



The Influence of Perceived Service Failure Recovery Strategies on Customer Satisfaction and loyalty in Hotels

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Abstract

In today's competitive environment, most hotels focus on keeping and developing relationships with their customers as a key to success. As a result, most hotels attempt to deliver first-class service in order to enhance customer satisfaction. However, failures can frequently occur in the process of service delivery due to the high degree of personal interaction with many departments and services. Service failure can negatively affect the satisfaction and future behavioral intention of customers. Consequently, service recovery strategies could be considered valuable tools to complement customer satisfaction in hotels. The purpose of this research is threefold: first to analyze service failure categories and service recovery strategies used by Egyptian hotels; second to measure the impact of perceived service failure recovery strategies on customer satisfaction and loyalty in hotels; and third to discover if there are differences between Egyptian and Foreigner guests with regard to how hotels respond to their complaints. The Critical Incident Technique (CIT) was conducted to identify service failures and recovery strategies employed by hotels. Data were selected from a sample of guests in five-star hotels. A total of 270 usable completed questionnaires were returned, 172 from Egyptian guests and 98 from foreigner guests. The research found conclusive results on selected service failure and service recovery strategies in hotels. The findings indicate that hotels' service recovery strategies influence the customers' satisfaction with differences among these types of strategies. Some kinds of discrimination practiced by hotels between Egyptians and foreigners in favor of the last one in how they recover the service problems occurred during the customers stay was clearly found.

Keywords: Service failure, service recovery strategies, customer satisfaction, customer loyalty, critical incident technique.

Introduction

In today's competitive environment, most hotels focus on maintaining customer satisfaction as an indispensable key to success. The customer demand for value, makes the issue of understanding customers' expectations becomes a critical than ever before. As a result, most hotels attempt to deliver first-class service to enhance customer satisfaction. However, failures, errors, mistakes, and complains are inevitable, and perhaps particularly so in hotel industry¹. Hotels cannot control all components of the service delivery because of the unique characteristic of this industry, which inevitably leads to more heterogeneous outcomes compared to manufacturing industry². Errors are an inevitable feature of all human endeavor and thus also of service delivery. However, businesses cannot afford to ignore the significant costs of losing customers³.

From a customer's perspective, a service failure refers to "as a mistake or error that occurs during the service delivery, causing dissatisfaction"⁴. This means that the organization failed to achieve the customer's expectations of the service, and the customer could even perceive a loss as a result of this failure⁵. Service failure can be identified through customers and service providers using the following four causes: i customers believe that the organization will not be responsive; ii they do not wish to confront the individual responsible for the failure; iii.

unwanted service provider actions; and (d) negative customer behavior².

Based on service provider's behavior when service failure occurs, three classifications for service failure have been identified: i. service delivery failures; ii. needs for customized service; and iii. employee action. Various studies have identified the cost of service failures such as a decrease in customer assurance; negative referral; customer defection; loss of profitability; and a decline in employee morale and performance².

If customers are satisfied with the handling of their complaints, dissatisfaction can be reduced and the probability of repurchase can be increased⁶. Furthermore, effective complaint handling can have dramatic impacts on customer retention rate; achieve secondary satisfaction, and achieve customer loyalty⁷. Businesses typically lose approximately 50% of their customer base every five years³. The need for customer retention stems from the fact that the cost of attracting a new customer substantially exceeds the cost of retaining a present customer. The cost of gaining new customers is approximately five times that of retaining present ones. By reducing the customer defection rate by 5%, however, service industries could increase their profits by up to 100 percent⁸. In addition, hotels cannot afford to lose customers who have the potential to become

public relation makers for hotels through positive word-of-mouth by referring others to use the hotel's products and services⁹.

When service failures occur, service recovery is the primary way a firm can retain its customers and minimize the costs associated with customer defection and negative word of mouth¹⁰. The word recovery was originally used in a service environment from British Airway's "putting the customer first" campaign². Service recovery was defined "as an effort of an organization to compensate for the negative effects of a failure or breakdown in order to change customers' dissatisfaction to satisfaction and ultimately to retain those customers"¹¹. Therefore, service recovery attempts to handle mistakes at the service encounter before customers complain or before they leave the service encounter dissatisfied¹². Such perceptions determine not only the satisfaction and loyalty of the customer to the business, but also the overall profitability of the business as well¹³.

A number of studies have shown that satisfaction with the service recovery directly affects a customer's intention to repurchase and to recommend the service provider¹⁴. These relationships are the vital reasons of why service providers pay extremely attention to service recovery because in financial terms loyal customers can increase profits including through their recommendation of the service to others¹⁵. Service recovery has two dimensions: technical and functional dimensions. The technical dimension refers to what customers actually obtain from the hotel as a part of efforts to recover, whereas the functional dimension refers to how this process is performed⁴.

Thus, service recovery strategies include a combination of psychological recoveries and tangible efforts. These actions range from "do nothing" to "whatever it takes to fix the problem". Within this range, the most common and frequently used actions are apology; assistance; follow-up;

acknowledgement and/or compensation. The effectiveness of recovery strategies depends on the situation and is influenced by such factors as importance and type of service¹⁶. Effectiveness is also dependent on the way in which the service provider handles the problem; responsiveness, empathy and understanding improve the effectiveness of the strategy. Thus, both what was done and how it was done contribute to the effectiveness of the recovery strategy¹⁷.

Clearly, determining the impact of perceived service failure recovery strategies on customer satisfaction in hotels is still vague for researchers and organizations alike. Consequently, hotels need to seek strategies to reduce the impact of the failure and enhance the satisfaction and loyalty of the customers. The present study attempts to address several aims, namely to: i. Determine the types of service failures commonly experienced by hotel guests. ii. Identify the service recovery strategies used by hotels to rectify failures. iii. Measure the impact of perceived service failure recovery strategies on customer satisfaction and loyalty in hotels. iv. Discover if there are differences between Egyptian and foreign guests with regard to how hotels respond to their complaints.

Material and Methods

Conceptual Model and Research Hypotheses: The framework for the proposed conceptual model is presented in figure-1. This model illustrates how various organizational responses (recovery strategies) influence customer satisfaction and loyalty. A review of the literature indicates that apology, atonement, facilitation, promptness, explanation, effort, and attentiveness are effective organizational responses in the process of complaint management¹⁸. Therefore, these organizational responses to complaints could have significant positive effects on customer satisfaction and loyalty. In order to measure the impact of perceived service failure recovery strategies on customer satisfaction and loyalty, hypotheses of the study can be formulated as shown in figure-1.

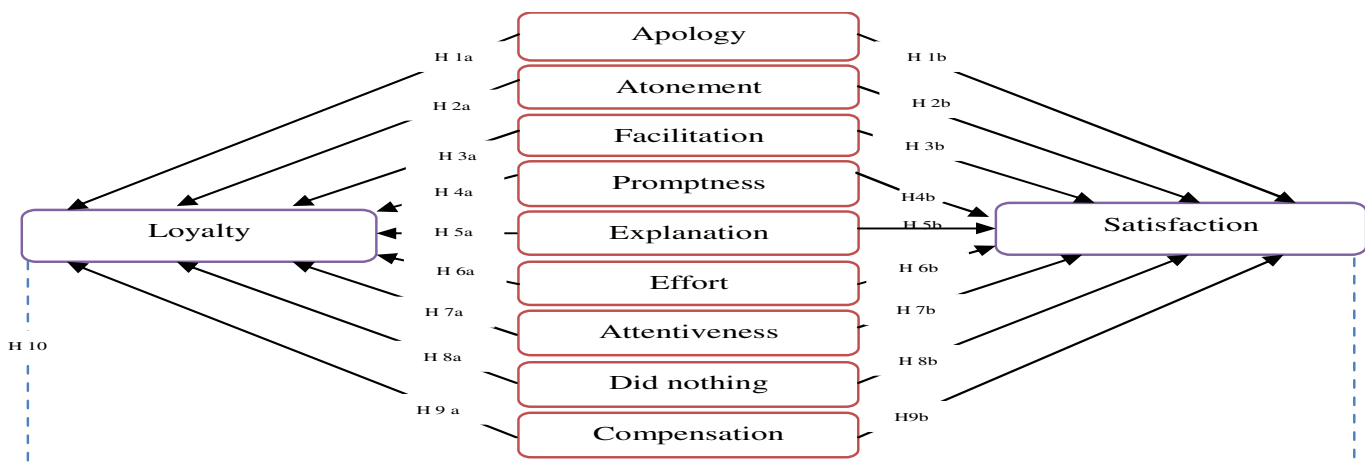


Figure-1
 The Proposed Research Model

Research Design: The critical incident technique (CIT) was conducted to identify service failures and recovery strategies employed by hotels. CIT is approved qualitative research technique that offers a practical step-by-step approach to collecting and analyzing information about human activities and their significance to the people involved. It is capable of yielding rich, contextualized data that reflect real-life experiences. It can be described as “a set of procedures for collecting direct observations of human behavior in such a way as to facilitate their potential usefulness in solving practical problems and developing broad psychological principles”¹⁹. The CIT identifies procedures for collecting observed incidents having special significance and meeting systematically defined criteria.

This methodology has been used to investigate a wide variety of related issues including assessing favorable and unfavorable incidents in the service encounter from the customers’ and employees’ perspectives; determining customer reactions to product failures; developing a typology of retail failures and recoveries; and determining sources of communication difficulties in service encounters²⁰.

The CIT methodology consists of the five following steps: i. Define the activity to be studied and establish its aims (have been discussed above); ii. Establish plans and specifications for identification of critical incidents and the recording of critical behaviors; iii. Collect critical incidents that relate to the activity being studied; iv. Inductive data analysis process; and v. Interpret and report the data. Steps two through four are discussed in the following section, while the fifth step will be discussed in the results section.

Data Collection: The second and third steps in the CIT methodology entail planning and executing the data collection procedures. Initially, a number of interviews were conducted with Egyptians and foreign guests in the investigated hotels in order to identify service failures and recovery strategies. Respondents recalled personal experiences of a whole episode of a problematic hotel service and their dissatisfaction, complaining behavior and the hotel’s reaction to the problem, and what else the hotel could have done to improve its response. The findings from these interviews led to the development of a structured questionnaire.

The questionnaire was designed to identify service problems incurred during the guests’ current hotel stay and find out how hotels responded to these problems. The questionnaire was also designed to measure the guests’ satisfaction/dissatisfaction with the hotel response and the resulting loyalty/disloyalty. Cooperation had been secured from fifteen five-star hotels in Sharm El-Sheikh and Hurghada cities, which attract both Egyptians and foreigners. The questionnaire, together with a personal letter from the hotel managers and the researchers, was handed out by hotel receptionists to a strata sample of 350 guests (220 for Egyptians and 130 for foreigners respectively),

during the period from June till December 2012, as they checked-out and were asked to fill the questionnaire form recalling the incidents of service failure they have encountered during their stay and the associated recovery strategy and return the completed questionnaire by leaving it at reception or in their room.

Measures and Data Analysis: Multiple-item indicators were used to operationalize the nine constructs representing the strategies adopted by hotels to recover the service failure. The constructs were measured as follows: i. The constructs apology, atonement, promptness, facilitation, attentiveness and satisfaction were measured using three items from Davidow²¹; ii. The constructs explanation, did nothing and compensation were measured using two items from Karatepe and Ekiz²²; iii. The construct of effort was measured using four items adapted from Brown and Leigh²³; and iv. The construct of complainant loyalty was measured using five items adapted from Zeithaml *et al.*²⁴. v. Loyalty items were measured on five-point Likert type scales ranging from 5 (extremely likely) to 1 (not at all likely). Other items were measured on five-point Likert-type scales ranging from 5 (strongly agree) to 1 (strongly disagree).

The fourth step in the CIT method is data analysis. The analysis of the CIT data involved five steps: i. Identify the failure incident. Based on the questionnaire forms, 270 incidents were reported by Egyptian and foreigner guests. The resulting incidents were then sorted and classified under 13 service failures. ii. Initially, each service failure was categorized into one of the three major failure groups developed by Bitner *et al.*²⁵. These groups included: employee response to service delivery system failures; employee response to implicit/explicit customer requests; and unprompted and unsolicited employee actions. iii. Identify failure subgroups within the three major groups. This step involved classifying failures into subgroups within each of the three broad groups noted above. This inductive process resulted in the identification of thirteen unique failure subgroups (six in Group 1; two in Group 2; and five in Group 3). iv. Classify recovery strategies. This step involved classifying the recoveries within each failure subgroup. A total of 87 types of recoveries were identified with a great deal of overlap across the 13 failure subgroups. v. Collapsing service recovery strategies. The final step in the categorization process involved reducing the 87 service recovery categories to a more manageable number of recovery strategies applicable to the hotel operation. This classification and sorting process resulted in eight service recovery strategies.

In order to assess the reliability of the thirteen failure subgroups and eight recovery strategies established through the screening processes, an independent reviewer (specialized in the field of services marketing) categorized each of the failure incidents included in the sample. As a starting point, the incident report forms were pre-sorted into the three main categories previously identified by Bitner *et al.*²⁵. The independent reviewer was provided with the eleven previously identified failure subgroups

and asked to independently sort each of the failure incidents into one of the thirteen categories. This resulted in agreement rates of 92 percent, 90 percent, and 90 percent for the failure subgroups included in the three main categories. After completing this task, the independent reviewer then sorted the recovery incidents into the eight recovery strategy categories provided by the researchers. The recovery agreement rate was 93 percent.

Results and Discussion

Findings: A total of 270 usable completed questionnaires (77%) were returned, 172 (78%) from Egyptian guests and 98 (75%)

from foreigners. Of respondents, 60% were male and they comprised 67% of Egyptians respondents but only 56.3% of foreigner respondents. Of respondents, 80% were in the age group 30-59 years with no differences between Egyptians and foreigners. Table-1 demonstrates that the overwhelming majority of the standardized loadings were above 0.70, and all *t*-values were significant. Average variance extracted for each construct was greater than 0.50. All of these measures confirmed convergent validity. Data listed in table-1 also indicates that all reliability coefficients were above the recommended cut-off value of 0.70²⁶.

Table-1
Scale Items, Reliabilities and Confirmatory Factor Analysis Results

Construct	Scale Items	Stand. Loadings	<i>t</i> values	<i>a</i>
Apology (APO)	I got a genuine apologize from the hotel	0.95	38.05	0.92
	The hotel gave me a sincere apology	0.91	36.23	
	I did not receive any form of apology from the hotel	0.85	33.08	
Atonement (ATON)	After positive response, I am in the same state or better than I was before the complaint	0.79	28.05	0.91
	The hotel response left me in a similar or improved position to where I was before the problem	0.89	33.52	
	The outcome that I received from the hotel returned me to the same state or perhaps better than I was before the complaint	0.71	23.24	
Promptness (PROMPT)	It took too long time to respond to my complaint	0.83	32.15	0.79
	They were very slow in responding to my complaint	0.75	29.12	
	The complaint has not been taken care of quickly	0.81	31.36	
Facilitation (FAC)	It was easy to determine where to lodge my complaint	0.86	34.56	0.81
	Hotel policies clearly indicate how to complain	0.84	32.89	
	It was hard to find out where to file a complaint in this hotel	0.73	24.36	
Explanation (EXP)	I did not believe the hotel explanation of why the problem occurred	0.65	18.35	0.78
	The hotel explanation of the problem was not very convincing	0.72	24.54	
Attentiveness (ATT)	The hotel's employee handled my complaint with respect	0.76	26.21	0.85
	The hotel's employee paid attention to my concerns	0.86	33.24	
	The hotel's employee was quite pleasant to deal with	0.88	34.21	
Effort (EFFORT)	The hotel's employee put all his energy into resolving my complaint	0.89	33.66	0.91
	The hotel's employee did his best to resolve my complaint	0.77	30.87	
	The hotel's employee strived to be successful in resolving my complaint	0.85	31.58	
	The hotel's employee devoted himself to resolve my complaint	0.76	27.34	
Compensation (COMP)	The hotel give me a compensation	0.79	31.42	0.86
	The compensation given to me is satisfactory	0.88	35.21	
Did nothing	The hotel did not respond to my complaint	0.71	30.41	0.97
	No one helped me to report my complaint	0.86	33.34	
Customer satisfaction (CSAT)	My satisfaction has increased with this hotel	0.82	32.15	0.94
	My impression of this hotel has improved	0.76	30.45	
	I now have a more positive attitude toward this hotel	0.79	31.52	
Customer loyalty (CLOYAL)	Say positive things about this hotel to other people	0.84	32.05	0.93
	Recommend this hotel to someone who seeks your advice	0.79	30.43	
	Encourage friends and relatives to accommodate in this hotel	0.83	31.41	
	Consider this hotel my first choice for accommodation	0.81	30.48	
	Consider this hotel more for accommodation in the next few years	0.75	28.31	

Findings revealed that, as seen in table-2, the most common problem experienced (by 23%) is product/service defects followed by low/unavailable service (18%) and employee behavior (12%). Other frequently mentioned problems related to not cooked to order, wrong order, lost order, reservation missing seating problems. The least mentioned problems concerned facility problems, bill incorrect, staff appearance, unclear policy, and out of stock. Most of the failure incidents happened because of the improper response of employees to service delivery system (category 1). To a lesser degree, the service problems associated the unprompted and unsolicited employee actions (category 3) have been reported and the service problems related to the employee response to implicit/explicit customer requests (category 2) have been the least mentioned problems.

Egyptian guests were more likely than foreigner guests to mention: slow /unavailable service; product service defects, facility problems, not cooked to order, seating problems, employee behavior, lost order, and bill incorrect. On the other hand, Foreigner guests were more likely than Egyptian guests to mention: staff appearance, unclear policy, wrong order, and

reservation missing. However, the ranking of the service problems was similar for Egyptians and foreigners in staff appearance, not cooked to order, seating problems and lost order.

The respondents then considered each of the 13 service problems and rated their seriousness (table-3). The most serious failure was: slow /unavailable service, followed by product/service defects and employee behavior suggesting the importance of the employee response to service delivery system failures. On the other hand, the least serious failures were: not cooked to order, lost order, and seating problems. Unsurprisingly, the overall ranking of the magnitude of the 13 service failures was nearly similar for Egyptians and foreigner guests. As shown in table-4, hotels adopted the following strategies ranked according to their frequency of use to recover their service failures: apology, atonement, facilitation, promptness, explanation, effort, attentiveness, did nothing, and finally compensation. The two strategies apology and atonement were common strategies use to recover service failures in case Egyptians and foreigners similarly.

Table-2
Services Failure Experienced by Egyptians and Foreigner Guests (n=270)

Failure Category	Overall			Egyptians			Foreigners		
	Freq.	(%)	rank	Freq.	(%)	rank	Freq.	(%)	rank
Category 1: Employee response to service delivery system failures									
Slow service	48	18	2	33	19	2	15	15.3	3
Product/service defects	63	23	1	47	27	1	16	16.3	2
Staff appearance	6	2	10	2	1	7	4	4.1	7
Facility problems	10	4	9	6	4	6	4	4.1	7
Out of stock	2	1	12	1	1	7	1	1	9
Unclear policy	4	1	11	1	1	7	3	3	8
Group 1 Total	133	49	1	90	53	1	43	43.8	1
Category 2: Employee response to implicit/explicit customer requests									
Not cooked to order	29	11	4	21	12	4	8	8.2	4
Seating problems	12	4	8	7	4	6	5	5.1	6
Group 2 Total	41	15	3	28	16	3	13	13.3	3
Category 3: Unprompted and unsolicited employee actions									
Employee behavior	32	12	3	28	15	3	4	4.1	7
Wrong order	24	9	5	5	3	7	19	19.4	1
Lost order	16	6	6	9	5	5	7	7.1	5
Bill incorrect	10	4	9	6	4	6	4	4.1	7
Reservation missing	14	5	7	6	4	6	8	8.2	4
Group 3 Total	96	36	2	54	31	2	42	42.9	2
Grand Total	270	100		172	100		98	100	

Table-3
Magnitude of Service Failures (n=270)

Type of service problem	Overall Mean	Overall rank	Egyptians Mean	Egyptians rank	Foreigners Mean	Foreigners Rank
Category 1: Employee response to service delivery system failures						
Slow /unavailable service	4.44	1	4.64	1	4.24	2
Product/service defects	4.32	2	4.09	2	4.55	1
Staff appearance	4.00	4	4.00	3	4.00	3
Facility problems	3.00	7	3.00	6	3.00	7
Out of stock	3.00	7	3.00	6	3.00	7
Unclear policy	3.00	7	3.00	6	3.00	7
Category 2: Employee response to implicit/explicit customer requests						
Not cooked to order	2.59	9	2.43	8	2.75	8
Seating problems	2.08	11	2.14	9	2.02	10
Category 3: Unprompted and unsolicited employee actions						
Employee behavior	4.12	3	4.00	3	4.24	2
Wrong order	2.67	8	2.00	10	3.34	11
Lost order	2.50	10	2.89	7	2.11	9
Bill incorrect	3.80	5	4.00	3	3.60	4
Reservation missing	3.64	6	3.17	5	3.11	6
Total Mean	3.64	6	3.69	4	3.58	5

Table-4
Recovery Strategies Used

Recovery Strategy	Overall Freq.	Freq. Ranking	Egyptians	Ranking	Foreigners	Ranking
Apology	83	1	50	1	33	1
Atonement	61	2	46	2	15	2
Promptness	27	4	24	3	3	8
Facilitation	28	3	18	4	10	4
Explanation	24	5	15	5	9	5
Attentiveness	16	7	9	6	7	7
Effort	19	6	5	7	14	3
compensation	5	9	4	8	1	9
Did nothing	7	8	1	9	6	6
Total	270		172		98	

Respondents rated five statements relating to the service recovery outcome (table-5). The mean values indicated that respondents were not entirely happy with the fairness of outcome, the time taken to restore problems, flexibility of the hotel, employee concern and employee communications. Foreigner guests were more likely than Egyptians guests ($p < 0.05$) to feel that they had fair outcome. Results also revealed that Foreigner guests are more satisfied with the outcome they receive as a recovery for the hotel service failure than Egyptian guests.

Other ways of measuring respondents' satisfaction with the service recovery they experienced were to ask them if they would be likely to stay at the hotel again, and if they would recommend the hotel to family and friends. When asked how likely it was that they would stay there again, 29% said they probably or definitely would, and 49% replied definitely or probably would not (see table-6). The percentages are similar

for Egyptians and foreigners. Thus, it appears that the service recovery strategies have been relatively unsuccessful. Finally, 29% of guests replied that they would definitely or probably recommend the hotel to their family and friends, although 45% said they definitely or probably would not do so. Foreigners are more likely than Egyptians guests to recommend the hotel ($p < 0.05$). Independent sample *t*-test was used to compare the mean scores of Egyptians and foreigners with regard to the study variables. As shown in table-7, differences ($p < 0.05$) were found between the Egyptians and the foreigners in all the study variables except in their perception to the seriousness of service problems. These results indicate that although both Egyptians and foreigners perceive the seriousness of the services they receive equally they encounter different types of service problems, receive different recovery strategies, and have different satisfaction and loyalty levels.

Table-5
Satisfaction with Service Recovery Strategies

Outcome Statement	Mean		
	Overall	Egyptians	Foreigners
The outcome I received was fair	2.67	2.20	3.13
The time taken for the hotel to resolve my problem was longer than necessary	2.32	2.52	2.11
The hotel showed adequate flexibility in dealing with my problem	2.84	2.45	3.23
The employees were appropriately concerned	2.73	2.66	2.79
The employees' communications with me were appropriate	1.79	1.02	2.56
Total Mean	2.47	2.17	2.76

Table-6
Customers Loyalty

How likely would you be to stay at this hotel again	Overall (%)	Egyptians (%)	Foreigners (%)
Definitely would	16.41	12.36	22.63
Probably would	12.15	8.98	29.56
Unsure	22.65	15.68	8.64
Probably would not	38.62	44.56	31.62
Definitely would not	10.17	18.42	7.55
Would you recommend this hotel to your family and friends			
Definitely would	18.32	10.33	20.45
Probably would	11.15	9.93	26.51
Unsure	25.78	17.69	9.74
Probably would not	36.42	41.53	36.24
Definitely would not	8.33	20.52	7.06

Table-7
Independent Sample Test Results

Independent Samples Test									
	Levene's Test		t-test for Equality of Means						
	F	Sig.	t	df	Sig.	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
								Lower	Upper
Type of Problem	.555	.457	-2.463	268	.014	-1.26198	.51228	-2.27058	-.25339
Strategy	31.066	.000	-2.906	268	.004	-.80861	.27824	-1.35642	-.26081
Satisfaction	.687	.408	-3.538	268	.000	-.49893	.14101	-.77657	-.22130
Loyalty	.072	.789	-3.311	268	.001	-.45966	.13883	-.73299	-.18632
Seriousness	4.730	.031	1.153	268	.250	.135	.117	-.095	.366

Cross-tabulations between satisfaction levels and the likelihood of staying at the hotel again showed that satisfied guests, both Egyptians and foreigners were more likely than dissatisfied ones to express an intention to return ($p < 0.05$). Moreover, satisfied guests, both Egyptians and foreigners, were more likely than

dissatisfied ones to say they would recommend the hotel to family and friends ($p < 0.05$). The 15 hypothesized relationships were tested using LISREL 8.30 through path analysis. Table-8 shows that ten of the hypothesized relationships were supported, while five were not.

Table-8
Path Analysis Results

Standardized parameter estimates		t value*
Impact service recovery strategy on complainant satisfaction		
APO- CSAT	0.11	2.61 ^a
ATON-CSAT	0.18	5.22 ^a
FAC- CSAT	0.21	6.13 ^a
PROMPT-CSAT	0.06	0.76
EXP-CSAT	0.19	5.62 ^a
EFFORT-CSAT	0.28	9.45 ^a
ATT-CSAT	0.23	8.53 ^a
DN-CSAT	- 0.21	-8.32
COM-CSAT	0.31	9.86 ^a
Overall R2 = 0.72		
Impact service recovery strategy on complainant loyalty		
APO- CLOYAL	0.08	2.31 ^a
ATON- CLOYAL	0.19	4.32 ^a
FAC- CLOYAL	0.13	3.75 ^a
PROMPT- CLOYAL	0.06	1.25 ^a
EXP- CLOYAL	0.11	3.62 ^a
EFFORT- CLOYAL	0.25	5.21 ^a
ATT- CLOYAL	0.21	4.53 ^a
DN- CLOYAL	0.27	-7.42
COM- CLOYAL	0.25	4.86 ^a
CSAT-CLOYAL	0.29	9.61 ^a
Overall R2 = 0.61		
Notes: *p < 0.05; ^a indicates that the hypothesized relationship is significant and supported		

Overall, the results demonstrate that compensation is the most influential recovery affecting customer satisfaction followed by effort and attentiveness. On the other hand, the results reveal that effort is the most influential recovery affecting customer loyalty followed by compensation and atonement. Unsurprisingly, the results indicate that did nothing have a significant negative relationship with complainant loyalty. Only promptness was found to have no significant relationship with the customer satisfaction and not much strong association with loyalty.

Conclusion

The present study investigated the types of service failures commonly experienced by hotel guests making stress on the service recovery strategies used to rectify those failures. The study also aimed at assessing the customer perceptions of the effectiveness of each recovery strategy by monitoring its impact on the customer satisfaction and loyalty. To attain the study objectives, Egyptians and non-Egyptians of five-star hotels in Sharm El Sheikh and Hurghada towns were surveyed to find out any nationality-based discrimination in how hotels treat customers in case of the occurrence of service problems. The study reported that product/service defects are the most common problems experienced by customers followed by low/unavailable service and employee behavior. It is worth saying that although both Egyptians and foreigner guests

perceive the seriousness of the services they receive equally they encounter different types of service problems, receive different recovery strategies, and have different satisfaction and loyalty levels. It was obvious that their some kind of discrimination practiced by hotels between Egyptians and non-Egyptians in favor of the last one in how they recover the service problems occurred during the customers stay.

The results of the present study have a number of practical implications for managers seeking to satisfy and retain complainants. Hotel managers should direct their frontline staff to avoid any kind of discrimination between customers based on their nationality and explain the importance of apologies and explanations to them. Training and empowerment, supported with recognition and reward programs, are likely to increase frontline employees’ service recovery performance.

Limitations and Directions for Future Studies: There are some limitations to the present study. First, the selection of a sample of five star hotels in only two cities (Hurghada and Sharm El Sheikh) raises concerns about the generalizability of the findings. Second, the present study focused on the service problems related to the staff action and ignored the service process and procedures laid by management. Third, more focus should be placed on the cultural aspects which may affect the perception of customers to the seriousness or magnitude of service failures and how they perceive the hotels recovery

strategies. Finally, further research is needed to be done in another service setting to explore the effect of the setting on the service types and recovery strategies adopted in such setting.

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