The Impact of Service Recovery on Customer Loyalty

(Case company: Swedbank)

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Abstract

Title: The Impact of Service Recovery on Customer Loyalty (Case company: Swedbank)

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Aim: The aim of the study is to analyse the impact of service recovery measures on customer loyalty by considering a Case company Swedbank.

Methodology: Both primary and secondary data have been collected for this study. In primary data interviews and questionnaires are used. Different theories about customer loyalty and service recovery are discussed in secondary data. Both qualitative and quantitative data are used. Multiple regression analysis is used to analyse the data and give conclusion.

Conclusion: Conclusion shows that service recovery measure can impact customer loyalty. It is also concluded that prompt response, material compensation and politeness of employees play important role in service recovery measures and influence customer loyalty.

Practical implication: Theories discussed in the study can be used as basis to develop the strategies in services; these strategies can consider the service recovery measures discussed in this investigation and it can also help Swedbank to know the importance of service recovery process in customer loyalty.

Limitation: Few limitations of this study are; customer loyalty is the objective, not Customer satisfaction. Service recovery may result in customer satisfaction not in customer loyalty. Moreover only two components of loyalty have been examined, word of mouth and repurchase intention. This study is not considering customers who have problems but they did not communicate to the bank.

Key words: Customer loyalty, Service recovery, Swedbank
Acknowledgments

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Table of Contents

List of Figures and Tables ........................................................................................................... - 1 -

Chapter No.1 ............................................................................................................................... - 1 -

Introduction ................................................................................................................................. - 1 -

1.1 Insights into this Investigation .......................................................................................... - 1 -

1.1.1 Why Swedbank as case company ................................................................................ - 2 -

1.2 Research Questions ............................................................................................................. - 3 -

1.2.1 Do service recovery measures have impact on customer loyalty in Swedbank? ........... - 3 -

1.3 Chapters overview .............................................................................................................. - 3 -

Chapter No.2 ............................................................................................................................... - 5 -

Methodology ............................................................................................................................... - 5 -

2.1 Inductive and deductive approach ...................................................................................... - 5 -

2.2 Secondary Data ..................................................................................................................... - 5 -

2.3 Primary Data ....................................................................................................................... - 6 -

2.3.1 Qualitative research (Interview) ................................................................................... - 6 -

2.3.2 Quantitative research (Questionnaires) ....................................................................... - 7 -

2.4 Sample ................................................................................................................................ - 9 -

2.5 Analysis of data ................................................................................................................... - 9 -

2.6 Validity and Reliability issues ............................................................................................ - 10 -

2.7 Ethical considerations ......................................................................................................... - 10 -

Chapter No.3 ............................................................................................................................... - 12 -

Theoretical Framework .............................................................................................................. - 12 -

3.1 Customer Loyalty ............................................................................................................... - 12 -

Table 3.I; Categories of loyalty .............................................................................................. - 13 -

3.1.1 Service loyalty .............................................................................................................. - 14 -

3.1.2 Repurchase intention and word of mouth ..................................................................... - 15 -

3.2 Service recovery ................................................................................................................ - 15 -

3.3 Justice theory of service recovery ................................................................................... - 16 -

3.4 Service Recovery and Customer loyalty ............................................................................ - 18 -

Figure 3.2 Research model ..................................................................................................... - 19 -

Hypothesis ................................................................................................................................. - 20 -

Chapter No.4 ............................................................................................................................... - 21 -

Empirical Findings ................................................................................................................... - 21 -

4.1 Background and Introduction ........................................................................................... - 21 -
List of Figures and Tables

Figure 3.2 Research model ................................................................................................................. - 19 -

Table 3.I Categories of loyalty ............................................................................................................ - 13 -

Table 4.1 Correlations between Service recovery measures and Word of Mouth ...................... - 25 -

Table 4.4 Correlation Analysis between service recovery measures and repurchase intention ...... - 29 -

Table 4.2 Regression Analysis between service recovery measures and word of mouth .......... - 45 -

Table 4.3 Regression Analysis: Word of mouth versus Politeness, Prompt respond ................ - 45 -

Table 4.5 Regression Analysis of repurchase intention and service recovery measure .............. - 47 -

Table 4.6 Regression Analysis between Repurchase intention Y_{2} and service recovery measures (material compensation X_{1} and prompt response, X_{3}) .................................................................................. - 48 -
Chapter No.1

Introduction

This chapter will focus on background of the topic, a brief introduction of the case company, and a brief description of methodology used in the study. The authors will give their view why they have been interested in this topic and what is the importance of the topic in today’s business. The most important part of this chapter is the introduction of the research question to the readers and finally an overview of the remaining chapters will be given, which serve as introduction to the readers for remaining chapters mention in this study.

1.1 Insights into this Investigation

In today’s business world, competition has made it difficult for sellers to survive and every day new sellers or new products are coming to the market. In order to survive, earn high profit and avoiding customer Switching cost, customer loyalty has become a very important concept in recent years. The importance of customer loyalty cannot be ignored in both the products and services. However customer loyalty can be influenced by the human and non-human errors. These errors cannot be ignored because these errors negatively impact customer satisfaction (Kau and Elizabeth, 2006, p.101). The errors are more common in service operations due to the complexity and heterogeneity of the consumer’s needs. According to Swanson and Kelly (2001, p.194) service failure can be defined as a variety of errors happened during the service operation. Service failure can be the unavailability of the service person, long waiting time, bank statements errors and so on. After the service failure service recovery should be done by the service provider in order to avoid the negative impacts of service failure on the customers. According Grönroos (1988, p.10) service recovery is a process in which the Service provider offer additional services for addressing consumer’s complaints that have been resulted from service failure. Hart et al (1990, p.150) have found in their research that more than half of the all the efforts of service recovery creates dissatisfaction towards service. Gilly (1987, p.294) states that Often consumers who get proper service response become more satisfied than those who were satisfied from the Core service and did not complaint. Kau and Elizabeth (2006, p. 108) mentioned in their article that Service recovery not only increase the customer satisfaction but it
also increase customer trust, word of mouth and customer loyalty. The Customer who is dissatisfied and does not complaint will have more negative words of mouth than the customer who is dissatisfied even after complaints. Original service recovery may have different impacts on customer satisfaction and customer loyalty, because observations show that customer may be satisfied but not loyal and loyalty may be due to the original service not the service recovery.

According to Johnston and Michal (2008, p.80) the importance of service recovery research can easily be observed in last twenty years, that has resulted from rapidly increase in adaptation of the customer focused strategies. Service recovery is important because it may impacts the customer loyalty which will leads to positive word of mouth and attracts more customers, and in the case of unsuccessful recovery the effect will be the opposite. Tax and Brown (1998.) have argued that service recovery influence the financial position of a company, because financial position is affected by customer loyalty that is generated by the customer satisfaction, resulted from effective service recovery procedures.

1.1.1 Why Swedbank as case company

According to Tax et al (1988) Bank is considered on the third number which gets high frequency of complaints right after restaurant and car repair. Customer may avoide the service failure, in the minor cases, but in the financial institutions like banks there are no minor service failure as it is the dealing of money. Lévesque and McDougall (1996) have mentioned that a customer has higher switching cost in banking sector; therefore service recovery is important in a financial institution. Due to all these reasons we have considered a bank for this study. Swedbank has been chosen as a case company because it is one of the largest banks in Sweden and it is easy to get respondents. According to the Swedbank (2012), it has been rated by international rating agencies as ‘A’ from 2006 to 2011 by international rating agency Standard and Poor, Moody and Fitch in term of efficiency in its operation. It is the leading bank in the home market, Sweden, Latvia, Estonia and Lithuania and presents a broad range of financial services and products.
1.2 Research Questions

Purpose of the given study is to analyse the impact of service recovery on customer loyalty by considering a Case company Swedbank. Service recovery and its impact on the customer satisfaction has been focused by many authors, however customer satisfaction resulted from the service recovery may cause customer loyalty or may not cause customer loyalty. Though the customer loyalty is not possible without customer satisfaction but satisfied customer may not be loyal also. Therefore we are interested in customer loyalty rather than customer satisfaction. Briefly the study is based on following research question.

1.2.1 Do service recovery measures have impact on customer loyalty in Swedbank?

As customer loyalty is a broad concept and most of the authors have been focusing on it as a whole, however according to Spreng et al (1995, p.17) the impact of service recovery on word of mouth and repurchase intention has not been well researched, therefore when customer loyalty is mentioned in this investigation, focus is on word of mouth and repurchase intention, both are discuss in detail in chapter 2. The responses are collected from the customers of Swedbank through the questionnaires. Moreover, we have also conducted one interview from the Swedbank employee to know facts and figures about Swedbank recovery process.

1.3 Chapters overview

Chapter 1 introduces the background, the reason of the study and the objectives of the research. It mentions a brief introduction of the case company with respect to the reasons for selection of this company.

Chapter 2 deals with the research methods used to investigate the topic, where the ways for data collection are discussed with the limitations and advantages of each approach. The ways for collection data, the reliability and validity, and other issues related to Methodology is also mentioned.

Chapter 3 focuses on secondary data, mainly scientific articles and theories from the books based on two issues, service recovery and customer loyalty. This chapter reveals the ideas and
conclusions of other authors and researchers on the issues. How different authors have been concluded from their research and how they look at these issues. On the basis of theories hypothesis is developed and research model is formulated.

**Chapter 4** focuses on the primary data; The empirical findings of the Swedbank, The interview from the bank employee and the responses from Swedbank customers is mentioned, that have been faced some sort of service failure and service recovery. Details of Swedbank with its history and branches are also mentioned in this chapter. Analysis of quantitative data is carried out by using multiple regression approach. Minitab is used for this purpose.

**Chapter 5** is discussion chapter; arguments based on primary and secondary data that result in the discussion and conclusion. The Self-judgments are also used in the discussion. This Chapter also deal with the limitations of the given study, and the practical implication of this study. Few questions are mentioned for future research.
Chapter No.2

Methodology

This chapter will mention the research methodology that is used to answer the research question. The data collection method, the possibilities of the problems and the limitations with the method, and how could we avoid these problems will discuss. The Sample, sample size, sample method, the reasons for choosing a specific technique rather than alternative technique, and the reliability and validity of the questionnaire will discuss in detail.

2.1 Inductive and deductive approach

As discussed earlier, this study is based on a case study, in which theories are applied on the case company. In general words the case study approach can be defined as an empirical inquiry in which different theories and phenomena are applied in a real life context. Our Case Company is Swedbank. According to Perry (1998, p.787) in a case study approach the deductive approach and inductive approach both are possible, however the inductive is more prominent. These two approaches differ from one another on the basis of certain factors for example the deductive is based on the prior theories and inductive is based on the relativism that may be ignored by the prior theories. The deductive approach states that ‘how it should be’ and inductive approach is ‘how it is’. In our investigation we are focusing on both approaches, however our main objective or research question is to analyze the impact of the service recovery process on the customer loyalty, is more deductive in nature in which, we proposed two hypotheses based on the previous theories. It is inductive in a way that we have conducted one interview to know more facts and figures about the service recovery process of Swedbank that may not be mentioned by previous Authors. We used both the Primary and secondary data collections methods in this research.

2.2 Secondary Data

The data that is collected already for any other purpose, rather than solving the current problem is called secondary data. According to Kumar et al (2002, p.106), It is a cheaper and easier way to access the needed information, and some time even more reliable than primary data.
The scientific articles, the books and the website of the Swedbank are used as a secondary data. The scientific articles are used to analyse the theories about customer satisfaction; customer loyalty and service recovery. The scientific articles give more reliable information on the given issues, we have screen out important information from many different articles because few articles could not give us all needed information. We properly assured the validity of the data, as some authors can be biased for certain issues, and their opinions or biasness can be reflected in their articles. The books are mainly used for defining and explaining the research terminologies, and techniques. All these information which is collected from the books, is not possible to get from primary data.

Finally the website of Swedbank has been used to get information about the background, the number of customers and the head quarter of the case company. However the website of Swedbank did not give all needed data for example the service ‘recovery process of Swedebank’, therefore we conducted one interview with bank employee to get more information.

Data from the scientific articles is mostly used in the literature (chapter 3), and data from website is used in empirical findings (chapter 4) and different books are used in both the chapters.

2.3 Primary Data

According to Malhothra and Birks (2007, p.152) the data collected by a researcher to address and solve the problem at hand is called the primary data. The primary data can be qualitative and quantitative. As the investigation is based on a case company, so data has also been collected specifically related to the case company and objective of the study. Both quantitative and qualitative research method has been used as primary research method, to collect data in give research.

2.3.1 Qualitative research (Interview)

According to Malhothra and Birks (2007, p.152) Qualitative research is based on a small sample, and it is conducted with the intention to provide more details, and explanation of the issue. It is more common in the exploratory type of research where more in-depth information is needed. However the basic limitations of this method are large amount of data, and analysis is time consuming and complex (Kumar, et al, 2002).
In order to understand how service recovery process of Swedbank works; we conducted one interview with the bank’s employee because this information can only be provided by an interview and not by a questionnaire. Interview is used as qualitative data collection method;

As the interview is not directly related to the research question and our purpose is to find just facts and figures therefore only one structured interview is conducted; The Face to face structured interview is conducted, due to certain factors. This type of interview gives more information and provides more validity as interviewer is able to analyse the facial expression of interviewee which is important in this topic, to analyse the customer loyalty based on service recovery process of the bank. This flexibility and validity may not be possible to achieve through telephone interview.

We did not conduct the semi structured or unstructured interview though it give more flexibility and freedom to both respondent and interviewer to discuss many issues within the topic and do cross questioning (Kumar et al, 2002, p.181) but there is a possibility that the interviewee give more unnecessary information in this method and he/she may not like to answer the cross questions in banking sector, so we have avoided semi structured or unstructured interview.

The interview has been conducted with Charlotta Ragvald, advisor in Swedbank, Hamngatan 29 Stockholm. It took 45 minutes to get the answers of the questions.

2.3.2 Quantitative research (Questionnaires)

The second method of primary data used in this study is the quantitative research techniques; that quantify the data by applying some form of the statistical analysis. This method is easy to analyse when there are large number of respondents (bank customers), and interview is not possible. The survey technique is one of the famous techniques used in quantitative research in which structured questionnaires are distributed in chosen sample of population (Malhothra and Birks 2007, p.152).

According to Malhothra and Birks (2007, p.372) Questionnaire is structured techniques for data collection in which written or verbal questions are asked from the respondents, where every question has three specific objectives, first it must translate the information that respondent are going to answer, second the questionnaire should motivate and encourage the respondent to answer, third it should minimize the response errors.
As purpose of the work is to measure customer loyalty on basis of service recovery and it is not difficult to conduct interview from 40 customers, therefore questionnaires are distributed among these customers, which are easy to analyse and can give responses from large number of customers.

The questionnaire is divided in three sections; first section has questions about the gender, the age and how long the customers have account in Swedbank, it is important to use both the interval and nominal scale in such type of questions. In Nominal scale objects are classified for example gender is classify as male and female, and in the interval scale the differences between the objects are compared in which zero is arbitrary (Malhothra and Birks, 2007, p.338) for example, how long have you been the customer of Swedbank: - a) Less than 1 year b) 1-2 years c) 2-3 years d) 3-4 years e) more than 4 years.

In the second part of questionnaire, questions about service recovery are asked; there are 5 questions about service recovery (based on justice theory) in this section as shown in Appendix A. Finally the third part has two questions about customer loyalty, one about word of mouth and other about future purchase intention. The questions have ordinal scale in section 2 and 3. According to Malhothra and Birks (2007, p.338) Ordinal scale is a ranking scale in which numbers are assigned to object, to show the relative extent to which the characteristics possessed, and it can show an object has less or more characteristics than some other object, but not the magnitude of differences between them.

The type of ordinal scale used in the questionnaire is five-point likert scale ranging from strongly disagrees to strongly agree. This scale is suitable for measuring attitude.

The instructions given by Malhothra and Birks (2007, p 384), are followed in developing the questionnaires, moreover limitations of questionnaires are also considered:

1. Clear and unambiguous words are used in each question.
2. Each of the questions clearly defines one issue.
3. The questions avoid cues or biasness.
4. The questions are not doubling barreled which include two variables at same time.
5. They are closed ended which can help the customer to answer and author to analyse the questionnaire later on.
6. The purpose is to measure the attitude of the employees so mostly agree and disagree questions have been used.
Limitation of questionnaire

1. Do not give in-depth information.
2. Limited number of sample to answer the questionnaire.
3. Not suitable for the people who have difficulty with reading English.
4. There is no surety that all questions will be answer by the respondents.

2.4 Sample

We contacted the bank to get information about the customers that have been passed through the recovery process or have some sort of complaint to distribute the questionnaires among 40 of these customers, in which every customer would have equal chance of selection or chance of random selection. Unluckily we could not access such type of data from Swedbank and later on we changed our sampling technique, however our sample size was same, 40.

We selected the Students from Gavle University and other parts of city randomly and general requirement was, having account in Swedbank and having some kind of complaint with the bank that has been recovered and compensated by bank or has not been recovered yet. In order to cover the hidden biases and uncertainties (Kumar et al, 2002, 312), we conducted interview with bank employee to support the results.

2.5 Analysis of data

The main data collection technique used in this research is questionnaires that are directly linked to the research question. It is important to remind the readers that qualitative data is used to know more about Swedbank, and service recovery process of Swedebank. Minitab is used to analyse the data because it is simple and convenience to use, and give all the required information. The Multiple regressions method is used to analyse the questionnaire; the technique which expresses the relationship between dependent and independent variables, when numbers of independent variables are more than one (Kumar et al, 2002, p. 439). This technique is selected because it is a simple method that can predict relationship between dependent variable (customer loyalty) and independent variables (service recovery measures). In which

\[ Y_1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

\[ Y_2 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \ldots + \beta_5 X_5 + \epsilon \]
Where $Y_1$ (word of mouth) and $Y_2$ (repurchase intention) are dependent variable, and $\beta_1$, $\beta_2, \beta_3, \ldots, \beta_5$ are coefficient associated with service recovery measures $X_1$, $X_2$, $X_3, \ldots, X_4$ and $X_5$, which are explained in detail in chapter 3, $\alpha$ is constant.

t, e is error or residual. The solution is found out for $\alpha$ and $\beta$, so that sum of squared errors can be minimized and prediction can be maximized. These values are explained in detail in chapter 4.

2.6 Validity and Reliability issues

In order to know the reliability and internal consistency of the items (independent and dependent variables) the correlation of each item is calculated (given in chapter 4) to correlates each independent variable with other independent variable and with dependent variable. The items with weaker correlations are supposed to remove in order to ensure high homogeneity. Kumar et al (2002).

According to university of the west of England (2007), ‘the internal validity is related to the degree of certainty that observed effects in an experiment are actually the result of the experimental treatment or condition (the cause), rather than intervening, extraneous or confounding variables’

We have two controlled variables in this case, the first is, that all of the customers had accounts in Swedbank and second is that they had some kind of complaint and passed through service recovery process. Moreover the questionnaire has been checked to ensure that items have consistency with objectives and they deliver the meanings to the customer, so that we can measure what we are indented to measure.

2.7 Ethical considerations

The authors focused on ethical consideration issues, which can be associated with privacy of the company, the privacy of the interviewee (employees of Swedbank) or the privacy of the customers. Incomplete answers are not considered to avoid biasness, and truthfulness is focused in both interview and questionnaire. We are respecting if the Swedbank did not give
us any private information. We mentioned the name of the employee with her permission. Names of the customers are not mentioned in questionnaire. Permission had been taken from Swedbank for conducting research on its customers. However the information about the respondents’ problems is not mentioned in the study.

The paper is written for the academic purpose and information of Swedbank is not use for any other purpose which is not allowed by the bank.
Chapter No.3

Theoretical Framework

In this chapter the different theories of the customer loyalty and service recovery will be discussed. One famous theory of service recovery ‘justice theory’ will be examined in view of different authors. The three issues, customer loyalty, service recovery and justice theory will be focused more in detail in this chapter. The theories will serve as a support and backbone for the primary data. The focus in this chapter is to use the new articles however the old articles that have high contribution in the body of knowledge will not be discounted. At the end of the chapter a model will be presented on the basis of theories discussed.

3.1 Customer Loyalty

According to Jacoby and Chestnut (1978), there are three concepts about customer loyalty. First, **Loyalty** is an attitude or a positive emotion of a customer that lead to a relationship between a customer and a seller, second Loyalty is primarily expressed as ‘repurchase behaviour’ and third Loyalty is a moderate repurchase behaviour due to the situations, circumstances or the individual characteristics. Reichheld et al; (2000) has mentioned that the customers may show their loyalty in different ways, they may continue purchase from a seller without any emotional connection, they may increase the amount and frequency of their buying behaviour or both, or they may become the supporters and defenders of the organization for other customers and influence their purchasing decision.

Observations show that in the customer loyalty, the past theories have been focusing on the repurchase behaviour basically, without considering the attitude or the mind of the customer, for example Tucker (1964. p.32) defines loyalty as the behaviour of the customer is full statement of brand loyalty regardless of what the customer think and what goes in his/her central nervous system. Later on authors mentioned both of the components in the definition of loyalty. Jacoby (1971. p.25) states that brand loyalty is not merely buying of a brand; it should have both of the components, the behaviour component, which is measured by repurchase, and the attitudinal component, which is measured by single scale or multi scale items. Gremler and Brown (1999, p.286) have mentioned that the Positive attitude of a customer can be measured by the word of mouth, acting as a mentor and other adding value
activities that may be unintentional, for example picking rubbish from the road. It is not easy to measure the unintentional activities of a loyal customer.

According to Dick and Basu (1994) loyalty must have both of the components, relative attitude and patronage behaviour. Relative attitude is defined as the emotions of a customer towards a particular brand relative to other brands or stores. Patronage behaviour is the frequency of purchase and monetary value of purchase. They have discovered four types of loyalty; first one is called no loyalty, where a customer has low relative attitude and low repurchase intention. In this case managers need to build spurious loyalty. Spurious loyalty is second category of loyalty, where a customer has high repurchase behaviour and lower relative attitude, sellers cannot rely on these customers because they are open to better offer and can switch. Third category is latent loyalty, where a customer has high relative attitude and low repurchases behaviour. In this case a customer may like a store, for example but its location is inconvenient, or customer likes to buy a brand but it is not easily available. Managers need to remove the obstacles for example extending the branch network in this case. The Final form is sustainable loyalty, where a customer repurchases (patronage) because the customer has strong preference (relative attitude). Both the relative attitude and repurchase behaviour is high. The mangers must continually reinforce in this case.

Table 3.1; Categories of loyalty

<table>
<thead>
<tr>
<th>Category</th>
<th>No loyalty</th>
<th>Spurious loyalty</th>
<th>Latent loyalty</th>
<th>Sustainable loyalty</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relative attitude</td>
<td>Low Low</td>
<td>Low High</td>
<td>High High</td>
<td></td>
</tr>
<tr>
<td>Patronage behaviour</td>
<td>Low repeat</td>
<td>High repeat Low repeat</td>
<td>High repeat</td>
<td></td>
</tr>
<tr>
<td>Manifestation</td>
<td>Does not patronise does not have a high relative</td>
<td>Patronises the company, but wishes to patronise the organisation, but perhaps in together with high repeat</td>
<td>In this case, the customer The individual enjoys a high relative attitude,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Wish so.</td>
<td>Attitude. This may be as a result of other factors, including location convenience,</td>
<td></td>
<td>patronage behaviour</td>
</tr>
<tr>
<td></td>
<td></td>
<td>not able to do so – store</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implications</td>
<td>Management may</td>
<td>“Spurious loyalty” cannot be</td>
<td>Managerial efforts are best</td>
<td>Loyalty must be</td>
</tr>
<tr>
<td></td>
<td>Attempt to generate</td>
<td>relied on. The customer is focused on removing the</td>
<td>continually reinforced,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>“spurious loyalty”</td>
<td>clearly open to better offers obstacles to patronage for</td>
<td>and the value offered</td>
<td></td>
</tr>
</tbody>
</table>

[Source: adapted from Dick and Basu (1994)]
Jennifer Rowley (2005, p. 575) has proposed a model in her article, which divides the loyal customers into other four categories, The Captive, they continue to purchase from only one seller as they lack alternatives, or switching cost is high. They neither have a positive attitude nor a positive intention towards a brand, however when they buy the brand they are satisfy with the brand and have positive experience. They may not get chance to test other products so they do not switch from exiting brand, example of such loyalty can be buying a car, and stick with it. Second types of loyal customers are Convenience seeker, who may not have the positive attitude and may have a low involvement to the brand but they still repurchase from the existing store because of the geographical location or opening hours or low cost. The purchasing decisions of such customers are highly influenced by convenience or access the brand. If a new store open, which is more convenient for such customers they will switch to the new store, even are satisfy from the old brand. This type of loyalty can be seen in routine purchasing from a store, or using ATM machines. Third category is called Contend customers, these customers stay with the brand and influence the behaviour of other customers towards this brand however their commitment level is not at very high level, the reason is that customers are loyal towards one or few product of the brand but they are not interested in other services or products of the company, and customers may purchase those product from the competitors. Committed loyal are the true loyal customers having positive attitude, behaviour and add value to the firm. They are not sensitive to the price and will not switch with the better alternative. The firms also want to have relationship with them and they are the most profitable customers for the brand.

3.1.1 Service loyalty

Gremler and Brown in (1996 p.173) define the Service loyalty as having three components or conditions, first the consumers show repurchase behaviour, second they have a positive attitude towards the service provider and they remember only this service provider whenever in need of the service due to their positive experience. So the definition of service loyalty considers three components, attitude, cognition and behaviour. According to Gremler and Brown’s work done in 1999, Loyalty is more salient in services due to three reasons, First, loyalty of consumers in the services are more dominant than loyalty of consumers in the goods. Second the service providers interact with consumers on individual basis and fulfil their unique preferences, which provide more opportunities to become loyal, and third the perceived risk in purchasing the services is greater than purchasing the goods, and loyalty is a source to reduce this risk. Loyal customers have many influences on the firms; first influence
is word of mouth influence, which can influence other customers. According to Reichheld and Sasser (1990) over the years many businesses got success due to the positive word of mouth of their loyal customer, second the loyalty customers may influence the company in the form of some positive behaviour, for example remove rubbish etc. (Bettencourt, 1997, p.384). Grove and Fisk (1997) have mentioned that loyal customers may act as mentors and may help other customers about rules and regulations as they have deep knowledge about every aspect of the service.

3.1.2 Repurchase intention and word of mouth

Richard et al (1995) defined Repurchase intention as an important phenomena in the marketing, which means the repeat purchasing by the current customer and no probability of exit, it carries immense importance because the cost of attracting new customers are high than the retaining of existing customers. Customer satisfaction leads to repeat purchasing. Gremler and Brown (1999) mentioned about Word of mouth phenomena as it is more important in the services. Word of mouth is defined as an informal communication of a customer about a brand that has been experienced by that customer and can influence other customers towards the product or service also, is called word of mouth. It is a post purchase behaviour, in which a customer gives some information to other customers, about the characteristics and the usage of a particular good or service that can be positive or negative. This information is highly credible. According Malley (1998, p.53) one hundred percent loyalty is difficult to achieve if it is not impossible. According to Reichheld (1994, p.15) even it is possible to measure this loyalty it is not possible to manage it. The most common form of loyalty in the business is polygamous loyalty. The type of loyalty preferred by a seller is dependent on the type of products and businesses. Although it seems that most of the firms would like to establish the sustainable loyalty but in some products that need low level of consumer involvement, the spurious loyalty may be feasible strategy.

3.2 Service recovery

A research indicated that 17.3 per cent of customers switching behaviour is due to the lack of successful service recovery and less than 5 per cent is due to lack of communication with the service provider that cause service provider to lose the opportunity of knowing root causes of the service failure (Tax & Brown, 1998). The Service organizations need to have a communication strategy; there should be consumer advocates, who have understanding of how complaints are handling (Chelminski and Coulter, 2011). It is important to retain the
existing customers, and for this purpose the organizations should use the modern communication channels, which are telephone, internet and face to face communication.

Any actual or perceived problem related to a service that takes place when a customer is dealing with a service provider is called Service failure (Maxham, 2001, p 11). Service failures influence the customer’s emotions in negative way; both repurchase intention and word of mouth. Service provider need to take some actions to handle the conflicts before they create problems, this ability of the service provider is called Conflict handling (Reynolds and Harris, 2005). According to Lewis and Spyarakopoulos (2001) the banks can have many deficiencies or failures for example banking procedures, the lack of reliability and the lack interaction with the customers. The banks need to motivate the customers to give feedback and provide solutions to their problems. The customers of a bank should know that their bank is listening to them and response to their feedback. Moreover, they further discuss how the bank can improve its services according to expectation of customers.

3.3 Justice theory of service recovery

According to Chebat and Slusarczyk (2005) Justice can be defined as the evaluation of the treatment of an individual by others with respect to fairness. Justice has been divided in three dimensions by social justice theorist, distributive, procedural and interactional. In consumer compliant and recovery context the Justice Theory focuses on the recovering strategies of a firm evaluated by the customer on basis of these three dimensions. Distributive component refers to the actual outcome of the recovery process. It may be tangible compensation or material compensation. The Distributive justice is easier to measure as it is a tangible dimension of the justice theory, and higher the material compensation given by a seller, higher will be the emotions developed towards the product. Material compensation can be the equity and distribution of the resources, however what appear to be the appropriate compensation to the customer is still under research. Goodwill and Ross (1997) found that the customers prefer to have material compensation. Sometimes the token can be material compensation for example giving two drinks to the customer etc. According to Sparks & McColl-Kennedy (2001,p. 216) compensation play role in customer satisfaction and repurchase decision if it is in the policy of the company.

Chebat and Slusarczyk (2005) found that Procedural justice is based on the fairness of the process that can lead to the outcomes, which can be assessed by the factors such as the
customer easiness to express the service failure and make complaint, the flexibility by the service provider, the providence of accurate information in service recovery process, the appropriateness of policies, prompt response to the problem and effectiveness in response to the failure. Fairness means customers are able to express their feelings and can raise their voice. According to Goodwill and Ross (1997) the voice and neutral are two important components of procedural justice. Voice means when a customer is able to express the injustice in the procedures. High voice permission leads to high level of the satisfaction, because the voice gives an opportunity to the customer to express their feelings. Neutrality means being fair and not doing something special or different for any other customer. When a bank is following the procedures, this give opportunity to the customer to be treated fair if the bank is neutral, however According to (2001.p. 215) voice and neutrality does not produce any special impact on future repurchase intentions or satisfaction.

Blodgett et al, (1997) define the third dimension of the justice theory called Interactional justice; which is evaluated on the basis of the behaviour during service recovery process. It is analyzed by different factors for example whether the service personal is showing respect, politeness and sympathy to dissatisfies customer or not and service provider is ready to listen, record and show willingness to solve the problems or not.

According to Sparks & McColl-Kennedy (2001.p. 215) the main impact on the customer satisfaction is dependent on the way the service provider react to the customer. According to Chebat and Slusarczyk (2005), justice influence the customer loyalty through emotions, because the actions of customers are emotional based. The Interaction justice is important because it can influence both emotions and behaviours of the customer while other two dimension influence only emotions. The customer can exit or become loyal due to interactional dimension. Timelines is the most important factor in influencing customers’ emotions. If recovery process is quick, customers do not get surprise, but if recovery process is slow their emotions are negative. Blodgett et al (1997) found that both interactional and distributive dimensions are important in the customer repurchase intension and word of mouth.

According to Smith et al (1999) the interactional justice dimension is no cost dimension however it is the only dimension that directly influences consumer’s behaviour. Interpersonal communication in interactional dimension play important role in enhancing customer satisfaction and loyalty therefore employees dealing with service recovery should be properly
trained to have communication skills, creative thinking abilities to solve problems (Shapiro and Gonder, 2006).

### 3.4 Service Recovery and Customer loyalty

The fact that service recovery results in customer loyalty has been focused by many authors, Andreassen (1999, p. 325) findings show Customer satisfaction resulting from complaint resolution Cause customer loyalty. The service recovery results into the **positive word of mouth**. Johnston and Michel (2008) have focused that successful service recovery results in the repurchase buying intentions. Shapiro and Gonders (2006), associate the firm productivity and sustainable growth with the customer satisfaction. If the efforts of service recovery are performed in a better way this can lead to the customer satisfaction, loyalty and word of mouth (Maxham, 2001, p.11). If service failure happens, the service provider should response to recover the customer. The **Service recovery** is the response of a service provider to a dissatisfied customer. If the customer continues to complaint and do not get any response, customer can destroy the reputation of the service provider through a negative word of mouth and can switch. Morrisson & Huppertz, (2010), stated that more better the service recovery system of a bank, the more it reduces the customers’ problems, improve customers’ satisfaction and solve negative **WOM**.

The firm should establish strategies for the service recovery (Maxham, 2001, p.24). The strategies of service recovery process are of two types, one is the psychological strategy that is focusing on the actions, for example explaining a problem to a customer and second type of the strategy is the tangible strategy that is giving material compensation like reduce customer practical loss (Miller et al, 2000).

Edvardsson Bo et al (2011, p.340) have given a different view about the service recovery and customer loyalty, the customer may complaint after the first unfavourable service experience. In the case of successful service recovery the loyal customer looks beyond the occasion of service failure. On the other hand in the case of unsuccessful service recovery the customer can come with additional complaints, even if he/she is not compensated by the seller, it will not affect his/her loyalty ; however in the case of unsuccessful service recovery, the customer will come with additional complaints to the higher management. The unsuccessful service recovery at third deviation can impact the customer’s loyalty and customer can take unfavourable service experience. So service recovery is important but for a loyal customer it
is different than the un-loyal customers, which elaborate that loyalty is not merely dependent on service recovery process.

**Research Model**

On the basis of these theories a model can be developed, which is shown in fig 3.2. According to this model, after service failure the customer will complaint to the bank and the bank will handle the complaint. The customer will evaluate the effectiveness and success of this recovery and complaint handling process on the basis of justice theory, which has three important categories. Each of the categories has further components. Material compensation (distributive justice), fair decision making (distributive and procedural justice), appropriate information providence, prompt response (procedural justice), and politeness (interactional justice) are few important components in these categories that are focused by many authors (as we have seen). If the process has justice in the customer’s view it will lead to satisfaction and loyalty but if the process is unfair it will lead to dissatisfaction. Loyalty resulting from service recovery process will influence word of mouth and repurchase intention of the customer.

![Figure 3.2 Research model (own construction)](image-url)
Hypothesis

As discussed in chapter 1, the research question is “Does service recovery have impact on customer loyalty in Swedbank”? It has also mentioned in chapter 1, that authors focused on two aspects of customer loyalty word of mouth and repurchase intention. We have read different theories about these three issues, Service recovery, word of mouth and repurchase intention. Moreover service recovery measures have discussed on basis of justice theory. The most common measures of justice theory are material compensation, fair decision by bank, prompt response, accurate information and politeness.

On basis of theories discussed in this chapter four types of hypothesis can be develop: -

\( H_0; \) There is no relationship between service recovery measures and word of mouth.

\( H_1; \) There is a relationship between service recovery measures and Word of mouth.

\( H_{00}; \) There is no relationship between service recovery measures and repurchase intention of customer.

\( H_2; \) There is a relationship between service recovery measures and repurchase intention.
Chapter No.4

Empirical Findings

This chapter will be based on the background of the case company, the history, the operations and the reasons of success. The results from the primary data, both quantitative and qualitative will be focused here to prepare them for the discussion, and analyse whether the theories in the literature review relate to the Swedbank or not. Summary of the Interview with the Swede bank’s employee will be mentioned in qualitative data and in quantitative data findings from the questionnaires will focus. Basic focus is on the questionnaires as they are directly linked to the research question; however the interview will help the reader to know about the service recovery process of Swedbank, and to support our quantitative results. The interview was structured and the questions are given in Appendix B, and the questionnaire is mention in appendix A. In summary, this chapter focuses on findings from these two instruments. We suggest the reader to read questionnaires before the chapter to understand this chapter. The tables of the chapter are mentioned in Appendix C.

4.1 Background and Introduction

According to the Swedbank home page (Accessed on May 2012); it is the first savings bank of Sweden, which is established in 1820 in Gothenburg. A German immigrant Eduard Ludendorff formed it independently and with no cooperation from the government. It has been passed through many acquisition and collaborations, which changed an ordinary saving bank to Swedbank. In 1997, two banks merged Sparbanken Sverige (Saving bank of Sweden) and Föreningsbanken (Union bank), and changed to FöreningsSparbanken AB. The bank entered in Baltic region in 2004, through acquisition of shares in Hansabank that became a part of the Swedbank and it started to expand in the east. Förenings Sparbanken AB changed name to Swedbank AB in 2006. A broad customer base of near five million people and a big network of branches caused the bank, to become one of the efficient and strong banks. The Swede bank’s main objective is to enhance the concepts of saving and conduct operations that promote savings. It has historical roots in savings banking and performs in accordance with the saving bank’s ideology. The core business of the bank is based on the private individuals and small and medium sized companies. The bank believes in a traditional banking model with the focused on close customer relationships, customer needs and personal advice. It
provides a trustworthy environment for the customers (both households and companies) with the vision to give development. It has approximately 7.8 million retail customers, 600,000 corporate and organisational clients, 315 branches in Sweden and more than 200 branches in the Baltic countries. The bank is also working in other Nordic countries for example U.S, Russia, Ukraine and China. It is offering comprehensive banking services throughout the world. According to Swedbank (2011), the bank has achieved many awards and positive rankings in several indexes and studies.

4.2 Summary of the Interview

According to Charlotta Ragvald, advisor in Swedbank Hamngatan 29 Stockholm, Swedbank has divided complaints in two categories. The first type of complaints are those complaints in which the employees of the bank usually do not make any mistake and service failures do not occur, but the customers complain about the rules, regulation and policies of the bank for example the limits of cash withdrawal from the ATM machine, long waiting time, anti-money laundering, and mortgage rules. The second category of complaints is, in which the employees make mistakes or service failures occur. In this type of complaints the customers are compensated. These failures can be the transfer of money to a wrong account, the extra fees charged from a customer, giving inaccurate information and being impolite to a customer. There is a special department that is dealing with complaint and recovery in Swedbank. Usually when employees get complaints from the customers they try to solve it by themselves, or they hand it over to the boss in the given branch, who arrange meetings with the customers, and find the ways to compensate the failures caused by the bank. However only in few cases the problem may be handed over to the department. The department constitutes of more two employees who are dealing with customer problems. The time limit in which compliant must be solved and customer should be compensated is dependent on the type of complexity of the compliant and in general there is not any fix criteria for time.

It is not very common that customers switch to another bank due to unsuccessful service recovery. It can be dependent on the fact that customers have limited number of financial institutions. Even if any customer switch Swedbank, first the bank may not get complete information about this exit to the competitor, secondly it may not possible to know the exact reason why the customer switched the bank, however proper records are maintained by the bank, about customers, who have complaint. The Swedbank has proper evaluation process for complaint handling and recovery process. These evaluations consider the different aspects of
recovery for example the employees should be treated with respect, and fairly and they should get material compensation whenever needed. The material compensation is not given for the ordinary or minor types of failures. It is dependent on the nature of the problem. In some cases the bank may offer some free services as compensation for example free internet banking for few months and free telephone banking, however the bank avoid to do that in ordinary problems. One important aspect focused by the bank in recovery process is to show politeness and respect to the customers.

4.3 Findings of questionnaires

The survey resulted in clear and complete responses from the 40 customers. The questionnaires is analysed by using the multiple regression method. The multiple regression method is used to extract a combine equation for these variables, the independent variables (service recovery measures) and the dependent variables (customer loyalty measures) as discussed in chapter 2. The main controls variables in the research are, 1) all of the customers have some kind of complaint with Swedbank; 2) they all have been passed through the service recovery process of Swedbank. Those customers are not considered who have complaints but they did not pass through the recovery process due to not communicating their problems to the bank. The respondents were 55% male and 45% female. All of them had accounts in Swedbank for more than one year duration.

4.4 Multiple regression and correlation

As discussed in Chapter 2, the questionnaire of the study is based on the variables discussed by Justice Theory. The important variables mentioned by Justice Theory are mentioned, on which customer loyalty is dependent; all of the variables of justice theory are not mentioned. The important variables mean those variables, which are expressed by many authors. These are material compensation, Fair decision, Prompt response, accurate information and politeness (expressed in previous chapter). The multiple regression analysis is applied on mentioned variables to see how much variation is expressed by these variables. As the main assumption of the multiple regression model is that it includes all types of important independent variable (Kumar et al .2002, p.443) so the model resulted from the findings should express the maximum variation that are linked to the customer loyalty. Before calculating the multiple retrogression models, we are going to find correlation between the independent variables and the dependent variable through Minitab.
4.4.1 Word of mouth, Y₁ and Service recovery measures

In first part we will analyse the relationship between the independent variables; the service recovery measures and the dependent variable, word of mouth Y₁. In other words we are going to test our hypothesis we have mention in chapter 3.

H₀; There is no relationship between service recovery measures and word of mouth.

H₁; There is a relationship between service recovery measures and word of mouth.

4.4.1.1 Correlations

The degree of higher values in one variable linked to the higher values in the second variable show the tendency of the positive relationship between the two variables, and the negative correlation means a high value in one variable and a lower value in other variable. The sample correlation always lays between +1 to -1, where the first one shows perfect positive relation and the second shows the perfect negative relation. (Kumar et al, 2002. p. 411) We assume α or probability of type 1 error is equal to 0.05 because it is more common in the researches to keep alpha 0.05. It means that the possibility that null hypothesis is true is 0.05 %. This shows that the confidence level is 95 %, to accept alternative hypothesis and accept that there is s relationship between service recovery measures and customer loyalty (word of mouth and repurchase intention).

Table 4.1 shows the correlations for the five independent variables material compensation X₁, Fair Decision X₂, Prompt response X₃, accurate information X₄, politeness of Employees X₅ and dependent variable Word of mouth Y₁. The correlation analysis shows the linear relationship between the two variables. We are more interested in correlation of independent variable in dependent variable. The correlation values are between 0.34 and 0.8, with p values lower than 0, 05. We can find that material compensation is correlated with dependent variable (0.522) with p values 0.00, show high positive correlation of independent variable with dependent variable, because we have taken the p values 0.05. Moreover the Correlation of this independent variable with the other independent variable politeness and fair decision is also significant, However the correlation for Material compensation with accurate information and prompt response is not significant, as p values are greater than 0.05.
Second variable that has high correlation is politeness, $X_3$ with correlation value of 0.824 in word of mouth ($p$ is 0.00), and this variable is also associated with Accurate information and fair decision making as shown in table 4.1.

Accurate information has correlation with independent variable fair decision $X_2$ (with coefficient 0.5 and $p$ is 0.000) and dependent variable word of mouth $Y_1$ (with coefficient 0.56 and $p$ 0.000). Prompt response and fair decision has also correlation with depended variable with coefficient 0.340 and 0.7 significantly, as $p$ values are significant. However theses have no correlation with other independent variables.

Table 4.1 Correlations between Service recovery measures and Word of Mouth

<table>
<thead>
<tr>
<th>Material Compensation</th>
<th>Politeness</th>
<th>Accurate Information</th>
<th>Prompt response</th>
<th>Fair decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Politeness</td>
<td>0.483</td>
<td>0.517</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.002</td>
<td>0.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accurate Information</td>
<td>0.224</td>
<td>0.165*</td>
<td>0.517</td>
<td>0.301*</td>
</tr>
<tr>
<td></td>
<td>0.165*</td>
<td>0.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prompt response</td>
<td>0.096</td>
<td>0.183</td>
<td>0.168</td>
<td>0.250</td>
</tr>
<tr>
<td></td>
<td>0.555*</td>
<td>0.258*</td>
<td>0.301*</td>
<td>0.120*</td>
</tr>
<tr>
<td>Fair decision</td>
<td>0.457</td>
<td>0.786</td>
<td>0.569</td>
<td>0.120*</td>
</tr>
<tr>
<td></td>
<td>0.003</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>Word of mouth</td>
<td>0.522</td>
<td>0.824</td>
<td>0.570</td>
<td>0.340</td>
</tr>
<tr>
<td></td>
<td>0.001</td>
<td>0.000</td>
<td>0.032</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Cell Contents: Pearson correlation and P-Value

P* values are higher than 0.05, relation is not significant

Source: Own construction
4.4.1.2 Multiple regression equation

As all of the independent variables have correlation in final results or dependent variable (with p lower than 0.05), therefore all of these independent variables have been used to calculate multiple regression equation (shown in table 4.2, in Appendix C) to analyse the variations expressed by these variables. The regression equation got from Minitab is:

\[ Y_1 = 0.015 + 0.145 \text{ Material compensation}, X_1 + 0.051 \text{ Fair decision}, X_2 + 0.181 \text{ Prompt response}, X_3 + 0.153 \text{ Accurate Information}, X_4 + 0.502 \text{ Politeness} , X_5 \]

According to Kumar et al (2002. p. 443) the two tests apply for the significance of the multiple regression equation is Test of \( R^2 \) and Test of regression coefficient. On the basis of first test, the Null hypothesis will be accepted if \( \beta_1, \beta_2, \beta_3 = \beta \) are all zero and null hypothesis is rejected if one or few or all of these coefficient are nonzero. We can analyse from the equation that the coefficients of all independent variables are not zero, which elaborates some sort of relationship between the independent variables and the dependent variable. This relation is a positive relationship between word of mouth five independent variables as Coefficient is between 0 and +1. The constant is 0.015 and coefficient or slop of the relationship is 0.145, 0.051, 0.0181, 0.153 and 0.502 for the material compensation, fair decision, prompt response, accurate information and politeness respectively Shown in table 4.2) are called regression coefficient and values of regression coefficient are calculated to minimize the sum of squares error, its values is dependent on random sample. S.S in table 4.2 represents Sum of squares error which is calculated by the sum of the difference of actual values of dependent variable and the predicated values of dependent variable.

\[ e = Y - \bar{Y} \quad (Y \text{ is actual customer loyalty and } \bar{Y} \text{ bar is mean of customer loyalty}) \]

\[ e_i = Y_i - (b_0 + b_1x_i) \]

\[ SSE = \sum e_i^2 = \sum [(Y_i - \bar{Y}_i)]^2 \]

\[ e = \sum [(Y_i - (b_0 + b_1x_i)]^2 \]

Mean square error is calculated by

\[ = \frac{SSE}{n-2} = \frac{\sum E_i^2}{n-2} = \frac{(Y - \bar{Y})^2}{n-2} \]

The \( R^2 \) Show the amount of the variance expressed or explained in the word of mouth by these five independent variables. The \( R^2 \) is adjusted in the multiple regressions on the basis of degree of freedom (n-k-1), in order to analyse how much variation is explained by the
mentioned variables. (Degree of freedom is 40-5-1 =34 for residual error). The $R^2$ cannot decrease as more independent variables are added to the multiple regression equation and after the addition of first few independent variables in multiple regression model the additional independent variables do not contribute much (Kumar et al, 2002, p.440). $R^2$ adj is 72.7% from table 4.2, which is calculated by the following formula:

\[ R^2_{\text{adjusted}} = 1 - \frac{(1 - R^2)(n-1)}{(n-k-1)} \]

That shows that all five independent variables express 72.7% of the variation in the word of mouth Y1. F values show the significance of overall multiple regressions? The overall test can be conducted by

\[ F = \frac{R^2/k}{(1-R^2)/(n-k-1)} \]

Where k is the number of independent variable, n-k-1, n is sample size; k is the number independent variables. F value is influenced by number of independent variables, sample size, and $R^2$ values.

The F calculated value from the Minitab is 21, at p values of 0.000. F values from distribution table at (5, 34) degree of freedom and 0.05α is 2.49. So calculated F value is greater than critical F values and p value is lower than α value, so null hypothesis is rejected which show that null hypothesis should be rejected and there is relationship between five independent variables and word of mouth.

Regressions show that the number of independent variables which is 5 in our case. The residual errors show the difference between actual and predicted Y values or error in overall analysis.

In our case all these values have been calculated by Minitab.

In multiple regression analysis the second test is conducted is to know which of independent variable has greater influence in multiple regression equation. One approach used for this purpose is T values approach. Kumar et al (2007). T test values are calculated by dividing the coefficient of independent variable on standard error, \( t = b/SE = 0.0146/0.4157 = 0.04 \), which shows the relations or the probability of coefficient of independent variable and slop at given p value. This show the relationship of the individual independent variable of service recovery to word of mouth is significant or not at given probability or confidence level.
From Table 4.2 (in appendix C) it is clear that some of the variables do not show significant relationship as p values are higher than 0.05. Calculated T values (compare with distribution Table at n-k-1 degree of freedom and 0.05 α) are not significant at α 0.05.

Which of the independent component play more vital role? In order to get better results we find out another multiple regression equation with the variables having significant relation with the depended variable with the p values lower than 0.05 (detail is shown in table 4.3 in appendix C) And we eliminate the variables with p values greater than 0.05 and Calculated T values smaller than critical t values (2.023, from distribution table at two tail test, and α, 0.05). It is clear from table 4.2, that prompt response and politeness has significant relationship with word of mouth, Y1. The new equation we get is, Word of mouth Y1 = 0.545 + 0.685 Politeness, X5 + 0.202 Prompt response, X3. This equation is more reliable as constant and coefficient are greater than zero. And it is clear from the equation that the variables that mainly express the variation in the multiple regression equation are Prompt response with coefficient of 0.02 and politeness with 0.685 (at p lower than 0.05). Combine these two variables express 70.1% of variations. This shows that rest of the variation may be expressed by other variables in this relation. Generally we can predict that if politeness is increased by 1 % and prompt response is also increased by 1 %, Word of mouth will increase by 0.88% (0.685+0.202), 0.545 is constant, which show the customer loyalty even there would be no increase in service recovery measures. One important thing can be seen from the coefficient of two independent variables that politeness highly influences word of mouth than Prompt response.

4.4.2 Repurchase intentions, Y2 and Service Recovery Measures

The second part of quantitative analysis is to determine the relationship between repurchase intention, Y2 and service recovery variables. Or to test the hypothesis developed in chapter 3,

H₀₀; There is no relationship between service recovery measures and repurchase intention of customer.

H₂, There is a relationship between service recovery measures and repurchase intention.
4.4.2.1 Correlation

First the correlation of independent variables material compensation $X_1$, Fair Decision $X_2$, Prompt response $X_3$, accurate information $X_4$, Politeness of employees $X_5$ and dependent variable Repurchase intention $Y_2$ is calculated (shown table 4.4), then the multiple regression equation is formulated.

As we are basically concern with the correlation of the independent variable with the dependent variable so we analyse these values. The correlation analysis show that all of the selected variables have P values lower than 0.05 and correlation values are between 0.599 and 0.8. The correlation of material compensation is 0.854 with dependent variable, and material compensation is highly correlated with other variables also. Fair decision has correlation coefficient 0.599 at p values 0.00. Prompt response has correlation coefficient of 0.74 with p values 0.00. Information sharing has correlation values of 0.776 with p value of 0.00 and finally politeness has correlation coefficient of 0.782 at p values 0.00, but this variable has no correlation with other variables. It can also be analyse that all of independent variables has positive correlation with other independent variables (as p values is lower than 0.05).

**Table 4.4 Correlation Analysis between service recovery measures and repurchase intention**

*Source: (own construction)*

<table>
<thead>
<tr>
<th>Source: Pearson correlation and P-Value</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Material Compensation</th>
<th>Fair Decision</th>
<th>Prompt service</th>
<th>Accurate Information</th>
<th>Politeness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Decisions</td>
<td>0.517</td>
<td>0.001</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Prompt response</td>
<td>0.648</td>
<td>0.474</td>
<td>0.002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accurate Information</td>
<td>0.736</td>
<td>0.515</td>
<td>0.557</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Politeness</td>
<td>0.718</td>
<td>0.451</td>
<td>0.615</td>
<td>0.782</td>
<td>0.782</td>
</tr>
<tr>
<td>Repurchase Intention</td>
<td>0.854</td>
<td>0.599</td>
<td>0.740</td>
<td>0.776</td>
<td>0.782</td>
</tr>
</tbody>
</table>

Cell Contents: Pearson correlation and P-Value
4.4.2.2 Multiple regression equation

Due to the significant correlation of all these independent variables with Repurchase intention \( Y_2 \), we are using all these variables in calculating the multiple regression equation, and the results will be reliable, as they are highly correlated. The regression equation is

\[
\text{Repurchase Intention, } Y_2 = -0.232 + 0.373 \text{ Material compensation } X_1 + 0.119 \text{ Fair decision } X_2 + 0.222 \text{ Prompt response, } X_3 + 0.134 \text{ Accurate Information, } X_4 + 0.168 \text{ Politeness }, X_5
\]

The constant and coefficient of the independent variables are given in the Table 4.5, with \( P \) and \( T \) values, Standard error of the coefficient, \( F \) value, degree of freedom and residual error. First the analysis of variance shows that at 5, 34 degree of freedom, and 0.05\( \alpha \), Critical value of \( F \) is 2.49 from \( F \) distribution table. Calculated \( F \) value is 36.5 at \( p \) values of 0.000 from (Table 4.5 given in appendix C). \( F \) calculated is greater than \( F \) critical value, and \( p \) value is smaller than \( \alpha \), which show to reject null hypothesis. Second way to accept or reject null hypothesis is to analyse the coefficient, \( \beta_1, \beta_2, \beta_3 = \beta \) if all the coefficient are exactly zero, then null hypothesis will be accepted. In our case coefficient are not exact zero, that show null hypothesis should be rejected, and we accept that there is relationship between Independent variables, or service recovery measures and dependent variables or repurchase intention. The values -0.232, 0.373, 0.119, 0.222, 0.134, and 0.168 are called regression coefficient and values of regression coefficient (Table 4.5 appendix C), are manage to minimize the sum of errors. In this case the error calculated or residual error is calculated by Minitab.

\( R^2 \) show can also show how reliable our regression analysis 82.0 per cent, variation expressed by these independent variables in multiple equation. This is quite high. According to Kumar et al (2002, p.445) as more variation is expressed by independent variable in multiple regression equation as more researcher should be confident about analysis.

The \( T \) values and the coefficient can also use to analyse each of independent variable individually. Table 4.5 shows that only material compensation \( (X_1) \) and prompt response \( (X_3) \) have significant relationship with repurchase intention \( (Y_2) \), as \( p \) is lower than 0.05 and \( T \) values of 3.54 for material compensation, 2.37 for Prompt response, greater than critical \( T \) value from distribution table at 0.05 \( \alpha \) (2.4). For the rest of the independent variables \( p \) values are greater than 0.05. We are recalculating regression equation to get more reliable equation.
The new regression equation shows which of the independent variable play more important role. (For Details see Table 4.6 in appendix C)

Repurchase Intention, \( Y_2 = 0.042 + 0.594 \text{Material compensation } X_1 + 0.317 \text{Prompt response, } X_3 \) shows that the variation expressed by multiple regression new equation is 77.8 % that is expressed by mainly two variables. Now the equation has constant and slop both non zero, and p values shows significant relationship between dependent and independent variable. T values for both independent variables material compensation and prompt service delivery are 6.52 and 3.2 at significant P values. Greater values coefficient that material compensation express most of the variation and contribute more than prompt response due to greater t values and greater coefficient., (Kumar et al,2002 p.445). Regression equation for these variables shows that material compensation represents more variation than prompt response as coefficient of material compensation is greater than prompt response. In general we can predict that if material compensation is increased by 1 % and prompt response is increased by 1 %, customer loyalty can increased by 0.8 %. 0.042 is constant which show customer loyalty even there would be no service recovery.
Chapter No.5

Discussion and Conclusion

This chapter will focus on the discussion and conclusion of the empirical findings. The analysis of the quantitative data will be carried out and it will be supported by the theories in the literature and facts and figures about the Swedbank, which we have collected from interview or qualitative data. In Chapter 4 we have measured each of the dependent variables, word of mouth $Y_1$ and repurchase intention $Y_2$ separately in order to analyse the impact of five independent variables on these two dependent variables. The analyses will be carrying out in same sequence as the findings have been written separately for these two independent variables however the conclusion will be combined in order to answer the research question. The theories from the literature and self-judgment will be used that will lead to the next session of this chapter i.e. Conclusion. In the conclusion part, concluding remarks, the practical implication of the study and the limitation will be mentioned.

5.1. A. Word of mouth, $Y_1$ and independent variables

All five independent variables express 72.7 % of variation, so the findings show that service recovery has impact on the word of mouth. Word of mouth is an attitudinal component of loyalty as expressed by Dick and Basu (1994). The impact of the independent variables on customer word of mouth represents the impact on the customer loyalty. Though all of the variables have somehow association with word of mouth, because the coefficient of all variables is not negative or exact zero, therefore we cannot ignore the importance of any of these variables in word of mouth, $Y_1$.

We accept the alternative hypothesis $H_1$, and reject the null hypothesis $H_0$ developed in chapter 2

$H_0$: There is no relationship between service recovery measures and word of mouth.
(Rejected)

$H_1$: There is a relationship between service recovery measures and Word of mouth.
(Accepted)
The two independent variables play a vital role in this relationship, one is politeness and other is prompt response. Politeness is the most important when we analyse the coefficient of this variable. Politeness is included in the interactional justice, which is considered to be the most important by Chebat and Slusarczyk (2005) in influencing the customer loyalty. Politeness is important because every customer is sensitive about service provider’s way of treating them. Politeness of the employees impacts the customer emotionally, and as human being when we get disappointed we express our feelings and convey message to others. That is why this component is very important to impact the word of mouth. As the word of mouth is important component of the customer loyalty, so we can say that the service recovery measures impact the customer loyalty. That is why Swedbank is focusing on politeness and respect towards customers in its service recovery process (Interview).

The second important component, which impact customer’s word of mouth is prompt response. The impact of prompt response can easily be seen in many decentralized and new organizations, as they know the importance of quick service delivery. The centralized organization decreases the chances of prompt response. In banking sector the employees try to follow the rules and regulations to avoid the risk, which increase the time of response. This is also supported by the interview that if employees get any complaint they hand it over to their boss and Boss hand it over to the department, which can take long time. If the customers do not get response quickly after compliant, this can cause negative word of mouth. On the other hand if customers get compensation in time, they may become a loyal customer, because time factor is important which become even more important in recovery process. Customer expects service recovery process be quick and it effects their emotions (Chebat and Slusarczyk, 2005).

5.1. B. Repurchase intention $Y_2$, and independent variables

All these five variables express 82% of variation which is quite high, and show strong relationship between independent variables and dependent variable. We cannot ignore the importance of all these independent variables as we did not get any of the coefficients exact zero, which show some type of relationship between these five independent variables and repurchase intention, therefore we accept the hypothesis $H_2$ and reject $H_0$.

$H_0$: There is no relationship between service recovery measures and repurchase intention of customer. (Rejected)
There is a relationship between service recovery measures and repurchase intention.

(Accepted)

The acceptance of the alternative hypothesis shows that there is a relationship between the repurchase intentions and five independent variables or in other words the customer loyalty and the service recovery measures, however when we talk about the significance relationship and the important variables we find the material compensation and the prompt response. Though the prompt response has a high coefficient and a t value in the word of mouth measure also, but the material compensation does not have the higher coefficient and the t values in the word of mouth measures. This shows that when the customers want to extend their relationship with the bank inform of repurchasing or extensions of services and opening other types of account etc. the customer analyse the material compensation in service recovery process. This may not be the case in the word of mouth. The material compensation is the part of the distributive justice and Blodgett et al, (1997) finding show that material compensation is important for both word of mouth and repurchases intention, however we did not find impacts of material compensation on word of mouth, to be as import and vital. According to Sparks Beverly & McColl-Kennedy (2001.p. 216) material compensation play role on customer satisfaction and repurchase decision if it is in the policy of the company to give the material compensation. The second important component in this relationship is the prompt response. The importance of prompt response cannot be ignored in repurchase intention and word of mouth both, which show that the time is very important factor for the customer loyalty either it is repurchase intention or word of mouth. After the service failure and complaint the customer will expect to solve their problem and provide compensation as soon as possible. This is one of the reason the banks are using multi-channel for communication to communicate with the customer and solve their problems as soon as possible. Chelmski and Coulter (2011) multiple channels are the source to provide better and quick customer recovery and improve customer loyalty. However the qualitative data shows that Swedbank has no fix criteria for the time and it is dependent on complexity of problem how much time will be taken by the bank (Interview).

The findings show that there are few independent variables that play key role in the repurchase intention but not in the word of mouth. For example the material compensation plays an important role in the repurchase intention but not in word of mouth. It is possible that the customers have the repurchase intention but the word of mouth is not as positive. This can
be the second category of the customers with high repurchase intention but low positive attitude as expressed by Dick and Basu (1994). Though Dick and Basu (1994) and Jennifer Rowley (2005), express the types of customers loyalty in general and they do not express customer loyalty, which is resulting from the service recovery process. However we referred their loyalty type to show that customer loyalty may have one component and may not have the other component, which shows that the two components of customer loyalty are may not dependent on same factors. This is one of the reasons that 100 % customer loyalty is not possible to achieve (Mally Lisa, 1998, p.53). However our focus here is to analyse the relationship between the service recovery and the customer loyalty, and if any independent variable has impact only on word of mouth and has no impact on the repurchase intention or vice versa, in both cases it show that the service recovery and the customer loyalty has association because both word of mouth and repurchase intention show customer loyalty.

In summary of the discussion we can say that Service recovery with complaint handling has impact on the customer loyalty, and it has been shown by the high percentages of the variation expressed by the two equations. The five independent variables of the service recovery have been impact on the customer loyalty measures, word of mouth and repurchase intention. When the customers are satisfied with the service recovery of Swedbank they will recommend the bank to their friends and their family members because of having positive experience, this findings support the previous theories. [(Lewis and Spyrokopoulos (2001); Morrisson & Huppertz (2010), Maxham (2001)]

Similarly those customers of the Swedbank would like to extend the relationship with bank who is satisfied with service recovery process, this support the Johnston and Michel (2008)’s findings who suggests that repurchase can happen due to the proper service recovery process. If the customers are not satisfied with the complaints handling of Swedbank they may be disloyal, or having negative word of mouth or just switch. Similarly it also supports the findings of Spreng et al (1995) that the behavioural intention can be influence by the service recovery process even more than the original services.
5.2 Conclusion

The aim of the study is Do service recovery measures have impact on the customer loyalty in Swedbank?

It is clear from the discussion and the analysis that service recovery has relationship with the customer loyalty. We used the multiple regression analysis which usually shows if there is relationship between independent and dependent variable rather than casual relationship, however in this process correlations are also calculated of both the dependent and independent variables and the positive and negative correlations can show the positive and negative relationships between independent and dependent variables. So we can say that the service recovery cause customer loyalty.

The five independent variables used as service recovery measure have been taken from Justice Theory. All of the five components have been shown influence on one or other dependent variable, so we cannot ignore any of these independent variables, as the purpose of the study is to analyse the relationship between the service recovery measures and customer loyalty measures, both word of mouth and repurchase intention. However when we consider the coefficient of the variables to analyse which of the independent variables are more important, then it gets clear, that the politeness of employees, the material compensations, and the prompt response are most important components that can impact on the customer behaviour and attitude. From interview with the bank’s employee it get clear also that most of the customer’s complains are due to the behaviour of the employees and employees are reinforced to show respect and concentration towards the customers in the service recovery process. If employees make apologize, and show their readiness to solve the problem, this can help to retain the customers and get their commitment.

It can also be analysed that the material compensation, which can be in the form of free internet banking for few month etc. influence customer loyalty also, however it is not very common in Swedbank to give material compensation (according to interview). The quantitative data shows that there is impact of the material compensation on repurchase behaviour; however the coefficient of material compensation in word of mouth relation is not significant. Findings show the impact of prompt response also plays important role in this process in both word of mouth and repurchase intention. The third component is politeness that also play important role in word of mouth of customers. However in overall process of the service recovery and the customer loyalty relationship we cannot ignore the importance of
other two variables also, fair decision making and accurate information, because their coefficient were greater than zero in both of the cases i.e. word of mouth and repurchase intention, which shows some sort of positive impact on these two dependent variables. The fairness is a broad concept that can be in material compensation, behaviour of employees, policies or procedures. It was expected to be the most important factor, as justice theory is focusing on fairness in the service recovery process, however we did not find it the most important measure of the service recovery, and as vital as the prompt response, the material compensation and politeness of the employees.

It is concluded that the service recovery has impact on the customer loyalty and loyalty in services is even more important than goods due to high risk involve (in banks even more risk is involve) as expressed by Gamler et al (1999). Therefore banks must identify the customer problems, find out the root causes why it happen and provide compensation (Tax and Brown (1998). It can also be concluded that the components of the justice theory can be used for the measuring of the customer loyalty and service recovery relationship, and the bank should consider these components in order to enhance the customer loyalty.

However the loyalty cannot merely dependent on the factors, included in this study that is why none of the equation express 100% variation; it can be dependent on overall relationship of the customers with the bank for example interest rate, online banking, customer services and other policies and procedures. According to Bo Edvardsson et al (2011) the loyal customer may not switch or have negative word of mouth even the bank fail to compensate the failure for the first time, however if it happens three times then it can affect the loyalty of such a customer.

5.2.1 Limitation

The research has been carried out under the two controlled variables which cause the internal validity of the study to increase (discussed in chapter 2), however there are many factors which could not be controlled in this research for example economic situation in the country, in different economic situations the customer preferences may differ, for example in recession if customers prefer material compensation in Boom the customer may not have same preference, the culture and the society may influence the attitude of the customers also, for example customers in Sweden may prefer politeness but customers in Pakistan may prefer fairness or service recovery in Sweden may cause customer loyalty, but in Pakistan customers
may not accept service failure and the service recovery may not have any influence on their
loyalty, So customers from different culture may perceive same response differently. All
these factors influence the external validity or generalization of the results to real life due to
different culture, societies and also in different economic situations.

The study considers the important variables of the justice theory as independent variables or
measure of service recovery process, and whole of the dimensions, distributive justice,
international justice or procedural justice are not considered. The focus of the investigation is
not on the specific dimension, or which of these three dimensions plays importance role in
service recovery process.

The customer satisfaction is not the purpose of the research only customer loyalty is the
objective. The study is not focusing on point that service recovery may result in customer
satisfaction but not customer loyalty. We are focusing on dissatisfaction, or loyalty.

Moreover only two components of the loyalty have been considered in the study, word of
mouth and repurchase intention. The attitudinal component of customer loyalty can be
appearing in more forms than only word of mouth.

This study is not considering customers who have problems but they did not communicate to
the bank, and they just left the bank or they are still with the bank and having negative word
of mouth, but they never communicate it to the bank. The focus is on those customers that
have been passed through service recovery process or who complain but did not get recovery.

5.2.2 Future Research

We consider the fact, that sample size in this study was not enough large, and we suggest
future research to analyze the impacts of service recovery on the customer loyalty, by
considering any other case company than Swedbank with all possible independent variables
of the Justice Theory, and with a large sample size, which can express customer loyalty
completely. Future research can also conduct with the research question of, how service
recovery process in a bank work? The future research should consider those customers, who
have complaints but they never communicate to the bank due the communication problem or
any other reason. Future research should also consider different countries and cultures so the
results can be generalize.
5.2.3 Implications

Theories discuss in this study can be used as basis to develop the strategies in service recovery process in banks for example one way to develop the strategies can be of two types. The psychological strategies are based on the actions taken by the bank that can influence the customer’s psychology. Second types of strategies can be material strategies that can be in the form of material compensation like giving free internet or telephone banking for few months, not taking charges for some type of services, etc. to compensate the customer.

This work can be useful for Swedbank to analyse the responses of their customers and to know the importance of material compensation, and it is not common in Swedbank, to give material compensation in service recovery process. This will enhance the customer loyalty and revenue. As Swedbank is one of the largest banks in Sweden, and any change in the policies of Swedbank can influence the other banks in Sweden and the state bank, therefore we can say that it will affect every individual in the society who has account in the bank.

Although the impact of Service recovery on customer loyalty is not a new concept an many previous authors have been focusing it, However this study and findings are unique in few ways; First of all the methodology, adopted in this study is unique, because the Multiple regression method is not only providing the impact of the Independent variables ‘Service Recovery’ on dependent variable ‘Customer loyalty’, but this method also show the important independent variables in this relationship. Moreover the customer loyalty is measured by considering the components of Justice Theory.

Secondly, this study found the material compensation, as one of the important component in that can influence the repurchase intention of the customers; Material have almost been ignored in previous findings and previous researchers and authors of Justice Theory have focused on fairness and politeness as the most important variables in service recovery process.

Observations also show that most of the authors in previous studies have focused on customer loyalty as a single concept; they did not consider the word of mouth and repurchase intentions as two separate components of the customer loyalty, which may be dependent on different components in service recovery process. In this study we have discussed each of the components separately.
References:


Books


Websites


Appendix A

Questionnaire

We are conducting research on impact of service recovery on Customer loyalty in Swedbank. You are requested to take some time and fill these questionnaires, we will be thankful for your time. This is important that you answer all of the questions on the basis of your experience with Service recovery process of Swedbank.

Section 1

1. Gender M/F
2. Your age
   a) (15-20)  b) (21-30)  c) (31-40)  d) (41-50)  e) older than 50
3. How long have you been the customer of Swedbank
4. a) Less than 1 year  b) 1-2 years  c) 2-3 years  d) 3-4 years  e) more than 4 years

Section 2

5. I get compensation according to my expectation in service recovery process
   1  2  3  4  5

6. Bank takes fair decisions in handling complaint
   1  2  3  4  5

7. Employees give prompt service in recovery process
   1  2  3  4  5

8. Employees provide accurate information when needed
   1  2  3  4  5

9. Employee show politeness in handling conflicts
   1  2  3  4  5

Section 3

10. I will recommend Swedbank to my friends and family members
    1  2  3  4  5

11. I will make future purchase with bank
    1  2  3  4  5
Appendix B

Interview questions

1. How Service recovery in Bank is working?
2. To whom customer can go when they have complained?
3. How complaints are solved?
4. Are there any proper classifications of complaints?
5. Who evaluate the process of service recovery and how this evaluation is done?
6. Is there any separate department for solving problems?
7. What is the importance of time for solving problems and how time is measure?
8. Discuss few types of problems in which customer need to get material compensation?
9. Is it happens that customer has been switch the bank?
10. Have you any record about those customers who have been made compliant to the bank or passed through service recovery process.
Appendix C

Table 4.2 Regression Analysis between service recovery measures and word of mouth

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Coef</th>
<th>Standard Error</th>
<th>T-Values</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.0146</td>
<td>0.4157</td>
<td>0.04</td>
<td>0.972</td>
</tr>
<tr>
<td>Material Compensation X1</td>
<td>0.14526</td>
<td>0.08826</td>
<td>1.65</td>
<td>0.109*</td>
</tr>
<tr>
<td>Fair decision X2</td>
<td>0.0509</td>
<td>0.1187</td>
<td>0.43</td>
<td>0.671*</td>
</tr>
<tr>
<td>Prompt response X3</td>
<td>0.18059</td>
<td>0.08928</td>
<td>2.02</td>
<td>0.051</td>
</tr>
<tr>
<td>Accurate Information</td>
<td>0.15304</td>
<td>0.09245</td>
<td>1.66</td>
<td>0.107*</td>
</tr>
<tr>
<td>Politeness X5</td>
<td>0.5022</td>
<td>0.1220</td>
<td>4.12</td>
<td>0.000</td>
</tr>
</tbody>
</table>

S = 0.548940   R-Sq = 76.2%   R-Sq (adj) = 72.7%

P* values greater than 0.05

Source: (own construction)
Table 4.3 Regression Analysis: Word of mouth versus Politeness, Prompt respond

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Coef</th>
<th>Standard error of Coef</th>
<th>T-Values</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
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<td>0,3575</td>
<td>1,52</td>
<td>0,136</td>
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<tr>
<td>Politeness, X1</td>
<td>0,6852</td>
<td>0,07732</td>
<td>8,86</td>
<td>0,000*</td>
</tr>
<tr>
<td>Prompt response, X2</td>
<td>0,2022</td>
<td>0,09192</td>
<td>2,20</td>
<td>0,034*</td>
</tr>
</tbody>
</table>

S = 0,574380   R-Sq = 71, 7%   R-Sq (adj) = 70, 1%

P* values lower than 0.05 show more significant relationship

Analysis of Variance

<table>
<thead>
<tr>
<th>Source</th>
<th>Degree of Freedom</th>
<th>Sum of Squares</th>
<th>Mean Squares</th>
<th>F-Values</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression (k)</td>
<td>2</td>
<td>30,893</td>
<td>15,447</td>
<td>46,82</td>
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<td>Residual Error</td>
<td>37</td>
<td>12,207</td>
<td>0,330</td>
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<tr>
<td>Total</td>
<td>39</td>
<td>43,100</td>
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Source: (own construction)
Table 4.5 Regression Analysis of repurchase intention and service recovery measure

<table>
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<tr>
<th>Predictor</th>
<th>Coef</th>
<th>Standard error</th>
<th>T-Values</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>-0,2323</td>
<td>0,2721</td>
<td>-0,85</td>
<td>0,399</td>
</tr>
<tr>
<td>Material compensation, X₁</td>
<td>0,3733</td>
<td>0,1056</td>
<td>3,54</td>
<td>0,001</td>
</tr>
<tr>
<td>Fair decision, X₂</td>
<td>0,11866</td>
<td>0,07869</td>
<td>1,51</td>
<td>0,141</td>
</tr>
<tr>
<td>Prompt response, X₃</td>
<td>0,22152</td>
<td>0,09339</td>
<td>2,37</td>
<td>0,023</td>
</tr>
<tr>
<td>Accurate information, X₄</td>
<td>0,1345</td>
<td>0,1107</td>
<td>1,21</td>
<td>0,233*</td>
</tr>
<tr>
<td>Politeness, X₅</td>
<td>0,1684</td>
<td>0,1113</td>
<td>1,51</td>
<td>0,140*</td>
</tr>
</tbody>
</table>

S = 0,518804   R-Sq = 84, 3%   R-Sq (adj) = 82, 0%

P* values greater than 0.05

Analysis of Variance

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<tr>
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<th>Mean Squares</th>
<th>F-Values</th>
<th>P-Values</th>
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<tr>
<td>Regression</td>
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<td>9,8447</td>
<td>36,58</td>
<td>0,000</td>
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<tr>
<td>Residual Error</td>
<td>34</td>
<td>9,1514</td>
<td>0,2692</td>
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<td></td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>58,3750</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: (own construction)
Table 4.6 Regression Analysis between Repurchase intention \( Y_2 \) and service recovery measures (material compensation \( X_1 \) and prompt response, \( X_3 \)).

<table>
<thead>
<tr>
<th>Predictor</th>
<th>Coef</th>
<th>Standard error of Coef</th>
<th>T-Values</th>
<th>P-Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0,0421</td>
<td>0,2860</td>
<td>0,15</td>
<td>0,884</td>
</tr>
<tr>
<td>Material compensation, ( X_1 )</td>
<td>0,59378</td>
<td>0,09106</td>
<td>6,52</td>
<td>0,000</td>
</tr>
<tr>
<td>Prompt response, ( X_3 )</td>
<td>0,31702</td>
<td>0,09780</td>
<td>3,24</td>
<td>0,003</td>
</tr>
</tbody>
</table>

\[ S = 0,576401 \] \hspace{1em} \( R^2 = 78,9\% \) \hspace{1em} \( R^2 \text{ (adj)} = 77,8\% \)

*P* values lower than 0.05, show more significant relationship

### Analysis of Variance

<table>
<thead>
<tr>
<th>Source</th>
<th>Degree of Freedom</th>
<th>Sum of Squares</th>
<th>Mean Squares</th>
<th>F-Values</th>
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<tbody>
<tr>
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<td>Residual Error</td>
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<tr>
<td>Total</td>
<td>39</td>
<td>58,375</td>
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Source: (own construction)