosby and Stephens 1987). Negative disconfirmation of expectations and subsequent dissatisfaction judgment are transaction specific. Consequently, I use a transaction-specific satisfaction measure in this article. Because satisfaction as a construct is well established in the literature, I will elaborate on corporate image as a construct, because existing customers' perception of, and attitude toward, the service provider may have an impact on their future intent and new customers' switching or adoption behavior.

According to Dowling (1988), corporate image is a construct similar to the construct of self-concept in psychology. Both terms refer to a set of thoughts and feelings having reference to an object (e.g., a company or person). Building on Keller (1993), substituting brand with organization may give a definition of corporate image: "perceptions of an organization reflected in the associations held in consumer memory." Corporate image has also been described as "the picture that an audience has of an organization through the accumulation of all received messages" (Ind 1997, p. 48). From these two definitions, we can learn that corporate image has to do with how customers perceive an organization based on experience or impressions and how these perceptions create a set of associations that contribute to a total picture of the organization.

Associations are close to what is termed *schemata* in cognitive psychology, that is, "people's cognitive structures that represent knowledge about a concept or type of stimulus, including its attributes and the relations among attributes" (Brewer and Nakamura 1984; Fiske and Lin-

ville 1980). Schemata develop, that is, they become richer or change over time. Rothbart (1981) suggested three models for schema change: bookkeeping, conversion, and subtyping. A change in attitude, as a function of updating schemata triggered by, for example, a service failure and subsequent service recovery efforts by the supplier, will be followed by a change in behavior. According to Fishbein (1967) and Fishbein and Ajzen (1974), attitudes are functionally related to behavioral intentions, which will predict behavior. Oliver and Linda (1981) argued that the outcome (i.e., satisfaction/dissatisfaction) of a number of transactions becomes the input to a less dynamic attitude. This is in keeping with the findings of Johnson et al. (2001). Some researchers (Fazio and Zanna 1978; Zanna and Fazio 1982) claim that attitudes that are formed through direct experience are more specific, are held with more confidence, are more stable, and resist counterarguments better than attitudes not based on direct experience. Finally, in two studies related to the impact of corporate image on customer intent, Andreassen and Lindestad (1998a, 1998b) found support for a positive correlation between corporate image and customer intent.

Assuming that customers prefer a no-service failure situation to a service failure situation, I anticipate that a complaining customer's perception of and attitude toward the service provider who caused the incident is equal or lower than a noncomplaining customer's perception of his or her service provider and lower than that of an ordinary satisfied customer. In keeping with the service recovery paradox, I anticipate that with higher degrees of satisfaction with service recovery, corporate image for complaining customers will become higher than that for noncomplaining customers and higher or equal to that for ordinary satisfied customers.

HYPOTHESES

Key to any firm's long-term survival is its ability to retain and attract profitable customers. Whereas retention is believed to be a function of existing customers' future intent and perception of, and attitude toward, the firm, attracting new customers is believed to be a function of prospective customers' favorable perceptions of and attitudes toward the firm to stimulate switching or adoption behavior. I believe that service firms' recovery efforts reflect this knowledge and that their recovery efforts will reflect what they perceive as necessary to maintain or improve future cash flow from those customers. I have argued that satisfaction with service recovery drives future intent and will update existing customers' perceptions of and attitudes toward the firm. This can be expressed as follows:

$$CL = f(SSR, CI, \xi_1)$$

$$CI = f(SSR, \xi_2), \quad (1)$$

where

CL = customer intent,

SSR = satisfaction with service recovery,

CI = corporate image, and

ξ = error term not captured by the equation.

First, building on this and using dissatisfied noncomplaining customers as a benchmark, I would predict that future intent for dissatisfied complaining customers should be highest. Second, I would expect the same to be true for corporate image. Third, because service companies are concerned about the lifetime value of any customer, they will do what it takes to bring dissatisfied complaining customers back to par. Finally, using ordinary satisfied customers as a benchmark, I believe that dissatisfied complaining customers who are very satisfied with the company's recovery efforts will have the highest future intents toward, perceptions of, and attitudes toward, the service provider. The latter is in keeping with contemporary thinking regarding the service recovery paradox.

To document that service recovery does have the proposed impact on corporate image and future intent, I propose the following hypothesis for empirical testing:

Hypothesis 1: Mean values of corporate image and customer intent for complaining customers after they have received service recovery are higher than similar mean values for dissatisfied noncomplaining customers.

Customer-oriented service companies realize that they have brought dissatisfied customers in a deficit by not living up to their expectations. Consequently, I believe companies' recovery efforts will be aimed at retaining these customers' future cash flows by investing in recovery efforts that at least will bring dissatisfied complaining customers back to par.

To document service companies' general quality of complaint handling and subsequent satisfaction judgment's impact on perception and intent, I propose the following hypothesis for testing:

Hypothesis 2: Mean values of corporate image and customer intent for complaining customers after they have received service recovery are equal to similar mean values for satisfied customers.

In keeping with the service recovery paradox, companies will try to delight dissatisfied complaining customers by offering outstanding service recovery. The purpose is to

create an improved perception of, and intent beyond, the mean value for comparable groups. To test the existence of the service recovery paradox, I propose the following hypothesis:

Hypothesis 3: As satisfaction with service recovery increases, the mean value of corporate image and customer intent for complaining customers will surpass similar mean values for noncomplaining customers and satisfied customers.

These hypotheses will be tested empirically by analyzing differences in variance between the three groups of respondents. Significant differences between the groups indicate support for the hypothesized impact of satisfaction with service recovery on corporate image or customer intent.

METHOD AND PROCEDURE

Outline of the Study

The present study is based on a posttest-only design with nonequivalent groups, that is, ex post facto. In a review of the complaint literature, Robinson (1978) pointed out the lack of dissatisfaction studies that also include dissatisfied noncomplaining customers. Few, if any, have studied service companies' recovery practices with regard to impact on corporate image or customer intent. To incorporate dissatisfied noncomplainers, an ex post facto design was chosen. Assuming that there is no response bias among dissatisfied complainers, dissatisfied noncomplainers, and ordinary satisfied customers, the impact of service recovery efforts on dissatisfied complaining customers' future intents toward, perceptions of, and attitudes toward, the faltering service provider can be estimated by benchmarking the other groups.

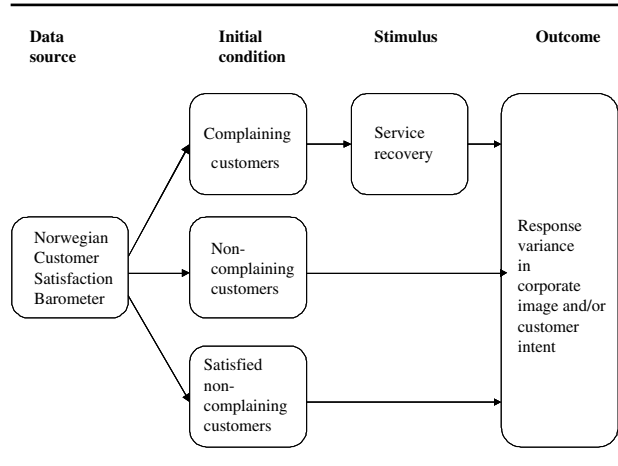
A general illustration of the approach to this study is presented in Figure 2.

In Figure 2 complaint resolution is viewed as treatment, which is assumed to affect corporate image through a dynamic update of, perception of, and attitude toward the company. A change in customer intent follows as a function of positive, neutral, or negative disconfirmation of expectations. One control group is used as a benchmark to isolate any differences in corporate image and customer intent, which may be attributed to the treatment (i.e., service recovery).

Sampling Frame

The Norwegian Customer Satisfaction Barometer (NCSB) was created during 1994 and 1995¹ to uncover de-

FIGURE 2
The Outline of the Study



gree of satisfaction with various services by interviewing defined companies' existing customers. Whether these customers are satisfied, dissatisfied noncomplaining, or dissatisfied complaining is of no methodological importance to the NCSB. The companies included in the NCSB are all major competitors in a wide variety of service industries. The companies surveyed in each industry are the firms with the largest market share. Cumulative shares are approximately 60% to 70%.

The NCSB is based on findings from a national probability sample of households, where 8,600 telephone interviews about the companies measured were completed. For each of the companies included in the study, interviews were conducted with 200 of their existing customers. To be eligible for interview, prospective respondents must qualify as the purchasers of specific services within defined time periods. Thus, the definition of *customer* in the NCSB is "an individual chosen randomly from a large universe of potential buyers who qualifies by recent experience as the purchaser or consumer of one service of one specific company that supplies to household consumers in Norway."

Unlike most data collection procedures for customer satisfaction, the NCSB identifies customers from the universe of purchasers, then identifies the company from which the customer purchased or consumed, rather than starting from an identified company and its lists of customers. If a respondent qualified as a recent purchaser or consumer of a service, he or she was asked if this service came

1. The Norwegian Customer Satisfaction Barometer with some adjustments is based on Fornell's work in Sweden and the United States. The theoretical foundation for these barometers is documented in Johnson and Fornell (1991), Fornell (1992), Fornell and Johnson (1993), and Fornell et al. (1996). For an update on the development of national satisfaction index models, please see Johnson et al. (2001).

TABLE 1
Distribution of Respondents

Industry	% of Total Sample	Dissatisfied Complaining Customers		Dissatisfied Noncomplaining Customers		Ordinary Satisfied Customers	
		Number	%	Number	%	Number	%
Fast food	8.0	4	2.0	44	10.5	21	10.5
Insurance	6.0	19	9.5	13	3.1	19	9.5
Postal services	3.0	6	3.0	11	2.6	11	5.5
Regional newspapers	11.0	21	10.4	55	13.1	17	8.5
National newspapers	7.0	0	0	55	13.1	6	3.0
Telecommunications	3.0	6	3.0	9	2.1	8	4.0
Personnel transportation	7.0	5	2.5	42	10.0	9	4.5
Bank	14.0	36	17.9	50	11.9	31	15.5
Service stations	6.0	9	4.5	28	6.7	13	6.5
Car dealers	10.0	41	20.4	22	5.2	23	11.5
Charters	11.0	36	17.9	42	10.0	16	8.0
Grocery chains	11.0	18	9.0	50	11.9	26	13.0
Total		201	100.0	421	100.0	200	100

from the list of the companies being measured. If not, the interview was terminated. Each respondent was only interviewed for one service.

During the NCSB interview at the end of 1997, each respondent was asked if he or she had reason to be dissatisfied with the service for which he or she was interviewed during the last 6 months. If the respondent answered affirmatively, he or she was, with the last question of the NCSB interview, asked to participate in a new dissatisfaction study at some future agreed date and time within the next 2 to 3 weeks. No incentives were promised or mentioned. If the respondent accepted the invitation, he or she was called back and interviewed at the agreed date and time. No response at this stage was handled by using three callbacks. All telephone interviews both for the NCSB and the dissatisfaction study were handled by an independent professional market research bureau. Each interview lasted from 12 to 15 minutes.

Dissatisfied complaining and noncomplaining customers and ordinary satisfied customers were recruited from various service industries. This is illustrated in Table 1.

In line with previous studies (cf. Technical Assistance Research Programs, Inc. [TARP] 1979, 1986), the number of respondents who complain is lower than that of those who do not complain. Both among and between groups, it appears that no category dominates and thus does not create a bias in the sample.

The final sample from all companies contained 822 respondents, with an equal distribution of men and women. The average household income was about NOK 380,000 (roughly U.S.\$55,000). The respondents' age varied between 18 and 80 and was close to a normal distribution,

with mean birth year 1956. Average education was 1 to 2 years of college education, with a small bias toward respondents having finished their college degree. The respondents were equally distributed between urban and rural areas. Both complaining and noncomplaining customers had the same experience with regard to number of times they had filed a complaint with a company—about five times. It can be argued that being a complaining or noncomplaining customer is a function of degree of dissatisfaction with the initial service failure, that is, the more dissatisfied the respondent is, the more likely he or she is a complainer. Testing for differences in degree of dissatisfaction revealed no significant differences between the two groups. One may also argue that being recruited for a dissatisfaction study may trigger the reprocessing of old memories and that the context may create a negative bias in the responses for the same constructs when compared to the NCSB study. Paired sample *t* tests for complaining customers revealed significant negative differences in the responses given for customer intent (mean difference -0.3793 , $t = -3.921$) and corporate image (mean difference -0.1354 , $t = -1.992$). For this reason, the mean of the NCSB responses and dissatisfaction responses for the two constructs was used in the ANOVA analyses.

Corporate image for the three groups was operationalized using four identical items that are believed to reflect existing customers' perceptions of and attitudes toward the service supplier. The items were derived after a pretest among 400 respondents concerning banking and charter services. The items are the following:

- Opinion of the company
- The company's profile

TABLE 2
The Impact of Satisfaction With Service Recovery on Corporate Image for Complaining Customers and Noncomplaining Customers

Category	n	Subset for alpha = .05	
		1	2
Tukey's HSD ^a			
Noncomplainers	201	7.0041	
Complainers	421	7.0538	
Satisfied customers	199		8.1279
Significance		.941	1.00
Tukey b ^a			
Noncomplainers	201	7.0041	
Complainers	421	7.0538	
Satisfied customers	199		8.1279
Scheffé test ^a			
Noncomplainers	201	7.0041	
Complainers	421	7.0538	
Satisfied customers	199		8.1279
Significance		.947	1.000

NOTE: Means for groups in homogeneous subsets are displayed. Reducing the sample size in Category 1 from 421 to 201 produces the same findings.

a. Uses harmonic mean sample size = 242.414. The group sizes are unequal. The harmonic mean of group sizes is used. Type I error levels are not guaranteed.

- Perception of the company being customer oriented
- Company related word of mouth from other

Cronbach's alpha was computed for each of the three groups (ordinary satisfied customers, $\alpha = .7763$; dissatisfied noncomplaining customers, $\alpha = .7166$; dissatisfied complaining customers, $\alpha = .7467$). Four 10-point Likert-type scales (-5 to +5)—anchored *very negative* to *very positive*, *very dissatisfied* to *very satisfied*, *in very low degree* to *in very high degree*, *negative* to *very positive*—were used.

Indications of customer intent may be related to own behavior or through willingness to recommend the supplier to others. The willingness to provide referrals or not is another way of patronizing the supplier. The NCSB uses two items as a common denominator in the measurement of customer intent. These two items—remaining loyal to the company (LaBarbera and Mazursky 1983; Rust and Zahorik 1993) and providing referrals (Parasuraman, Berry, and Zeithaml 1981; Reichheld and Sasser 1990)—are also used in the current study.

Cronbach's alpha was computed for each of the three groups (ordinary satisfied customers, $\alpha = .7602$; dissatisfied noncomplaining customers, $\alpha = .7457$; dissatisfied complaining customers, $\alpha = .7076$). Two 10-point Likert-type scales (-5 to +5), anchored *very improbable* and *very probable*, were used.

TABLE 3
The Impact of Satisfaction With Service Recovery on Customer Intent for Complaining Customers and Noncomplaining Customers

Category	n	Subset for alpha = .05		
		1	2	3
Tukey's HSD ^a				
Noncomplainers	201	6.9813		
Complainers	421		7.8177	
Satisfied customers	194			9.0464
Significance		1.000	1.000	1.000
Tukey b ^a				
Noncomplainers	201	6.9813		
Complainers	421		7.8177	
Satisfied customers	194			9.0464
Scheffé test ^a				
Noncomplainers	201	6.9813		
Complainers	421		7.8177	
Satisfied customers	194			9.0464
Significance		1.000	1.000	1.000

NOTE: Means for groups in homogeneous subsets are displayed. Reducing the sample size in Category 1 from 421 to 201 produces the same findings.

a. Uses harmonic mean sample size = 239.903. The group sizes are unequal. The harmonic mean of group sizes is used. Type I error levels are not guaranteed.

Analysis and Results

The data are analyzed using a one-way ANOVA. The results are shown in Table 2.

As can be seen from Table 2, there is no significant difference in means for corporate image between dissatisfied complaining customers and noncomplaining customers. There is, however, a significant difference between these two groups and ordinary satisfied customers. The latter group has the highest mean value.

ANOVA in customer intent is shown in Table 3.

From Table 3 it is clear that there are significant differences between all groups with regard to mean value. Dissatisfied complaining customers' intent is lowest, whereas ordinary satisfied customers have the highest mean value.

The findings reported in Tables 2 and 3 are mean values for the whole sample. Subsamples of respondents who are satisfied or very satisfied with the complaint resolution may give different results.

Analysis of corporate image and customer intent as a function of degree of satisfaction with service recovery is shown in Table 4.

When the mean value of satisfaction with complaint resolution is -1 or higher (scale -5 to +5), dissatisfied complainers' perceptions of and attitudes toward the supplier change and become equal to those of ordinary satisfied customers. At this level, however, dissatisfied

TABLE 4
Changes in Image and Intent as Satisfaction
With Service Recovery Increases

	<i>Corporate Image</i>		<i>Customer Intent</i>	
	<i>Subset for alpha = .05</i>		<i>Subset for alpha = .05</i>	
SSR = -2	2 < 1 < 3		1 = 2	3
SSR = -1	2	1 = 3	1 = 2	3
SSR = 0	2	1 = 3	2 < 1 < 3	
SSR = 1	2	1 = 3	2	1 = 3
SSR = 2	2	1 = 3	1 = 2	1 = 3
SSR = 3	2	1 = 3	2	1 = 3
SSR = 4	2	1 = 3	2	1 = 3

NOTE: SSR = satisfaction with service recovery. 1 = complainers, 2 = noncomplainers, 3 = satisfied customers.

complainers' intent is equal to that of dissatisfied noncomplainers and below that of ordinary satisfied customers. The number of respondents in Category 1 is 80, or 40% ($N = 201$). When the mean value of satisfaction with complaint resolution changes from zero to one or higher, dissatisfied complainers' intent becomes equal to Category 3. This implies that at a moderate degree of satisfaction with service recovery (i.e., score of -1 on a scale of -5 to +5), dissatisfied complainers' perceptions of and attitudes toward the supplier are restored, that is, their corporate image mean value score is equal to that of ordinary satisfied customers. However, to restore dissatisfied complainers' intent, the degree of satisfaction with the complaint resolution must be higher (i.e., score of 1 on a scale of -5 to +5). At this level, customer intent becomes equal to that of ordinary satisfied customers. The number of respondents who fall into this range is 61, or 30% ($N = 201$).

DISCUSSION

Support is found for Hypothesis 1. Mean values for complaining customers' perceptions of and attitudes toward corporate image and future intent are significantly higher than similar mean values for dissatisfied noncomplaining customers. This finding implies that service companies' recovery efforts have a positive impact on complaining customers' future intent, perceptions of, and attitudes toward the company. Because both intent and image are directly indirectly linked to performance, this finding is relevant to managers.

Hypothesis 2 is rejected. Mean values for ordinary satisfied customers' future intent, perceptions of, and attitudes toward their supplier are significantly higher than similar mean values for dissatisfied complaining customers. On average, dissatisfied complaining customers' intent, perceptions of, and attitudes toward the faltering company is not restored. Even dissatisfied noncomplaining custom-

ers' intent is higher than that of complaining customers (7.817, $p < .001$). This finding is an evidence of service companies' poor service recovery efforts or a reflection of major variations in complaint handling between the companies. The latter is in line with Kendall and Russ (1975), who found that there are considerable differences in managerial policies toward complaint letters. In keeping with Keaveney (1995), dissatisfaction is a strong incentive for existing customers to switch in general, and dissatisfaction with service recovery must represent an even stronger incentive to switch. The financial impact of exit behavior due to mediocre recovery efforts should be relevant to managers.

Hypothesis 3 is rejected. Despite very high scores in satisfaction with service recovery, mean values for complaining customers' future intent, perceptions of, and attitudes toward the faltering company never surpass similar mean values for satisfied noncomplaining customers. Our findings indicate that a minority of the respondents (30%) was satisfied with service recovery. Interestingly, no satisfaction scores above +1 (scale -5 to +5) improved customer intent beyond ordinary satisfied customers'. Depending on how one defines customer loyalty (e.g., retentional or emotional), this finding challenges the existence of the service recovery paradox. Defined as retention, this result indicates that there is no point in pampering the dissatisfied complaining customer, that is, these customers will not increase their consumption rate as a function of being satisfied with the company's recovery efforts.

MANAGERIAL IMPLICATIONS

Whereas service quality and customer satisfaction have received considerable attention from business executives lately, customer dissatisfaction, customer complaint handling, and complaint resolution seem to be neglected areas. Complaint handling is by the end of the day driven by economics—increased retention (i.e., reduced churn), longer customer relations (i.e., increased customer lifetime value), and reduced cost of selling to existing customers and reduced costs of attracting new customers to the firm (i.e., increased marketing effectiveness and efficiency).

From this study, we may draw three conclusions. First, complaining customers who have received service recovery have a more positive perception of the supplier and a higher repurchase intention than dissatisfied noncomplaining customers. This finding is an evidence of the fact that service recovery does have an impact on how complaining customers perceive the company. Service recovery also seems to affect their future repurchase intention. This finding is in keeping with Smith and Bolton's (1998)

findings that cumulative satisfaction and repatronage intentions increase as a function of satisfaction with service recovery. Consequently, investing in service recovery efforts is a good investment from an image and customer retention perspective. Second, comparing customers who have not experienced any recent service failure with complaining customers indicates that the latter group's perception of the supplier and future repurchase intention after they had received service recovery was not restored. From this finding, we can learn that service companies in general must improve their complaint resolution efforts dramatically to retain dissatisfied complaining customers. Our findings indicate that 40% of the dissatisfied complaining customers were dissatisfied with the complaint handling. Furthermore, only 30% of the respondents were satisfied with the complaint handling. Third, complaining customers' perceptions of the supplier and their repurchase intentions never surpassed those of ordinary satisfied customers. From this finding, we can learn that from an image and buy-more perspective, there is no point in delighting² the dissatisfied complaining customer. In other words, there is no linear correlation between delight and intent. This finding is in keeping with Oliver, Rust, and Varki (1997), who found only limited support for the effect of delight on intention. However, there is reason to believe that delight with recovery may move the customer up the loyalty pyramid (i.e., cognitive, affective, conative, and action loyalty (Oliver 1997)). With strengthened loyalty, customers would be more inclined to buy the same services during a longer time period. Furthermore, delighted customers would be inclined to buy other services from the supplier. Both effects have a strong positive impact on the customer's lifetime value. There is also reason to believe that customer delight with service recovery will create positive word of mouth. Positive word of mouth may position the company as being relatively more attractive than other alternatives, thus creating an incentive for new customers to switch or adopt based on marginal marketing investments by the company. This is in accordance with Rust and Oliver (2000), who argued that even though the delighting firm will suffer from increased customer expectations, competition is hurt worse through customer attrition to the delighting firm. Increased lifetime of, and add-on sales from existing customers combined with reduced acquisition costs of new customers are good news for the companies' bottom line.

Consequently, companies should relate to recovery from two perspectives; retain and increase future cash flow from current customers. Positive word of mouth from existing customers positions the company as relatively more attractive and thus creates an incentive for new customers

2. Oliver, Rust, and Varki (1997) defined delight as satisfaction plus positive surprise.

to switch or adopt. In summary, I will claim that the primary goal of the recovery strategy is to retain existing customers. Access to new customers should be a bonus, not a goal.

SUMMARY

Using an *ex post facto* design, this article studied the impact of service companies' current recovery efforts on complaining customers' future intent, perceptions of, and attitudes toward the faltering company. ANOVAs were performed among complaining customers who had received complaint resolution and customers who had not received recovery (i.e., dissatisfied noncomplaining customers and ordinary satisfied customers). The findings indicate that on average, complaining customers' perceptions of the supplier's image, after they have received service recovery, is equal to that of dissatisfied noncomplaining customers but lower than that of ordinary satisfied customers. Second, the findings indicate that complaining customers' future intent, after they have received service recovery, is significantly lower than that of both dissatisfied noncomplaining customers and ordinary satisfied customers.

Finally, the findings indicate that even with very high scores in satisfaction with service recovery, complaining customers' corporate image and future intent never surpass those of ordinary satisfied customers.

LIMITATIONS

Ideally, the impact of satisfaction with service recovery on corporate image and customer intent should have been identified by a pretest and posttest comparison of the same respondent, that is, before and after things had gone wrong. This would be an argument for an experiment. However, often a treatment is implemented before the researcher can prepare for it. This is the case with dissatisfied complaining customers. The absence of a pretest leads to the possibility that any posttest differences between the groups can be attributed either to the treatment (i.e. service recovery) effect or to selection differences between the different groups. However, complaining customers and respondents for the control groups were recruited by random. By comparing the groups, I found no indication of disparity beyond that of psychographics. To our advantage, it could be argued that an experiment could create an artificial setting for the respondents, which in itself could affect the results. This supports an alternative design. Third, recall-based studies tend to be asymptotic for customers' responses to ordinary service failures because

customers tend to report on incidents that are important to them. Fourth, customers who complain tend to be nonrepresentative of the total population. Comparing the three response groups gives no reason to claim that major differences existed. Finally, memory lapses, rationalization tendencies, and consistency factors may have influenced the responses. For this reason, dissatisfied complaining customers' mean values from two following surveys (i.e., NCSB and present dissatisfaction study) were used. In conclusion, I feel that several of the proposed weaknesses are to some extent handled within the current design and thus support my ability to draw conclusions.

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