

CUSTOMER SATISFACTION FROM SERVICE RECOVERY AND THE ROLE OF CULTURE IN THE CONTEXT OF INDIAN HOTELS

Synopsis of the Thesis submitted in fulfillment for the requirement of the Degree of

DOCTOR OF PHILOSOPHY

By

SWATI SHARMA



Department of Humanities and Social Science

JAYPEE INSTITUTE OF INFORMATION TECHNOLOGY UNIVERSITY
A-10, SECTOR-62, NOIDA, INDIA

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1 INTRODUCTION

The India economy has shifted from an economy dominated by the manufacturing of tangible goods to an economy reliant upon the characteristics of the service industry. The services sector continues to be a star performer as its share in gross domestic product has climbed from 58% in 2010-11 to 59% in 2011-12 with a growth rate of 9.4% [1]. The Hotel/accommodation sector had reported sales growth of 14.3 per cent and profit after tax is expected to grow at 26.4 per cent by 2012-13. These statistics focus not only on the growth and importance of service sector but a deeper look suggests that this upcoming accommodation /hotel sector is crucial for Indian economy thus justifying the choice of the research work.

Service is the moment of truth when employee training and expertise is truly tested in the service encounter. A service failure is inevitable. To have satisfied and loyal customer base effective handling of service failure is imperative [2]. Therefore, service researchers [3] [4] [5] [6] and practitioners [7] [8] [9] have shown keen interest in service failures and recovery strategies. This thesis examines the overall satisfaction and the perception of customers regarding the dimensions of service recovery after a service recovery interaction. The thesis also delves into the impact of culture on the perception of service recovery dimensions. The service industry chosen is the Indian hotel industry (a medium contact service sector). The thesis adopts, a single cross section descriptive research design (using a series of hypothetical scenarios).

1.1 THEORETICAL AND MANAGERIAL SIGNIFICANCE

Most of the research in service recovery has been conducted only in western cultural context based on theoretical frameworks developed in western societies [10]. Therefore the understanding of customers in the eastern societies is very limited [11] [12] [13]. In India the research on service recovery is in nascent stage. Not much of the published work is found in the Indian context. The service recovery process is not customized and a uniform recovery process is found in the service manuals or SOP (standard operating procedures) which are used as guidelines to react in an event of service failure. The main purpose of this research is to bridge this knowledge gap.

Satisfaction with service recovery efforts depends on customers' perceptions of service recovery attributes like compensation, apology, empathy and politeness etc. The customers' perception of

these attributes varies with their cultural. This research studies the influence of cultural values in explaining the different perceptions of consumers. This research not only enhances our understanding of how service recovery operates in a multicultural environment, but also contributes to the cross-cultural psychology literature.

Different market segments will require different allocation of resources [14]. Service managers should become aware of the cultural orientation of their customers and design their recovery actions accordingly. The study explores the relationship between the customers' perception of service recovery dimension and their cultural orientation. The service managers should be conscious of the dynamic nature of culture and should aim to detect the cultural profile of their customers from time to time so that the service recovery efforts and resources are directed accordingly [14]. Hence, if service organizations can tap the cultural values of their key customers' via market research, this can then form part of a customers profile in the firm's customer data base or customer relationship management (CRM) system. In an event of service failure or customer enquiry the service manager or the front line executive are instantly equipped with a cultural profile of the customer thus allowing them to adapt their recovery tactics accordingly.

2 REVIEW OF LITERATURE

2.1 SERVICE RECOVERY AND CUSTOMER SATISFACTION

Service recovery refers to the action taken by a service provider in response to service failure [15]. An effective service recovery action not only retains customers, but also enhances customer satisfaction and loyalty [16] [17] [18] [19] [20] [21] [22] [4]. Service failure and failed recoveries are leading causes of customer switching to the competitor [23] and inevitably lead to the high costs of acquiring new customers [24] [2]. Recent research in service recovery suggests that consumers have expectations not only for the initial service encounter but also for service recovery [25]. In other words; their perceptions of service failures and recovery outcomes might be different for each consumers and the perception of these recovery dimensions effect the overall satisfaction of the customers.

The customer satisfaction is derived from the perceived fairness of exchange situations [26]. Customers perceive higher equity when they receive relatively more outcomes from the provider[27] good conflict handling policy, characterized by distributive, procedural justice and interactional justice (fairness) will help to increase customer satisfaction [28] [29].Social exchange theory highlights the role of distributive justice as it relates to the allocation of costs and benefits in achieving equitable exchange relationships [30]. Monetary fairness (distributive

justice) has been found to influence customer satisfaction in a variety of service recovery settings (e.g., retail, hotel, restaurant, airline, auto repair) across a number of research methods (experiments, surveys, critical incidents) [31] [4].

Procedural justice focuses on the way that the outcome is reached. Based on previous literature, the sub-dimensions for procedural justice, namely, flexibility, accessibility, process control, decision control, response speed and acceptance of responsibility, role of explanation or process control [4] [32] [33] [34] [35].

Effectiveness of a service recovery strategy is also dependent on the way in which the service provider handles the problem; responsiveness, empathy and understanding improve the effectiveness of the strategy [36] [24]. Researcher have suggested that pro active efforts (initiated by the service provider) increase customer satisfaction than reactive efforts (initiated by customer) [37] [38].

2.2 CULTURE AND ITS EFFECT ON CUSTOMER SATISFACTION

The cultural orientation of the customers explains as to why one or more recovery initiatives (e.g., apology, empathy, compensation, replacement, process control, timeliness, assurance of no recurrence) are indispensable in one situation but pointless in another... With the trend of globalization, growth of transnational corporations, and the emergence of culture related issues, cultural difference reveals its significance in terms of explaining the behavior of consumers and designing efficient marketing strategies and tools [39] [40]. Service performance perceptions; filtered through the lens of culture [41] have been found to directly affect perceived service quality and satisfaction [42]. National boundaries need not always coincide with culturally homogeneous societies [43] [44]. Large countries like India which is a subcontinent and enjoys varied culture, religion and traditions, the culture can not be synonymous with state or region. The cultural orientation needs to be tapped with individual as the unit of analysis. Hofstede, [45] [46] in a study of more than 116,000 IBM employees in 66 countries, found four universal dimensions of cultural variation that are largely independent to each other, namely power distance, uncertainty avoidance, individualism, and masculinity. Hofstede [47] added the fifth dimension – the Confucian dynamic or long-term orientation. Recently (2010) a 6th dimension of indulgence vs. restraint is also added. Because of its comprehensiveness in determining customer cultural values and norms Hofstede's [46] [47] typology of cultural values are widely used in the service recovery studies

2.3 SCOPE AND LIMITATIONS OF THE STUDY

This thesis examines the impact of the recovery action on the perception of service recovery dimensions and overall satisfaction of the customer in the context of Indian hotels (a medium

contact service sector). The generalizability of the findings to other segments of the hospitality industry and to other service industries will be limited.

The thesis adopts a series of hypothetical scenarios. It limits the emotional involvement of research participant; therefore the generalizability of the study findings can be challenged. [48] [49] [50] [51].

The study uses students as the respondents. This is to ensure that any differences obtained are due to the variables under study, as opposed to demographic differences. Care was taken to include only those respondents who have had the experience of staying in a hotel for at least a week in the past one year. Using final year undergraduate students as respondents for our study is proper since students are real life consumers of hotels. They are seen as a target group who are potential customers for many service providers and especially hotel industry. As after their graduation they usually get placed and indulge in traveling and tourism

2.4 RESEARCH OBJECTIVES

The thesis proposes and tests the perception of service recovery attributes following a service recovery process. It also proposes and tests the impact of the service recovery process on the overall satisfaction of the customers. The thesis captures the cultural orientation of the customers and explores the influence of cultural orientation on the perception of service recovery attributes. The specific objectives of this study are:

- To determine the service recovery factors.
- To identify the factors of culture.
- To investigate the impact of the recovery action on the perception of service recovery dimensions and overall satisfaction of the customer.
- To study the influence of culture on the service recovery dimensions.

3 RESEARCH METHODOLOGY

3.1 Research Design

A single cross section descriptive research design with six separate manipulations (recovery scenario) is used. The effect of each service recovery action on the respondent's perception of recovery dimensions is studied by manipulating the recovery actions of the service provider. Six separate groups of respondents were chosen and were presented with a similar hypothetical service failure situation and then each group (total of six groups) was presented with a unique recovery action. The manipulations or the unique recovery actions were as follows:

- Compensation (Distributive Justice) : Presence and absence
- Cognitive control (Procedural Justice) : Presence and absence
- Pro- active (Interpersonal Justice) : Presence and absence

It is contended in this thesis that the success of various service recovery tactics is influenced by an individual consumer's cultural orientation along the dimensions of power distance, collectivism - individualism masculinity-femininity, uncertainty avoidance and long term orientation. This suggests that, resource allocation on different dimensions of service recovery should be dependent on the importance attached to them by customers [14].

3.2 Research Setting

Hotel (accommodation) was chosen as the research setting. Hotels are characterized by continuous (24/7) operations and highly varying demand, relative to constant rates of supply, which make service failure more likely than in other industries [28] [52]. As a result, it was predictable that most users of the hotel services would find manipulations regarding recovery expectations, recovery performance, and justice realistic and believable.

3.3 Instrumentation

To accomplish the first and second objective of the study a research methodology proposed by Lee Anna Clark and David Watson [53] served as a framework to measure satisfaction from service recovery. A three phase study is undertaken to create a pool of potential attributes of satisfaction from service recovery Based on the customer complaint letters of a 5 star hotel, an in-depth discussion with service practitioners, and the customers, and lastly the exhaustive literature review, the 11 likely attributes of satisfaction with service recovery were ascertained. Items were generated that could measure each of the 11 attributes. In total, 27 items were generated that were believed to measure the 11 attributes of satisfaction with service recovery. The items were linked to a 4-point Likert-type scale anchored by 4 as strongly agree and 1 as strongly disagree.

To examine the effect of the recovery action taken by the service provider on the perception of the service recovery attributes, six hypothetical scenarios of service recovery after a core service failure (booked rooms not available due to over booking) were drafted. In each case the respondent reads the same description of the service failure (annexure1), in an accommodation/hotel context. The recovery is manipulated to vary the presence or absence of compensation (manipulation 1 and 2), the presence and absence of feedback given to the customer (cognitive control) (manipulation 3 and 4) and the source of the service recovery initiation i.e. pro active (action initiated before the customer complaints) and re-active (action initiated after the customer complaints) service recovery (manipulation 5 and 6).

The reliability of each item was calculated with the help of total item correlation. (N=594). The items which were not having significant relationship (correlation coefficient) with the total score, those items were dropped leaving only 23 items in the final scale. The scale was found to be reliable with Cronbach alpha as .850. Six factors were extracted by Principal component analysis was the method of extraction and with varimax rotation. These 6 factors that were extracted included the items which have loadings of more than 0.39 and have been referred as the dimensions of satisfaction from service recovery. The six dimensions of service recovery are empowerment, reliability, communication, standardized policies, compensation and response time.

In order to accomplish the second objective i.e. to tap the cultural profile of the respondents the standardized Cultural Value Scale [54] [55] [56] was modified and adapted to capture cultural orientation at the individual level. The original scale with 26 items was adapted. The recently added 6th dimension of indulgence and restraint was not included for the study. The reliability of each item was calculated with the help of total item correlation. The items which were not having significant relationship (correlation coefficient) with the total score those items were dropped from the final scale. There were total 16 items in this part of the instrument. Each item was linked on a five point scale. The Cronbach alpha of these 16 items was calculated to measure the internal consistency and reliability of the instrument (0.756). The five dimensions of culture as extracted from the factor analysis are: uncertainty avoidance, collectivism, long term orientation, masculinity, and power distance.

3.4 Sample

The sample comprised undergraduate students in NCR (national capital region) who have experience with hotels. The students who have stayed in the hotels for at least a week in the past one year were included in the study. The NCR was divided into four regions i.e. Delhi, Faridabad, Gurgaon, Ghaziabad including Noida and greater Noida. Sixteen engineering colleges (four from each region of the NCR were selected. A sample size of 800 was collected out of which only 594 questionnaires were found fit to be included in the study.

3.5 Data Analysis Procedure

Statistical Package for the Social Sciences (SPSS) version 17.0 was used for the statistical analyses. For the final study the data was collected from 800 respondents. Some questionnaire were not found fit to study because of incomplete data and in some cases the respondent was not eligible to be included in the study as s/he had no prior experience of the stay in the hotel. After sorting 99 questionnaires in each of the six groups were found fit to study making it 594 in all.

4 FINDINGS AND DISCUSSIONS

4.1 Service Recovery Factors

Six factors were finally extracted and used for further studies have been referred as the dimensions of service recovery. The explanation of each is given below:

Empowerment: This factor measured the perception of the customer regarding the level confidence and degree to which the customer felt satisfied with the efforts of the service provider were measured. The researchers also studied this attribute and have found the link between satisfaction from service recovery and empowerment [57] [24].

Reliability: Measured on four items, this factor taps the perception about the consumer regarding the level of trust and integrity of the service organization. This factor has found its reference in the work of many researchers and is found to significantly affect the level of satisfaction from service recovery [58] [59].

Communication: This factor was measured on 4 items and refers to the employees' interpersonal skills like being polite, courteous, and empathetic treatment to the customers. These attributes of the service provider were also found in the service recovery literature [4] [61]

Standardized Policies and Procedures: It refers to the policies and procedures being laid out for the service executives by the service organization to handle a situation of service failure in an effective manner. [4] [32] [62]

Compensation: The link between compensation and satisfaction from the service recovery has been emphasized and studied by many researchers [4] [31] [37].

Response Time: The issues of timing, responsiveness, and customer waiting have been addressed in the complaint and service encounter literature [62] [64] [38]. A quick recovery response to a service failure will enhance customers' evaluations [65] [66].

4.2 Dimensions Of Culture

The original Cultural Value Scale [54] scale was adapted. The original scale with 5 dimension of culture with 26 items was adapted and modified. There were total 16 items in this part of the instrument. The psychometric properties of the instrument were examined by conducting factor analysis and reliability analysis (estimating alphas). With the Cronbach's Alpha as .756 which is above the acceptable limit. The factors were extracted by principal component analysis with

varimax as the rotation method. These 5 factors that were extracted included the items which have loadings of more than 0.43 and have been referred as the dimensions of culture in further analysis.

Uncertainty Avoidance Values: Individuals who are high on this continuum avoid ambiguous and undefined situations and are easily worried, nervous and irritable. In contrast the people with low score on uncertainty avoidance dislike regulation, formalization and standardization; they are adventurous and are more willing to undertake risks. [14][56],

Collectivism values: It is explained by the extent to which people in the society define themselves as part of larger groups. They believe that one should be concerned about the benefits of the group [67] [68] [69].

Long term orientation values: are explained by the extent to which society is focused on the future as opposed to the past and present. They value morality and try always to be patient. They believe that maintaining long-term interpersonal relationships and thus they would not place strict requirements on the service personnel [47].

Masculinity: Masculinity reflects how values such as performance, competition., ambition, wealth, materialism, success and competition prevails over feminine values like quality of life, warm personal relationships, solidarity, equality, environmental preservation and caring for others [45][47].

Power distance Values: is explained by the extent to which the people of a particular culture are willing to accept unequal power distribution. People with high power distance usually indulge in centralized decision making and would demand the perspectives of the reliability and consistency of service and the capacity of accurately offering the service they promise [71] assistance solve problems immediately with empathy [14].

4.3 The Impact Of The Recovery Action On The Perception Of Dimensions Of Service Recovery And Overall Satisfaction Of The Customer.

To achieve this objective the respondents were divided into six groups of 99 each making it 594 in all. All 594 respondents were exposed to a similar service failure situation (non availability of rooms after confirmed booking due to double booking). Each set of 99 was then provided with a unique recovery scenario. The respondents were asked to note down their responses and state the extent of their agreement with the statements given, 1 being strongly disagree and 4 being

strongly agree. The cultural orientation of the respondent was tapped in section C of the instrument on a five point likert type scale.

Data for each group was analyzed by the study of means and comparing the difference in the perception of service recovery dimensions for each sub group (t-test). Relationship between the service recovery dimensions and level of overall satisfaction was studied (Pearson correlation coefficient) and finally regression analysis was done to identify the significant determinants for overall satisfaction for each sub group. The demographic profile (age and gender) was tapped.

However since respondents were of homogeneous group, and have been exposed to the same kind of education and experience, it is deduced that gender and age has negligible role to play so far as the study is concerned and is therefore not included in the analysis.

4.3.1 Set 1 (Presence and Absence of Compensation)

This section analysis the effect of the recovery action (presence and absence of compensation) on the customers' perception of service recovery dimensions and overall satisfaction of the customer. It also probes into the influence of culture and the perceived relative importance of the service recovery dimensions. For this purpose the respondents in this set are divided into two groups of 99 each making it 194 in all. The first set of 99 (group 1) was provided with compensation (a free sight seeing tour) and an apology after the service failure. The second set of 99 (group 2) was extended just an apology after the service failure and no compensation was provided.

The study of means of group 1(presence of compensation) and group two (absence of compensation) shows that the respondents of both the groups have ranked communication, compensation and standardized policies as top three dimensions. The t-test revealed significant difference in the mean values of three of the dimensions of service recovery as perceived by respondents. Group two, the customer perceived the service provider as empowered and quick in response. However the dimension communication was perceived to be better in the case of group 1. The customers when provided with both the compensation and apology perceived the service provider to be empathetic and kind.

Pearson's correlation coefficient correlations were calculated to find out the relationship between the overall satisfaction and the dimension of service recovery. Four out of the six dimensions of service recovery have significant positive correlation with the overall satisfaction. The service provider is perceived to be reliable and to have standardized policies to recover the service failure. The service provider is perceived as kind and empathetic, provides compensation for the loss or inconvenience caused to the customer because of the service failure.

Regression analysis was also done in order to find out the contribution of these six factors to the overall satisfaction. The value of multiple R is 0.588 and the value of R^2 is .346. 35% of the satisfaction after the service recovery is controlled by the three factors namely: reliability, compensation, and empowerment. Reliability and compensation are positively influencing the overall satisfaction and empowerment has negative influence.

In group two, significant positive correlation was found between the overall satisfaction and empowerment, reliability, communication, compensation and response time.

Regression analysis of group 2 revealed ($R^2 = .254$) that almost 25% of the post recovery satisfaction is controlled by the factors compensation and communication, implying that apt compensation and kind and empathetic attitude contributes positively in customer satisfaction.

4.3.2 The relationship of culture and the perceived relative importance of the service recovery dimensions

Data for each group was analyzed by the study of means and comparing the difference in the cultural value orientation of the respondents for each sub group (t-test). Relationship between the service recovery dimensions and the dimensions of culture was studied by using Pearson correlation coefficients and finally regression analysis was done to identify the significant cultural determinants of service recovery dimension for each sub group.

The mean, standard deviation and t-test of each dimension of culture were computed to find the cultural profile of the two groups. The study of means reveals that group 1 can be characterized as low on power distance and high on collectivism and uncertainty avoidance. Student's t test reveals shows Group 1 is significantly low on power distance and therefore will not accept the centralization and formalization of authority and tolerate the lack of autonomy. In Group two the respondents are significantly low on collectivism and uncertainty avoidance orientation. The respondents in this group are of individualistic orientation i.e. they are characterized by loose ties between people [45]. The respondents in this group are also low on uncertainty avoidance and therefore high on risk taking behavior and tolerant towards uncertainty. The third dimension that stands out on significant difference is power distance. The respondents of this group are high on power distance [45]. Weak customers with high score in power distance view themselves as being unimportant to service provider and do not expect an empathetic and responsive service [56]. There is difference between Group 1 (presence of compensation) and Group 2 (absence of compensation) so far as the dimensions of culture are concerned.

Pearson correlation coefficient shows that in group 1, three out of five cultural dimensions are significantly related with service recovery dimensions. They are masculinity, long term

orientation and power distance. Masculinity is negative related standardized policies ($r=-0.219$ $p < 0.05$). People with masculine values tend to practice decisiveness, assertiveness, competitiveness [70]. This relationship indicates that people with masculinity values will be less satisfied if the service provider during the recovery process is following rigid policies and procedures and is not flexible. This group is characterized by people high on long term orientation (mean=3.88). The results show that there is a 99% significant relationship between long term orientation and empowerment. ($r=0.373$), communication ($r=0.245$) and compensation ($r=0.261$). This relationship indicates that customers with long term orientation values perceive the service provider during the recovery process as empowered capable of handling the complaint of the customer, polite and concerned and fair in compensation. There is a significant relationship between power distance values and empowerment ($r=0.191$ $p < 0.05$). This group is characterized as weak customers (students who at this stage seldom patronize a hotel for long, therefore they do not consider themselves as important for the hotel) with low power distance. The relationship indicates that customers with low power distance values consider the service provider as empowered and in position to take decision when they are extended with compensation after a service failure.

Correlation Coefficient for group 2 indicates that there is a significant positive relationship between uncertainty avoidance values and communication and response time dimension of service recovery ($r=0.343$ $p < 0.01$; $r=0.206$ $p < 0.01$ respectively). This relationship indicates that of people with uncertainty avoidance values in the given situation perceive the service provider to be quick in resolving their problem of (double booking). The t test shows that the mean of this group is significantly less than the group one where in the recovery action were meted out with an apology along with the compensation. This group is characterized by respondents low on uncertainty avoidance. Customers with the weak uncertainty avoidance are contemplative, less aggressive, unemotional, accepting of personal risk, and relatively tolerant [45]. In this situation the respondents after the service failure (rooms not made available due to double booking) are meted out only with an apology and not with compensation (free sight seeing tour). This explains why in this group even in the absence of compensation the customers' of this orientation perceive significantly positive about the response time. The customers with long term orientation are easy to please as they believe in being tolerant to the service failure in order to keep the relationship with their service provider of their choice. The findings endorse the same as even after receiving a plain apology and no compensation after a service failure (double booking) and wait of 45 minutes perceive the service provider to be fair in compensation. ($r=0.241$ $p < 0.01$). Collectivists and the reliability dimension ($r=0.202$ $p < 0.01$) are negatively correlated. The t test indicates that the customers in this group are significantly low on this dimension so they are more of individualist. Attributes of individualists include an emphasis on personal responsibility and freedom of choice [71], personal autonomy and self-fulfillment [45],

distinctive personal attitudes and opinions [72]. This explains the significant negative correlation with reliability of the service provider.

The step wise regression analyses between the six service recovery dimensions (dependent variables) and five cultural dimensions (independent variables).reveals that four service recovery dimensions are affected by culture i.e. empowerment, communication, standardized policies and compensation. For group 1 the R^2 varies from 0.06 (compensation) to 0.14 (empowerment). Five out of six regression models are significant at 0.05 levels. The five cultural independent variables were entered in the regression equation in order to find out their contribution to dependent variable (service recovery dimensions).The findings show that for group 1, long term orientation emerged as a significant determinant of empowerment ($\beta=.37$ and R^2 0.14) compensation ($\beta=.26$ and R^2 0.06) and communication ($\beta=.24$ and R^2 0.07) Masculinity emerged as a significant negative determinant of the dimension standardized polices ($\beta=-0.29$ and R^2 0.09) and power distance emerged as significantly positive predictor for the same variable ($\beta=.21$ and R^2 0.09). For group 2 long term orientation emerged as significant positive predictor for reliability and compensation ($\beta=.26$ and R^2 0.10; $\beta=.24$ and R^2 0.06). Uncertainty avoidance emerged as significant determinant for response time and communication ($\beta=.20$ and R^2 0.04; $\beta=.34$ and R^2 0.12). Collectivism is a negative significant predictor for the dimension reliability ($\beta=-0.27$ and R^2 0.10)

4.4 SET 2: ABSENCE AND PRESENCE OF FEEDBACK

4.4.1 The Impact of the Recovery Action on the Perception of Dimensions of Service Recovery and Overall Satisfaction of the Customer

The study of means of Group 3 (absence of feedback) and Group 4 (presence of feedback) shows that the respondents of both the groups have ranked communication compensation as top two dimensions. Significant difference was found in the mean values of reliability and standardized policies. The respondents of group 3 perceive the service provider as highly reliable and to have fair policies for handling service failures. It can be explained that with the constant updating on the progress being made to solve the problem the customer perceives the problem to be graver. The customer perceives service provider is unable to handle the problem and is therefore trying best to woo the customer by updating him on the progress being made. This can be explained by the fact that the effort to keep the customer informed about the problem shifts the locus of control on the service provider. The expectations of the customer increases and they start perceiving that the service provider is not sure of the actions to be taken and is therefore indulging in this exercise of explanation and feedback. Or the real answer to this is in the study of culture.

The next step involved computing the Pearson's correlation coefficient of the six dimensions of service recovery with the overall satisfaction of the customer. This was done to find out the relationship between the overall satisfaction and the dimension of service recovery. For group 3 four out of the six service recovery dimensions have significant correlation with the overall satisfaction of the customer. The correlations were statistically significant at 0.05 levels. The findings indicate that in the given situation (no explanation) customers will be more satisfied when they perceive the service provider as empowered, reliable, fair in communication and compensation and standardized policies to resolve the service problem.

The correlation coefficients for group 4 were computed. The findings reveal that four out of the six service recovery dimensions have significant correlation with the overall satisfaction indicates that customers in the presence of feedback perceive the service provider as reliable, fair in compensation quick in response and policies to resolve the service problem

Regression analysis was also done in order to find out the contribution of these six factors to the overall satisfaction. The findings reveal that for group 3 the value of multiple R is 0.548 and the value of R^2 is 0.301. It states that 30% of the satisfaction can be controlled by the two determinants namely: communication ($\beta=0.479$, $p < 0.01$) and compensation ($\beta=-0.228$, $p < 0.01$). Regression analysis for group 4 revealed the value of multiple R as 0.595 and the value of R^2 as 0.354. 35% of the satisfaction can be controlled by the three determinants namely: reliability, empowerment and compensation. ($\beta=0.618$, $\beta=-0.393$ $p < 0.01$ and $\beta=0.195$, $p < 0.05$ respectively). This indicates that the customer in the given situation (feedback present) perceives the service provider as trust worthy and reliable and fair in compensation.

4.4.2 The influence of culture and the perceived relative importance of the service recovery dimensions

The mean and standard deviation and t-test of each dimension of culture were computed for the two groups. In group three the respondents can be characterized as low on uncertainty avoidance. The respondents in this group are tolerant for uncertainty and risk taking [45] [47]. In Group four the respondents are significantly high on uncertainty avoidance. Customers with high score of uncertainty avoidance believe in reduction of ambiguity and a need for predictability: a need for written rules, and a structured relationship, while low uncertainty avoidance is often prepared to engage in risky behavior in order to reduce ambiguities [47]. Customers with strong uncertainty avoidance are active, aggressive, emotional, security-seeking, and intolerant. There is significant difference between the two so far as the dimension uncertainty avoidance is concerned.

The correlation coefficients for group 3 show four out of five dimensions of culture that effect the perceptions of service recovery are masculinity, long term orientation, collectivism and power distance. The test reveals that there is a significant relationship between masculinity values so far as the communication dimension of service recovery is concerned.($r=0.268$ $p < 0.01$). The group is characterized by customers with high masculine values. ($m = 3.87$) [70] Such people are those who tend to value decisiveness, assertiveness, competitiveness. The crisp and assertive apology with the problem being solved without much fuss and explanation is taken positively by the customers of masculine values. Customers of long term orientation are significantly correlated with reliability ($r=0.239$, $p < 0.01$) and communication ($r=0.193$ $p < 0.01$). The customers of this orientation believe in maintaining long term relationship with the service provider and therefore they are forgiving the relatively poor service from the service provider they care most [73]. Collectivists are negatively related to the dimension response time($r=-0.227$. $p < 0.05$). In the absence of compensation and feedback the collectivist customer perceives significantly poor about the time taken by the service provider to resolve the issue. Power distance values make the customer accept centralization and formalization of authority and tolerate the lack of autonomy. The customers of this orientation are characterized as weak in relation to the service agents (students who are not patronizing the hotel much) and therefore are prepared to accept the relatively less reliable service from powerful service provider [56] [14]. This explains a significant relationship between power distance and reliability($r=0.190$ $p < 0.01$) and compensation ($r=0.280$ $p < 0.01$) are concerned. In group 4 four out of five dimensions of culture are significantly related with the dimension of service recovery. The correlation between the uncertainty avoidance and two dimensions of service recovery i.e. communication and compensation is positive and significant. ($r=0.272$ and 0.195 respectively). The customers of masculinity orientation have a significant and negative correlation with empowerment and positive correlation with communication. ($r=-0.218$ $p < 0.05$; $r=0.287$ $p < 0.01$). In the event of failure too much of explanation is perceived negatively by the masculine customers [70]. These customers perceive that the service provider is not in control of the situation and therefore is indulging in the act of explanation. This relationship indicates that people high on masculinity values will be less satisfied if the service provider during the recovery process instead of providing with concrete action indulges in offering feedback on the progress .Significant relationship between long term orientation values and the compensation ($r=0.192$ $p < 0.05$). The customers in this group are moderately high on the score for this dimension ($m=3.90$). Customers of power distance orientation are significantly correlated with communication ($r=0.220$ $p < 0.01$) and compensation ($r=0.201$ $p < 0.05$). The people falling in this dimension are characterized as customers who accept centralization and formalization of authority and tolerate the lack of autonomy. The customers of this orientation are characterized as weak in relation to the service agents (students who are not patronizing the hotel much) and therefore are prepared to accept the relatively less reliable service from powerful service provider [56] [14].

A step wise regression analyses between the six service recovery dimensions (dependent variables) and the cultural dimensions (independent variables) was computed. For group 3, four out of six regression models are significant at 0.05 levels. The customers of masculine orientation perceived the service provider as fair in communication ($\beta=0.27$, $p <0.01$.) The customers of the long term orientation perceived the service provider as reliable and capable of providing error free service in future. ($\beta=0.24$, $p <0.01$). The collectivist are negatively related to the dimension response time ($\beta=-0.23$, $p <0.05$) and customers of power distance orientation perceive the compensation (an apology) as fair compensation ($\beta=0.28$, $p <0.01$). Customers of uncertainty avoidance do not seem to influence service recovery dimension in the given situation. For group5, three out of six regression models are significant at 0.05 levels. Masculine orientation is related to users' expectations of service recovery. The masculine customers perceived the service provider as fair in communication ($\beta=0.29$, $p <0.01$), Also, masculinity is negatively related to empowerment ($\beta=-0.22$, $p <0.01$). The power distance has a positive relation with the dimension compensation. ($\beta=0.20$, $p <0.01$).

4.5 SET 3 RE-ACTIVE AND PRO-ACTIVE SERVICE RECOVERY

4.5.1 The Impact of the Recovery Action on the Perception of Dimensions of Service Recovery and Overall Satisfaction of the Customer

The study of means of group5 (pro active service recovery) and group six (re active service recovery) shows that the respondents of both the groups have ranked communication compensation and standardized policies as top three dimensions. Student's t test was applied to compare the dimensions of service recovery between the two groups. Significant difference was found only for the dimension reliability. Constant feedback in group 6 makes the customer perceive the service provider as reliable, than the customers of group 5(reactive service).

In order to identify relationship the dimensions of service recovery and overall satisfaction Pearson's correlation coefficient was computed. The coefficients for group 5 reveal that four out of the six dimensions of service recovery have significant and positive correlations with the overall satisfaction. The dimensions are reliability, communication, standardized polices and response time. The Pearson correlation coefficient computed for the group 6 reveal that five out of six service recovery dimensions are significantly and positively correlated with overall satisfaction. When the service recovery is pro active the customers perceive the service provider to be empowered, reliable, fair in policies and compensation and quick in response.

A step wise regression analysis is done to know the contribution of the independent variables(dimensions of service recovery)on the dependent variable; overall satisfaction. In reactive service recovery situation the value of multiple R is 0.517 and the value of R^2 is 0.267. It states that 26% of the satisfaction after the service recovery can be controlled by the three determinants namely: standardized policies, communication and reliability. The regression analysis for group 6 reveals that two of the six variables which effect the overall satisfaction for this group are Compensation ($\beta=0.286$, $p < 0.05$) and reliability ($\beta=0.320$, $p < 0.01$). The value of multiple R is 0.462 and the value of R^2 is 0.213.

4.5.2 The influence of culture and the perceived relative importance of the service recovery dimensions

The study of means reveals that both the groups are collectivists and moderately high on uncertainty avoidance and long term orientation values. There is no significant difference between the cultural orientations of the two groups.

The Pearson correlation coefficient computed for group 5 reveals that two out of six dimensions are correlated with the cultural dimension. The dimensions of culture which effect the perception of service recovery dimension are masculinity, and power distance. This group is characterized by people who possess moderately masculine traits with mean approximately at four ($m=3.82$). Masculines belief that the male should be self-concerned, determined, aggressive, independence, competitive. The customers of this orientation do not expect the service personnel to consider what they need from the standpoint of the customers; do not require the service personnel to pay attention to the needs of individual customer. Thus inability to provide pro active service recovery does not perturb them much. This explains the positive correlation between masculinity values and communication dimension of service recovery ($r=0.212$ $p < 0.01$) and compensation ($r=0.300$ $p < 0.01$). Masculine customers are decisive and assertive. It pleases them to see the service provider in action after they make a complaint. Thus the compensation in the form of an apology and immediate action on their complaint seemed to be fair to them. A significant positive relationship between power distance values and compensation ($r=0.194$ $p < 0.05$).is explained as these customers accept autonomy and are weak customers (students who at this stage seldom patronize a hotel for long, therefore they do not consider themselves as important for the hotel).

In group 6 four out of six dimensions are significantly correlated with the cultural dimensions. Three out of five service recovery dimensions that effect the perception of service recovery dimensions are uncertainty avoidance, collectivism, and power distance. Customers of uncertainty avoidance and collectivism values perceive the service provider as fair in

communication. ($r=0.258$ $p < 0.01$; $r=0.254$ $p < 0.01$ respectively). Collectivists also perceive the service provider as fair in compensation ($r=0.232$ $p < 0.05$) and fairly quick in response time. ($r=0.228$ $p < 0.05$). It is observed that the customers with collectivism values are not significantly correlated with any of the six dimensions of service recovery in the previous situation, where the service provider did not initiate the recovery action. In contrast in this situation they are significantly correlated with three out of six dimensions of service recovery. They perceive quick action, better communication and fair compensation being meted out to them during the interaction. There is a significant relationship between power distance values and three dimensions of service recovery i.e. standardized policies ($r=0.271$ $p < 0.01$), compensation ($r=0.259$ $p < 0.01$) and response time ($r=0.281$ $p < 0.05$). According to Furrer et al., 2000 [14] the customers high on power distance continuum, value the assistance provided by the service provider to solve problems immediately and also value prompt and empathetic service.

The step wise regression analysis for group 5 reveals two out of six models as significant. The two service recovery dimensions that are affected by culture are communication, and compensation. The customers with masculinity values in the given situation (where the service provider has extended an apology and resolve the problem by immediately acting on the complaint made by the customer perceives the service provider as empathetic, kind in communication style. ($\beta=0.21$, $p < 0.05$) and fair and just compensation ($\beta=0.30$, $p < 0.01$).

The step wise regression analysis for group 6 shows that four out of six regressions are significant. The cultural dimensions that effect the perception of service recovery dimensions are uncertainty avoidance, masculinity, collectivism and power distance. The customers of uncertainty avoidance and collectivist orientation perceive the service provider as fair in compensation ($\beta=0.21$, $p < 0.05$; $\beta=0.21$, $p < 0.05$ respectively). The customers of power distance perceive positively about the service provider on compensation, standardized policies and response time. However the Masculine effect negatively on the dimension compensation. ($\beta=-0.25$, $p < 0.01$)

5 CONCLUSIONS AND IMPLICATIONS

A comprehensive conclusion is drawn on the basis of the results obtained after the statistical test. Step wise regression analysis done to know the contribution of the independent variables (dimensions of service recovery) on the dependent variable. Overall satisfaction computed for the six groups exhibit that the dimensions of service recovery affect the overall satisfaction differently in different groups. The values of R^2 vary from .213 to .354.

It is noted that the determinants of overall satisfaction in group 2 (absence of compensation) groups 3 (absence of feedback) are communication and compensation. It is seen that an apology is viewed as a valuable reward that redistributes esteem in an exchange relationship [31]. An apology is perceived as an expression of empathy and concern to customers who have experienced the inconvenience [74] [24]. The customers who have taken time and effort to complain about the service problem typically expect the mistake to be corrected and the problem to be resolved in order to achieve justice [32]. For example, customers expect a reimbursement if their accounts were mistakenly charged. With the problem being resolved and the blame of the service failure being taken by the service provider (an apology extended), the customers' feel that they have received the outcomes they expect and deserve. And therefore perceive the compensation to be apt in both the situations.

Feedback may be viewed by customers as an important piece of information, a valuable outcome, and a means to understand and control their service environment. Mattila and Patterson [75] found that providing a causal explanation regarding the service failure reduced the likelihood of U.S. customers falling prey to the fundamental attribution error and increased their likelihood to attribute the errors to situational factors. However, explanations might backfire if deemed by customers as the service organization's attempts to justifying service failures and to place rather than take blame. This explains the negative contribution of empowerment to overall satisfaction in group 4 where the customer was given feedback/ cognitive control. Reliability is the important determinant of overall satisfaction in group 1(compensation present) group 4 (feedback present) and group 6 (pro active recovery). When the organization creates an equity between the inconvenience caused to the customer by extending compensation (distributive justice), cognitive control through feedback (procedural justice and proactive recovery (interactional justice) the customer perceives the service provider as reliable. The customer views a proactive effort as a demonstration of honesty and forthrightness, and a show of respect [76].

The only dimension that has significant negative contribution to overall satisfaction is empowerment. The customer perceives the service provider as less empowered in group1 and group 4. It can be said that too much of explanation not followed by compensation or followed by a compensation that is not apt in the eyes of the customer creates apperception that the service provider is not in capacity to handle the service slip up.

The study of culture reveals that the dimension uncertainty avoidance is not related with of any of the dimension of service recovery except in the scenario where they are provided with pro active service recovery. It is inferred that the customers high on this orientation are characterized by strong need for consensus, need for predictability hence, planning is important. They respect

for authority and therefore are not very critical of the service provider in the presence of compensation, presence and absence of feedback and reactive service scenario. However they appreciate the cognitive control given to them by explanation on the progress made to resolve the problem and therefore perceive the communication of the service provider as satisfying. The feedback reduces the anxiety and thus gives them the satisfaction. It can be said that for the customers of high uncertainty values the cognitive control is of utmost importance. In group 2 the customers were significantly low on this dimension and therefore even in absence of compensation perceived the service provider as fair in compensation and quick in reaction to failure.

In contrary the customers of masculine orientation (emphasizes materialistic aspects of success and do not place great importance on benevolence), appreciate when the service provider gets into action to resolve the problem at their behest. They appreciate when the service provider resolves the problem without indulging in clarifications and explanations (provide feedback). The compensation in the form of sight seeing tour appears petty and they regard the provider as poor on standardized policies. They place importance on the value of mastery and therefore covering up acts with petty compensation does not impress such customers.

The customers with long term orientation are difficult to offend. The customers with long term orientation are forgiving and easy to please as they try to overlook the faults and try to maintain the long term relationship with their trusted service provider [73]. This explains the absence of negative relationship with the dimensions of service recovery and positive relationship even in the absence of feedback and compensation.

The customers of collectivist's orientation believe that service personnel should be concerned about individual customer's needs; that they should value the relationships among people [73]. The customers of this orientation are not easy to please and this explains the absence of any positive regression values for any of the dimension of service recovery. When meted with compensation and explanation from the provider do not elicit positive perceptions, but the absence of same elicits negative perceptions. Pro active service recovery tactics works best with them.

The customers in the study are characterized as weak customers high on Power distance value, therefore can be characterized by acceptance for centralization and formalization of authority and tolerate the lack of autonomy which foster inequalities in power and wealth [45]. They tolerate power hierarchy, vertical top down communication. Weak customers with high score in power distance view themselves as being unimportant to service provider and do not expect an empathetic and responsive service [56]. A pro-active service recovery delights them. However

since they do not expect much from the service provider, therefore perceive the service provider in good light with what ever efforts it makes to resolve the service problem. A summary of the managerial implications of each cross-cultural service recovery strategy is tabulated below:

Table1.2: Summary of the managerial implications of each cross-cultural service recovery strategy

Service recovery action	Cultural profile	Recovery Dimension	Managerial implications
Proactive Service recovery and feedback	Uncertainty Avoidance	Communication, and Response time	Individuals high on this dimension get anxious after the service failure. They make efforts to reduce the uncertainty that is accompanied by a service slipup. The service providers should ensure that while dealing with customers of such orientation, are clear in their communication and should be empathetic so that the customer is assured that the gravity of the situation is communicated. The service providers should also take quick action to solve the service failure so that the customer does not stay in the state of instability for long.
Compensation and feedback	Masculinity	Communication, Compensation and Empowerment	Service provider while handling service recovery situation should ensure that the service personnel is capable enough to solve the service problem, should be in control of the situation and in the capacity to provide apt compensation, for the inconvenience incurred by the service provider. The service personnel should also be courteous and kind in his/her approach.
Apology and compensation	Long Term Orientation	Reliability, Communication, Compensation and Empowerment	The service providers need to assure to such customers that the service slip ups was one odd problem, otherwise the service organization is reliable and capable of providing error free service. They should have empowered personnel who are in capacity to take decisions and solve their service problem. Compensation also needs to feature as an imperative part of the service recovery strategy.

Apology and proactive recovery	Collectivists	Communication Response time Reliability	The service provider when dealing with collectivists needs to ensure that the service personnel handling the situation are polite and kind. The service personnel should be empathetic and capable of ironing out the grievance of the customer by good interpersonal skills. The customers are not complaining types and therefore the service provider needs to win them by taking care of these three attributes.
Apology and compensation, Pro active recovery	Power Distance	Policies and procedure, Compensation and Response time	The service provider should be able to communicate that they have policies and procedures laid out to solve such service failures. The Employees handling these customers should be quick in their response and take quick recovery action and should be in position to compensate the customer for the inconvenience caused.

6 ORGANIZATION OF THE THESIS

The work presented in this thesis focuses on the assessment of the perception of the service recovery dimensions and its impact on the overall satisfaction. The service recovery interaction is a social exchange. It explains the influence of cultural values on the perception of the service recovery attributes. The study delves into the influence of cultural orientation of the consumers' on the perception of service recovery dimensions. The study explores how customers of different cultural orientation perceive the relative importance of the recovery dimensions. The thesis statistically proves the influence of cultural orientation on the perception of the service recovery dimensions. The results obtained show a direction to the service providers to customize their service recovery action

Chapter 1 is a prologue to the thesis. It establishes the foreword about the Indian service industry; it outlined the objectives and research questions, then highlighted the importance of the topic and provided justification for the study.

Chapter 2 provides a comprehensive literature review of service failure and service recovery including failure type, failure magnitude, results of service failure and complaints management.

Chapter 3 presents a literature review of cultural value orientations and the impact of cultural values on the consumer behavior.

Chapter 4 is the outcome of the second and third chapters. It provides the theoretical foundation for this thesis. Chapter four discusses the overall research objectives and the hypotheses that will be studied and empirically tested.

Chapter 5 outlines the research methodology used to collect data and to test the hypotheses developed in the previous chapter (Chapter 4). The chapter describes the manipulation checks the sampling frame, the data collection procedures, the results of the pilot test and the analysis plan.

Chapter 6 the detailed analyses of the findings with the discussion are presented in this chapter.

Chapter 7 is devoted to conclusions and implications. This chapter also discusses the limitations and proposes directions for further research.

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