

Justice Oriented Recovery Strategies and Customer Retention in The Retail Banking Industry in Malaysia

Nek Kamal Yeop Yunus*

The service recovery and customer retention has caught the attention of researchers and academics recently. Despite the popularity of the subject, there were still not much known about how the service recovery strategies influenced customer retention in service organizations. Although service firms made the best effort, service failures were inevitable. Service recoveries were the efforts made by firms to bring back aggrieved customer to satisfaction. If recovery strategies were not prompt, proper and effective, the frustrating customers would defect to competitor. Thus, service firms were losing customers and revenues. Customer retention was vital and dominant key to business competitiveness and profitability. This research tested three dimensions under justice oriented recovery strategies (JORS). Data were collected by distributing the structured 28 item-questionnaires to 237 post graduate students of Malaysian public universities randomly selected. Results of the analysis found that all strategies were correlated with customer retention strategies. Multiple regression analysis found that, the customer retention variance was explained by 63.4% of the service recovery strategies. The research has thrown some lights on the understanding of how service recovery strategies have influenced customer retention. Apart from that a new instrument has been developed. It was recommended that future research be conducted in legal services, business consultancy or educational services using such instrument which perhaps would yield more interesting result.

Keywords: customer retention, service recovery strategies, customer satisfaction

1.0 Introduction

One of the most important service industries in Malaysia is the banking services offered by banks. The banking industry has a long history in Malaysia *i.e.* since 1959 when the first bank was incorporated. From the period of year 1990-2001, the banking industry had witnessed the establishment and development of an Islamic banking system in the country (Sudin, 2004). The nature of the banking business has been revolutionised by changes in technology. Local banks in

* Senior Lecturer of Marketing Management at Faculty of Business & Economics, University Pendidikan Sultan Idris, Malaysia, Email: nkamal@fpe.upsi.edu.my

Yunus

Malaysia are increasingly implementing e-banking channels to improve business efficiency and service quality. But the most eminent evolutionary change was the introduction of Internet banking (Rohaya & Nor Hayati, 2004).

The introduction of Internet banking services, in which customers are able to do their banking over the Internet without the use of proprietary software, took place about 10 years later, which was in 2001. The changes that took place in the banking services scenario affected customers in one way or another. Banks that change distribution channels usually face resistance, conflict, and confused customers. Despite the fact that bank employees give the best effort to offer high quality services to customers, failures are bound to happen. Service failures in banks drive customers away (Spyrakopoulos, 2001). Service failures can occur in any dimension of the service and its delivery, including problematic customers (Bailey, 1994), communication difficulties (Bolfing, 1989), and the act of waiting (Laws, 1992). These service failures may be influenced by front-line employees and backroom staff, equipment, and information systems break down.

Perhaps the strongest single factor that causes service failure is the nature of service products themselves, which increase the likelihood of errors, or service failures, and therefore the need for recovery. Most scholars point out that the difference between tangible products and intangible services has increased customer awareness of the likelihood of service failures either from the operational perspective or from the customers' viewpoint (Reichheld, 1990; Gronroos, 2000). For instance, a service is intangible and it is an activity or represents a series of activities which are heterogeneous and simultaneously produced, distributed, and consumed. Each of these characteristics makes it difficult for marketers to understand and to meet customer expectations. Besides, service variability has been identified as an ongoing problem both for marketing and quality managers (Ballantyne, *et al.*, 1995; Hoffman & Bateson, 1997; Lovelock, 2001). Moreover, the customer is often required to participate in the production of the services (Gronroos, 1983; Lovelock, 1983; Zeithaml, *et al.*, 1985).

The unique characteristics of services, especially in tangibility, inseparability of production, and consumption, mean that customer evaluation processes often give bad result. Thus it offers some unique challenges for the management to manage services. Heterogeneity pertains to the variability inherent in the service delivery process whereas perishability refers to the service providers' inability to store or record services. (Hoffmans & Bateson, 1997; Lovelock, *et al.*, 2001). Furthermore, in all service contexts, whether it is customer services, banking or business to business services, service failure is bound to happen. Failure happens even to the best of firms with the best of intentions, and even to those with world-class service systems. To fully understand and retain their customers, firms must understand what customers expect when service failures occur and implement effective strategies for service recovery (Zeithaml & Bitner, 2003).

Yunus

Service recovery has drawn the attention of researchers and academicians recently. They see that the concept of service recovery as both business practice and focus of marketing study which has evolved over time. The benefits of service recovery, such as better customer loyalty and positive word-of-mouth communications have been highlighted. In the 1990's, public attention turned to the proactive, and strategic role that service recovery can play in customer retention in a competitive market place. Service recovery strategies are steps taken by the organizations in winning back the customers after the occurrence of service failure incidents. Examples of the strategies include the service firm oriented, the customer oriented, employee oriented, atonement oriented and fairness (justice) oriented recovery strategies. Despite their popularity in the service setting, there is still not much known about how these strategies influence customer retention.

Customer retention, an issue which is increasingly important for all businesses but of particular relevance to the service industry like banking. In executing banking services, the building of a long term customer relationship is seen as central to improve business performance (Ennew & Binks, 1996). Besides that, personalised service quality is essential to attract and retain high quality bank customers (Merger & Day, 1986). Apart from that Reichheld and Sasser (1990) found that by increasing the customer retention rate can have a profound effect on a firm's profitability. Past studies have also shown that a 5% increase in retention rate can translate into an 85% increase in profits for a branch bank, 50% higher profits for an insurance broker, and 30% higher profits for an auto-service station (Hoffman & Bateson, 1997). Due to rapid changes in customer demography, customer retention has become increasingly important to the banking industry in Malaysia (Aliah Hanim, 2003).

Customer retention has a more powerful effect on profits than market share, scale economies, and other variables commonly associated with competitive advantage. Hoffman and Bateson, (1997) had indicated that as much as 95% of profits come from long term customers via profits derived from sales, referrals (positive word-of-mouth advertising) and reduced operating costs (it is 5 to 7 times more expensive to acquire new customers than retaining current customers). Thus, banking service organisations should recover strong customer retention if they want to stay competitive in the business.

Research has shown that resolving customer problems effectively has a strong impact on customer satisfaction, loyalty, and bottom line performance. Customers who experience service failures, but are ultimately satisfied with the recovery efforts done by the firms, will be more loyal than those customers whose problems are not resolved (Zeithaml & Bitner, 2003). Despite the numerous studies conducted on service recovery and customer retention in banking service industry, (Clark, 2000, 2002; Hanson, *et al.*, 1996; Boshoff and Allen, 2000; Ennew & Binks, 1996; Boshoff & Staude, 2003; Bolton, *et al.*, 2000) these studies were best described as inadequate as the respondents in these

Yunus

studies were mostly employees of the banks themselves. It seems obvious that little is known among the customers, about how service recovery strategies are related to customer retention in terms of overall satisfaction, loyalty, repeat purchase, and word-of-mouth communication in the banking industry.

Moreover, some of the previous studies used bank managers (Engku Ngah, *et al.*, 1998; Rohaya & Nor Hayati, 2004; Ramayah & Koay, 2000), bank employees (Clark, 2002; Boshoff & Allen, 2000), and undergraduates students as respondents (Matilla, *et al.*, 2000; Smith, *et al.*, 1999; Smith & Bolton, 1998; Ching Liu, *et al.*, 2000). However none of the previous researchers used post-graduates students as respondents and neither have they related service recovery to customer retention in Malaysia. Therefore it is now clear that there are gaps in the relevant theories, practical aspects and empirical evidences, concerning the issue of service recovery strategies and customer retention in Malaysia. Thus an empirical study is needed to investigate and fill up these gaps.

This paper attempts to answer the following the research questions: First, what are service recovery strategies (represented by procedural justice, interactional justice and distributive justice recovery strategies) that correlate with customer retention? Second, how much of those service recovery strategies could explain the customer retention variance?

The objectives of this paper are two folds: first, to identify which service recovery strategies (procedural justice oriented, interactional justice oriented and distributive justice oriented) that are related to customer retention. Secondly, to statistically measure how much of those service recovery strategies influence the customer retention.

2.0 Literature Review

According to Zeithaml and Bitner (2003), "*Service recovery refers to the actions taken by an organization or service supplier in response to a service failure*". This definition is supported by Andreassen (2000) and Johnston, (1995) who says "*Service recovery refers to the actions a supplier takes in order to seek out dissatisfaction and as a response to poor service quality i.e. service failure*". Zemke and Bell (1990) defined service recovery as a"*thought-out, planned process for returning aggrieved customers to a state of satisfaction with the firm after a service or product has failed to live up to expectation*".

Service recovery thus refers to the actions of service firms in response to service failure. The objective is to maintain the business relationship with the customer. This argument was based on the premise that customer satisfaction ensures customer loyalty, repeat sales and positive words of mouth communications (Boshoff and Staude, 2003). Effective service recovery also leads to enhance perceptions of the quality of the products and service already bought enhanced

Yunus

perceptions of the firm's competence, and a favorable image in term of perceived quality and value (Kelley and Davis, 1994, Boshoff, and Staude, 2003).

Service recovery is an umbrella term for systematic efforts by a firm to correct a problem following a service failure, in order to retain customer's goodwill. Service recovery effort plays a crucial role in achieving or restoring customer satisfaction (Lovelock *et al.*, 2002). In every organization, things may occur that have a negative impact on its relationships with customers. The true test of a firms' commitment to satisfaction and service quality is in the way it responds when things go wrong for customers (Lovelock *et al.*, 2001). Effective service recovery requires thoughtful procedures for resolving problems and handling disgruntled customers. It is critical for firms to have effective recovery strategies, as even a single service problem can destroy a customer's confidence in a firm under the following conditions: i) the failure is totally outrageous e.g. blatant dishonesty on the part of the supplier. ii) the problem fits a pattern of failure, rather than being an isolated incident iii) the recovery efforts are weak, serving to compound the original problem rather than correct it (Berry, 1995).

Service employees are expected to handle the complaint tactfully. How the complaint is handled may determine whether the customer remains with the firm or defect to new suppliers in the future. The real difficulty for employees is they often lack the authority and the tools to resolve customer problems. This is so when come to arranging alternatives at the company's expense or authorizing compensation on the spot. When complaints are made after the fact, the options for recovery are more limited. The firm can apologize, repeat the service to achieve the desired solution or offer some other form of compensation or atonement (Lovelock *et al.*, 2002). Procedural justice referred to the perceived fairness of the policies, procedures and criteria used by decision makers in arriving at the outcome of a dispute or negotiation (Blodgett, *et al.*, 1997). Fair procedures were consistent, unbiased and impartial, representative of all parties' interest and were based on accurate information and on ethical standards. The focal issue that particularly relevant was the speed with which the conflict was resolved (Taylor, 1994; Clemmer & Schneider, 1996).

There were two elements of the recovery process found to influence perceived fairness of the process, *i.e.* *voice-customer* was given an opportunity to express how they felt about a situation and *neutrality* was reflected when service organizations attempted to follow a set of procedures and to recover or redress the situation for the customer (Spark, *et al.*, 2001). Procedural justice focused on the process undertaken to arrive at the final outcome. Prompt recovery strategies were much more likely to be associated with higher satisfaction and customer retention rate than their delayed counter part. Examples of distributive justice were decision control, accessibility, timing speed, process control, and flexibility to adapt to customers recovery need (Tax, *et al.*, 1998; Hoffman, 2000)

Yunus

Interactional justice referred to the manner in which people were treated during the conflict resolution process (e.g. with courtesy and respect or rudely). In general, it had been found that fair interpersonal treatment contributed to the satisfaction and more favourable repurchase intention (Blodgett & Tax, 1993). The most important factor of the service quality and customer satisfaction evaluation was service provider's empathy *i.e.* service providers' concerns shown (Johnston, 1995). Showing concern meant, attentive listening coupled with an attempt to understand the other person's perspective. When service personnel showed high levels of empathy and responsiveness, customers were very satisfied (Hocutt, *et al.*, 1997).

Interactional justice referred to the manner in which service recovery process was implemented and how recovery outcome were presented. Examples of interactional justice were courtesy, politeness, empathy effort observed in resolving the failure, and the firm's willingness to provide an explanation as why the failure occurred (Blodgett, *et al.*, 1997; Tax, *et al.*, 1998). Customers who complained might be willing to repurchase when only a partial refund, exchange or discount was given, provided that they were treated with courtesy and respect. On the other hand, when customers were treated rudely the level of redress offered by the retailer was irrelevant (Bowen & Lawler, 1995; Blodgett, *et al.*, 1997). On the other hand, when customers were treated with courtesy and respect even a partial refund, exchange or discount could have a favourable impact on their repeat purchase behaviour (Blodgett, *et al.*, 1995).

Clearly, service strategies require investigation to gain a comprehensive understanding of the service recovery and customer responses (Spark & McKoll-Kennedy, 2001). While it was highly likely that some form of compensation was important to level of customer satisfaction, the desire to maintain a positive relationship with firm was also likely to be influential in term of feeling of satisfaction (Hocutt, *et al.*, 1997; Clemmer & Schneider, 1996). Therefore interactional justice might be important in service recovery situation, where service providers attempt to return a dissatisfied customer to a state of satisfaction after service failure, strongly affected by service employee response such as politeness and concern (Sparks & McKoll-Kennedy, 2001; Bitner, *et al.*, 1990).

The previous research found that procedural justice functioned differently from interactional and distributive justice. It was found that insignificant in Blodgett, *et al.*, (1997), but was operationalised through implicit no-voice or voice in Van den Bos, *et al.*, (1999). There was no one best method for recovering from service failure (Hoffman, 2000). Previous research on service recovery had indicated that not all approaches to service recoveries were the same and not all were equally effective in recovering service failure in different situation and they offered mixed result (Tax, *et al.*, 1998). Normally businesses lose 15 to 20% of their customers. Inadequate company responses to service failure witnessed a significant increase in the firm's defection rate. Furthermore it was reported that 75% of

Yunus

restaurants customers shared their experiences through word-of-mouth. Hence, effective service recovery was directly linked to the firm's profitability (Hoffman, 2000).

Using hypothetical scenarios experiments, Smith and Bolton, (1998) conducted a research on undergraduates' students and hotel customers. They found that customers' cumulative satisfaction and re-patronage intent increased as transactional satisfaction increases. Modifying the methodology of the scenarios with mixed-designed experiments, the following year Smith, *et al.*, (1998) conducted another study on the same groups of respondents. This time they found that all the dimensions of justice *i.e.* distributive, procedural and interactional justice affected service encounter satisfaction. Service encounter satisfaction was also investigated by McCollough, *et al.*, (2000). By using the hypothetical scenarios experiments among airlines passengers, they found that distributive and interactional justice affected satisfaction specifically in this particular airline experience.

Sparks and McKoll-Keneddy (2001), found that respondents were more satisfied with partial refund when service provider adhere to company's policy, but respondents were more dissatisfied if service provider gave away token as special favour. The purpose of the research was to investigate the levels of satisfaction associated with various combination of procedural, interactional and distributive justice related to service recovery strategies. Collie, *et al.*, (2002), revisited the fair process of distributive and interactional justice and found that the analysis provided evidence of fair process across all levels of distributive justice for outcome fairness and satisfaction but only in relation to the effects of the interactional justice. The method used was scenarios based experiment and respondents were undergraduates' business students. Instead of using students as respondents and scenario experiments, Maxham III and Netemeyer (2002), broke the tradition of service recovery research. They conducted a research using self-administered survey questionnaires on bank customers and home buyers. They found a detailed result such as procedure and interactional justices were more influential in overall satisfaction than distributive justice. They further found that satisfaction with recovery more likely to spread positive word-of-mouth, purchase intent than overall firm satisfaction. Furthermore, satisfaction partially mediated word-of-mouth purchase intent.

Almost all the above studies on service failure recovery were using hypothetical scenarios experiments methods, business students as respondents and their findings on perceived justice needs dimensions such as procedural, interactional and justice were varied and mixed. Therefore, Miller, *et al.*, (2000) had developed a framework for service recovery strategies to retain customers through their satisfaction, loyalty, repeat purchase, and positive word-of-mouth communications. Therefore, this research intent to investigate the perceived justice as independent variable in the recovery and retention relationships. Distributive justice referred to the perceived fairness of the tangible outcome of a

Yunus

dispute, negotiation or decision involving two or more parties. The concept of distributive justice had its origin in social exchange theory (Adam, 1965) which emphasised the role of equity in shaping subsequent exchanges. The equity principle defines fair exchange as one in which each party to an exchange received an outcome in proportion to one's contribution to the exchange (Blau, 1964). Types of redress included refunds, exchange repairs, discount on future purchases and store credits (Kelley, *et al.*, 1993).

Distributive justice focused on the specific outcome of the firm's recovery effort. Did this outcome (output) offset the costs (inputs) of the service failure? Example of distributive outcomes include compensation such as gratis, discount, coupons, free upgrade, free ancillary services, repair, replace, re-perform and apologies. Distributive justice focused on the actual objective outcome of the service recovery such as financial compensation (i.e. refund and discount). An offer was perceived to be more or less favourable if it was left without explanation for the failure as supported by Spark and Callan, (1996). The distributive justice was based on equity theory which stated that an outcome would be evaluated in terms of its perceived equity. Adam (1965) argued that a person would evaluate the outcome based upon a ratio of inputs to outputs. It was possible that an outcome might even be perceived as too high or too different from that other received and resulting inequality. Thus in this study the relationship between service recovery strategies i.e. justice or fairness of the recovery strategies and customer retention were examined.

Customer retention is very important for businesses to stay competitive. It has recently become more importance compared to customer acquisition. In this study the customer retention was measured by four dimensions *i.e.* overall firm satisfaction, repeat purchase intentions, positive words of mouth and loyalty to the firm. Previous research showed that when customers were satisfied with a firm quality of services, (Maxham III, 2000) customers conveyed positive words of mouth and recommend the firm services to other potential and prospective customers (Soderland, 1998; Susskind, 2000). They also come back more frequent to the firm to buy in larger quantities or in another words the propensity to repeat purchase was very high (Palmer *et al.*, 2000). In addition satisfied customers, were loyal to the firm even though they were offered better perks, discount and other promotional incentives by competitors. Satisfied customers are loyal and hard to defect to competitors (Foster & Cardogan, 2002 ; Zins, 2001).

Previous researches also found that dimensions such as tangibles (Foster & Cardogan, 2000), firm climate (Clark, 2002; Davidson, 2003), service guarantee (Liden and Skalen, 2003), customer relationship (Boles *et al.*, 1997), customer compatibility (Grove and Fisk,1997, Hartline , 2001) , empowerment (Yavas *et al.*, 2003, Hocutt & Stone, 1998) , communication (Sparks *et al.*, 1997), feedback (Hoffman and Bateson, 1997), explanation (Conlon and Murray, 1996), speed of recovery (Bitner *et al.*, 1990; Boshoff,1999), economical and

Yunus

psychological atonement (Webster *et al* , 2000; Levelsque & McDougall, 1996) were correlated to customer retention and service recovery satisfaction (Boshoff & Staude, 2003). However previous researches methods and results were weak, varied and mixed. There were gaps in the literature as not much was known how service recovery strategies had influenced customer retention in hotels and restaurants especially in Malaysian context.

Boshoff and Staude (2003) has conducted a research on customer recovery satisfaction among the bank employee in South Africa. They used the 17 items RECOVSAT instrument to measure and collect data for the study. There were only six variables in those questionnaires, in the present research seven more variables are added making the total of the variables to 13 all together. After the pilot study, it was found that too many variables are not good because they were difficult to handle. Therefore one way to reduce data is by using factor analysis. After the variables were factor analyzed, it was found that they grouped themselves into three main factors *i.e.* procedural justice, interactional justice and distributive justice oriented recovery strategies(JORS). Thus the following theoretical framework was formulated:

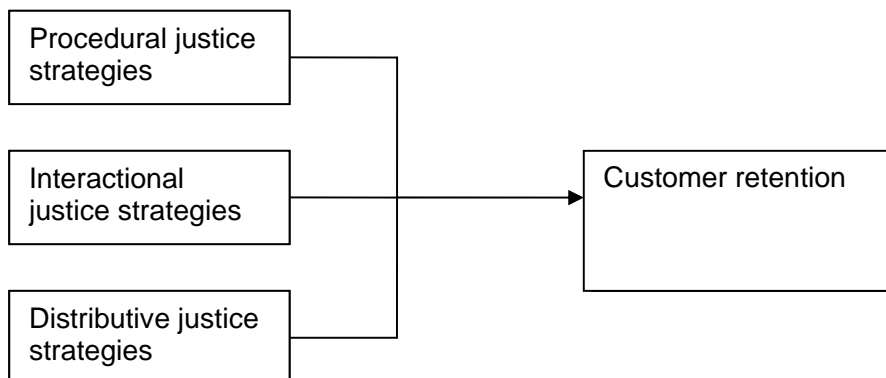


Figure 1: Research Theoretical Framework

3.0 Hypotheses

Ha1. Procedural justice oriented recovery strategies have significant relationship with customer retention

Ha2. Interactional justice oriented recovery strategies have significant relationship with customer retention

Ha3. Distributive justice oriented recovery strategies are predicted to contribute a significant contribution towards customer retention

4.0 Methodology

Data were collected from academics staff of 20 public universities in Malaysia. The population is about 17,964 lecturers. The sample size was 237 and gathered through stratified random sampling (Sekaran, 2002). The instrument were adapted from Boshoff (1999) and Parasuraman *et al.*, (1988). The instrument reliability was tested using Cronbach Alpha coefficient values which was at .91 and considered as very reliable and acceptable (Nunnally & Bernstein, 1994). The content and construct validity was checked by faculty members and tested using principal component analysis respectively (Hair *et al.*, 1998). Data collected were sorted out and analysed by using SPSS version 16.5.

5.0 Findings And Discussions

The demographic data described the overall picture and characteristics of the respondents taking part in this study. The majority of respondents were Malays (82.2%), followed by Chinese (12.7%), Indians (3.7%), and other races (1.3%). The majority of respondents were also married (68.4%). Their ages ranged from 21 to more than 45 years and the majority were relatively young. About 70 % respondents were in the 21 to 40 years age group. Most of the respondents had a bachelors degree (81.2%) and a smaller proportion had masters degrees (18.8%). Their monthly income showed a wide range, from RM2001 to more than RM6001, and the majority (71.6%) had an income of between RM2001 to RM4000, which commensurate with their age and probably their work experience. The descriptive statistics shows the characteristics of the respondents as in Table 1

Yunus

Table 1: Respondents' Demographic Factors

Characteristics	Measure	
	Frequency	Percentage
n=237		
<u>Gender</u>		
Male	124	52.3
Female	113	47.7
<u>Race</u>		
Malay	195	82.2
Chinese	30	12.7
Indian	10	3.7
Others	2	1.3
<u>Marital Status</u>		
Married	162	68.5
Single	75	31.5
<u>Age</u>		
21-30	115	30.5
31-40	149	39.5
41-50	103	27.3
51-60	8	2.1
61 and above	2	.5
<u>Level of educations</u>		
Bachelor degrees	38	15.9
Masters	155	65.3
Doctorates	44	18.8
<u>Monthly income (RM)</u>		
2001-3000		
3001-4000	86	36.3
4001-5000	84	35.3
5001-6000	39	16.4
6001 and above	15	6.6
	13	5.3
<u>Respondent occupation designation</u>		
Tutors	26	11.1
Lecturers	174	73.5
Associates Professors / Professors	37	15.4

The final result of the PCA shows that the factors loading for each variable was above .60 which indicated that all the items were nicely loaded onto the factors. The total variance explained score ranged between 59.55 to 71.427. The Kaiser-Meyer-Olkin test for sample adequacy score ranged from .805 to .955 which means that PCA is appropriate for these sample. The reliability of each variable was between .843 and .962 which suggested that the items were highly correlated to the factors, thus indicated that the underlying factors of this study

Yunus

were found to be reliable and valid. The summaries of the PCA result are shown in Table 2 below.

Table 2: Summaries of the final principal component analysis

Factors	1	2	3
Procedural justice strategies	.707 .696 .691 .746		
Interactional justice strategies		.742 .715 .624 .707	
Distributive justice strategies			.644 .764 .757 .777
Total variance Explained	61.363	59.55	64.411
KMO	.829	.847	.908
Cronbach-alpha	.903	.843	.926

The correlation analysis was conducted. The justice oriented recovery strategies in this study were found to be correlated with customer retention ($r=.634$, $p<0.01$). The finding of the study was relevant and consistent with the findings of previous service recovery strategies studies done by Blodgett et al., (1993, 1997), Collie et al., (2002) and Maxham and Netemeyer (2002). The justice oriented recovery strategies were also supported by the study done by Tax and Brown (1998, 2000) and Sparks and McKoll-Kennedy (2001) in terms of procedural justice, interactional justice and distributive justice in accomplishing the service recovery efforts in order to retain the aggrieved customer. The justice oriented recovery strategies are the strongest among the service recovery strategies and it seems to suggest that bank managers should concentrate on these strategies more than others. Theoretically this finding was also in line with the theory of justice. The details of the analysis results are shown in Table 3 below.

Yunus

Table 3: Summary of test results: the relationship between service recovery strategies and customer retention.

n=237			
Independent variables	Procedural justice strategies	Interactional justice strategies	Distributive justice strategies
Customer Retention	.567**	.537**	.634**
Significant level	.000	.000	.000

** correlation is significant at the .01 level (two tailed)

When the data were treated with multiple regression analysis it was found that the predictor variables explained 63.4% of the customer retention variance. The remaining 36.6% of the variance was due to unidentified and controllable factors. Table 4 shows the summary of the regression analysis result.

Table 4: Summary of the multiple regression analysis

R	R square	Adj. R square	Std error	F	Sig F
.706	.634	.622	.5264	73.8	.000

The finding is consistent with the study done by Boshoff and Staude (2003), even though their respondents were major South African bank employees. In addition, the finding was partly supported by Nek Kamal *et al.*, (2004) who found that communication, feedback, tangible and atonement strategies were correlated with customer recovery satisfaction. However, their respondents were universities supporting staff as the context of the research was in educational support services.

6.0 Conclusions And Implications

From the above analysis, it can be concluded that procedural justice oriented, interactional justice and distributive recovery strategies, were significantly related to customer retention in the retail banking industry. The study findings were supported by many researches before which mostly had been conducted on airlines, hotels and restaurants using hypothetical scenario method among college students (Matilla, 2001; Matilla & Mount, 2003) and banks employees for example studies done by Boshoff and Staude (2003) in South Africa and Clark (2002) in United Kingdom, just to mention a few. The finding of this study that intended to provide further understanding on the nature of customer retention in the context of service recovery management practices was thus restricted to the definitions and depending on the operationalisations of these construct under

Yunus

study. The major contribution of the research was that it had uncovered the four main factors that influenced the customer retention in service organizations *i.e.* the retail banking in major cities in Malaysia. Another humble contribution of the study was that a new survey instrument has been developed. Though it could not be used directly, but with some modifications, it is a good questionnaire that could be used across the industry.

Service organizations managers are hard pressed for defecting customers. They should retain customer in order to be competitive and stay in business. Partly due to globalization and consumer movement, the competition is stiff nowadays and service managers facing great challenges ahead. The sophisticated customers are difficult to please. Their expectations are getting higher and higher everyday. This research presented descriptive strategies of retaining customers. These are the effort to report information that will be beneficial to service managers especially in hospitality industry. Even though the study have limitations, the finding of the study generally shows that further understanding on the recovery strategies can be gained by studying the role of firms, customers, employees and atonement in the process of retaining customers and making the firm stay competitive. The strategies drawn from the finding that the whole organizations have to work in tandem and synergize effort because the nature of service that the delivery process involved many, right from the backstage to the frontline customer contact employees. After a service failure incidents had occurred, the service recovery strategies are very important to retain customers to satisfaction in hospitality industry in Malaysia.

It was recommended that the next research in future should be using different group of respondents. For example, data were collected from both service providers and customers. Data collected from more than one sources were expected to give better result .Instead of comparing two data *i.e.* between that of hotels and retail banking for instance, analyzing data from both customers and employee at the same time would give more interesting results (Summers, 2000). A few researches had been conducted on service recovery using customer perceived justice need either as moderating or independent variables (Blodgett *et al*, 1997; Sparks, *et al*, 2001; Collie *et al*, 2001), however their findings were varied and mixed, thus the issues were still unresolved. Future researchers might be interested in investigating the phenomena.

7.0 References

- Andreassen, T.W., 2000, Antecedent to Satisfaction With Service Recovery, *European Journal of Marketing*, Vol. 31 no1/2, pp 156-175.
- Boshoff, C., & Staude, G., 2003, Satisfaction With Service Recovery: Its Measurement and its Outcomes, *South African Journal of Business Management*, Vol. 34, no 3, pp. 9-16.

Yunus

- Boshof, C.R., 1999, RECOVSAT: An Instrument to Measure Satisfaction With Transaction-Specific Service Recovery, *Journal of Service Research*, Vol. 1, pp. 236-249.
- Bitner, M.J, Booms, B.M, &Tetreault, M.S., 1990, "The Service Encounter: Diagnosing Favorable and Unfavorable incidents", *Journal of Marketing*, Vol. 54 no1, pp. 71-85
- Bateson, J.E.G., & Hoffman , K.D., 1999, *Managing Services Marketing, Text and Readings*, 4th Ed, Dryden Press, New York
- Blodgett, J.G, Hill, D.J, &Tax, S.S., 1997, The Effects of Distributive, Procedural, and Interactional Justice on Post-Complaint Behavior, *Journal of Retailing*, Vol. 73 no 2, pp. 185-210.
- Bitner, M.J., Booms, B.H., & Mohr, L.A., 1994, Critical Service Encounters: The Employee's Viewpoints, in J.E.G,Bateson and K.D, Hoffman ., 1999, *Managing Services Marketing*, The Dryden Press, Fort Worth, Dallas.
- Conlon, D.E., & Murray, N.M. 1996, Customer Perception of Corporate Responses to Product Complaints: The Role of Explanation, *Academy of Management Journal*, Vol. 39 no 4, pp. 1040-1056.
- Gronroos, C., 2000, *Service Management and Marketing, A Customer Relationship* Hayes & Dredges.1998.
- Grove., S.J., & Fisk, R.P., 1997, The Impact of Other Customers on Service Experiences: A Critical Incident Examination of Getting Along", *Journal of Retailing*, Spring, pp. 63-85.
- Hoffman, K.D & Bateson, J.E .G., 1997, *Essentials of Services marketing*, Dryden Press, New York.
- Hair, J.F., Jr., Anderson, R.E., Tatham, R.L., & Black, W.C., 1998, *Multivariate Data Analysis*, 5th Ed. Prentice Hall International Incorporations, Upper Saddle River, New Jersey. USA.
- Lovelock, C.H, Patterson, P.G., & Walker, R.H., 2001, *Services Marketing; An Asia-Pasific Perspective*, 2nd Edition, Prentice Hall New Jersey.
- Lovelock, C.,Wirtz J, & Keh, H.T., 2002, *Services Marketing in Asia, Managing People, Technology and Strategy*, Prentice Hall International Incorporation, Singapore, pp 231 .

Yunus

- Liden, S.B., & Skalen, P., 2003, The Effect of Service Guarantee on Service Recovery, *International Journal of Service Industry Management*, Vol. 14 no1, pp. 35-58.
- Matilla, A.S., & Mount, D.J., 2003, The Impact of Selected Customer Characteristics and Response Time on e-Complaint Satisfaction and Return Intent, *International Journal of Hospitality Management*, 22, pp. 135-145.
- Matilla, A.S 2001, The Effectiveness of Service Recovery in a Multi-Industry Settings, *Journal of Services Marketing*, Vol. 5 n0.7, pp. 583-596.
- Matilla, A.S., & Mount, D.J., 2003, The Impact of Selected Customer Characteristics and Response Time on e-Complaint Satisfaction and Return Intent, *International Journal of Hospitality Management*, Vol. 22, pp. 135-145.
- Mc Collough, Berry, L.L., & Yadav, 2000, An Empirical Investigation of Customer Satisfaction After Service Failure and Recovery, *Journal of Service Research*, JSR, Thousand Oaks, November.
- Maxham, J.G.III, 2000, The Service Recovery's Influence on Customers Satisfaction, Positive Word of Mouth and Purchase Intentions, *Journal of Business Research*, Vol. 54 no. 2,
- Sparks, B.A. & McKoll-Kennedy, J., 2001, Justice Strategy Options for Increased Customer Satisfaction in a Service Recovery Setting, *Journal of Business Research*, Vol. 54, no 3, pp. 209-218.
- Susskind, A.M., 2000, I Told You So!: Restaurants Customers' Words Of Mouth Communication Patterns, *Cornell Hotel And Restaurants Administration Quarterly*, Apr
- Soderlund, M., 1998, Customer Satisfaction and its Consequences on Customer Behavior Revisited- The Impact of Different Levels of Satisfaction on Words of Mouth, Feedback to the Supplier and Loyalty, *International Journal of Service Industries Management*, Vol. 9, no.2, pp. 169-188.
- Summers, J.O., 2001, Guidelines for Conducting Research and Publication in Marketing: From Conceptualization Through the Review Process, *Journal of the Academy of Marketing Science*, Vol. 29,no 4, pp. 405-415.

Yunus

- Yavas, U., Karatepe, O.M., Avci, T., & Tetinkus, M., 2003, Antecedents And Outcomes Of Service Recovery Performance: An Empirical Study Of Frontline Employees In Turkish Banks, *International Journal Of Bank Marketing*, Vol. 21,no.5, pp. 1-12
- Zins, A.H., 2001, Relative Attitudes And Commitment In Customer Loyalty Models, *International Journal Of Service Industry Management*, Vol.12, no.3, pp. 269-294.
- Zeithaml, V.A., & Bitner, M.J., 2003, *Services Marketing, Integrating Customer Focus Across The Firm*, International Edition, Mcgraw Hill, New York.