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The Effect of Brand Recognition on Service Recovery

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ABSTRACT

According to prior research, when consumers have a higher level of perceived justice, they are more satisfied with recovery from service failure. The study reported herein further analyzes the influence of a positive relationship between brand recognition and perceived justice in service recovery. The results of an experiment with 289 participants indicate that service recovery accompanied by a lower level of brand recognition, in contrast with that accompanied by a higher level of brand recognition, generates greater satisfaction when consumers' sense of perceived justice is greater.

Keywords: *service failure, service recovery, perceived justice, brand recognition.*

The service industry makes use of transactions that use people as the medium of communication. Consumers' level of satisfaction with a product is determined after it has been purchased. In contrast, their level of satisfaction with a service occurs during its purchase. Service failures are inevitable during the service process. When such failures occur, consumers protect their rights by asking for compensation, by spreading negative word-of-mouth about the service provider, and by stopping future monetary transactions, all of which may damage a company's overall reputation. Hence, the establishment of an effective service recovery process that simultaneously avoids service failure disputes is a key for any company that wishes to create a good customer relationship. According to Spreng, Harrell, and Mackoy (1995), both a greater consumer repurchase intention and positive word-of-mouth can be achieved if service recovery is carried out appropriately.

As Berry and Lampo (2000) state, in service industries that require a concentrated labor force, such as airline companies, restaurants, and hospitals, the service provided by workers determines the level of affection that customers have for the brand. Every company uses its brand as the foundation of its marketing strategies. In the market for goods and services within the same category, firms often utilize advertisements, public relations, and sales promotions in the hope of having consumers memorize their brand names, thus extending their mindshare to form a psychological link with those brand names during the actual purchase. According to Hoyer and Brown (1990), brand recognition is an important reference for consumers in determining buying priority for the same product category at the time of purchase.

In general, the previous studies carried out on service recovery have primarily been concerned with the relationship between different types of service failure and consumer satisfaction with the service procedure after recovery. Using the perceived justice theory as their instrument to measure post-recovery satisfaction, these researchers have all implied that perceived justice and post-recovery satisfaction are positively related (Tax, Brown, and Chandrashekaran, 1998).

Today, however, the market for goods and services is greatly influenced by the enhancement of brand names that amplify the value of commodities. Before consumers obtain the requested product or service, they have already accepted the corporate promise, product identification, and anticipated benefits delivered by its brand name. These are then transformed into the perceived risk of encouraging consumers to recognize that the products or services of companies with high levels of brand recognition are of high quality and integrity. Such strategies are used to deal with the service failures caused by service providers. Therefore, to follow this trend in the brand-based economy, the current study analyzes the influence of corporate brand recognition on the positive relationship between perceived justice and post-recovery satisfaction among consumers.

LITERATURE REVIEW

Service failure

Binter, Booms, and Tetrearlt (1990) stated that service failure occurs during the service process when the service requested by consumers is not fulfilled or is unreasonably delayed or the service quality is lower than the consumer's level of acceptance. Keaveney (1995) interpreted service failure as service that leaves consumers feeling unsatisfied or believing that the good or service provided by a company did not cohere with the standard expected. This can occur at any time during the service process, from the first to the last contact with consumers.

Palmer, Beggs, and Keown-McMullan (2000) argued that service failure occurs when consumers perceive certain incidents to be wrong and irresponsible. Lewis and Spyrakopoulos (2001) interpreted service failure to be a situation that leaves consumers feeling unsatisfied with the service itself or its provider, regardless of the cause.

Maxham III (2001) interpreted service failure as any actual or perceived problem that occurs at the time of interaction between the consumer and the company. To summarize these studies, service failure is not determined by the service provider, but rather by the consumer's subjective judgment that the service process did not meet the standard expected of the company.

Core service failure occurs when consumers are unable to obtain the fundamental service promised by a service provider, for example, they are unable to obtain seats after making a reservation. Keaveney (1995) discovered that core service failure is the primary cause of a change of heart among consumers. According to consumer viewpoints on the acceptance of service, the failure of service, and the interaction between consumers and service providers, he segmented service failures into two categories: "core service failures" and "service encounter failures."

Other scholars (Hoffman, Kelley, and Rotalsky, 1995; Mohr and Bitner, 1995; Smith, Bolton, and Wagner, 1999), in accordance with consumer viewpoints on the acceptance of service, have segmented service failure into two categories, "outcome" and "process," with the intention of defining the classifications and characteristics of service failure.

1. *Service outcome failure* refers to the good or service that consumers actually receive when a company cannot offer them the fundamental good or service they requested, because of, for instance, a product being defective or out-of-stock or because of pricing errors.

2. *Service process failure* occurs when consumers become uncomfortable during the process of service, for example, when the service provider is rude or inattentive.

Although the terminologies used by scholars are different, we can see from the prior literature that they have similar definitions: core service failures and service outcome failures both result in consumers not receiving the fundamental goods and services they deserve, whereas service encounter failures and service process failures result in consumers not receiving integrated service throughout the delivery process.

Service failure recovery

Zemke and Bell (1990) interpreted service recovery as the process of a company attempting to reconcile itself with unsatisfied consumers when its good or service has been unable to meet consumer expectations. Other scholars have indicated that firms can reduce consumer discontent by adopting appropriate service recovery measures (Swanson and Kelley, 2001).

Bejou and Palmer (1998) believed that effective service recovery measures are capable of sustaining consumers' trust and their relationship with the company. Fornell and Wernerfelt (1987) believed that good service recovery measures are capable of offering consumers satisfaction, thus establishing a good relationship with them, increasing their switching cost, and preventing them from changing brands. Spreng et al. (1995) indicated that service recovery measures, when used appropriately, can not only solve a problem, but also further enhance the consumer repurchase intention and positive word-of-mouth.

To summarize scholars' definitions of service recovery, once service failure occurs, the delivery of service recovery measures should be the compulsory response of any firm. Appropriate service recovery not only removes consumer discontent, but further increases service satisfaction, which enhances the repurchase intention. In contrast, service recovery that is unable to provide consumers with satisfaction not only diminishes the repurchase intention, but also creates negative word-of-mouth, which can cause severe damage to a company's brand image.

In general, scholars believe that service recovery is greatly connected to consumers' perceived sense of justice. During the purchasing stage, consumers perform a comparison of the levels of justice among the services provided by firms, which they then use to help them determine their level of satisfaction with the compensation offered in the event of service failure.

Brand recognition

Campbell (2002) argued that a strong brand is bound to provide consumers with brand-related benefits, including brand connection and brand awareness, which then contribute to brand loyalty. Furthermore, a brand consists of two main elements: consumer knowledge and trust. Aaker (1991) thought that a brand is interconnected with a consumer's overall cognition of company quality. Improving the perceived quality of brands among consumers has become an important reason for corporate responsibility measures, which confer a long-term competitive advantage for many firms. This is because a consumer's perception of brand quality directly affects his or her buying decisions and brand loyalty.

Simon (1970) indicated that consumers evaluate their purchase selections based on their perception of brands when faced with unfamiliar products or services. In comparison with anonymous firms or firms with low levels of brand recognition, brand leaders or brands with high levels of recognition are more capable of obtaining positive responses from consumers. Shimp and Earden (1982) and Rao and Monroe (1988) stated that a well-known brand name can effectively decrease consumers' perceived risk and increase their positive evaluation of a product. Keller (1993) interpreted brand awareness as the connecting strength between a brand and consumers' memory and noted that it is an essential reference for the purchase decision. Consumers often make use of their brand recognition as a priority reference for buying decisions after they have chosen the product category. Holden (1993) interpreted brand recognition as a psychological state formed by consumers' memories of a brand that occupies the largest portion of their mindshare.

Dodds, Monreoe, and Grewal (1991) and Grewal, Monroe, and Krishnan (1998) indicated that products that inspire greater brand recognition have a greater market share, superior quality evaluations, and better brand recognition and brand recall (Keller, 1993), all of which help a consumer to make a brand selection within a known product category. Firms with higher levels of brand recognition generally have higher ratios of market share and superior quality evaluations (Oliveira-Castro, et al., 2008) ; therefore, consumers expect to receive more polished and high-quality service recovery measures from them. The criteria for service recovery satisfaction are elevated with consumers' perceptions of what the proper recovery measures from companies with high levels of brand recognition should be.

In contrast, firms with lower levels of brand recognition can generate a high level of service recovery satisfaction by creating a gap between consumers' expectations and perceptions. Therefore, this study analyzes the influence of brand recognition on consumers' perceived justice during the service process. Hence, it hypothesizes the following.

H1: After experiencing service failure, consumers with a lower level of brand recognition will have a higher level of perceived satisfaction with service recovery than their counterparts with a higher level of brand recognition.

Method

Participants and Design

This study adopted a 2 (brand recognition: high vs. low) x 2 (service failure: outcome and process) between-participants design. The experiment consisted of 289 participants (43% male and 57% female, of whom 81% had experienced service failure and 19% of whom had not), who were randomly distributed among four conditions that simulated the circumstances of dining in a restaurant. This service sector was chosen, as it is one with which most consumers have frequent contact. Thus, the participants were expected to be familiar with the designed service failures and recoveries.

This study used a simulation design of restaurant circumstances as the experiment stimulus. A pretest to manipulate levels of brand recognition was carried out with 30 participants (excluding the participants of the formal test). They were asked to rank 10 restaurants based on brand recognition using a 7-point Likert scale (ranging from 1 for “very low” to 7 for “very high”). The results indicated that the *Hilton* restaurant had the highest level of brand recognition, whereas the *Formosa* restaurant had the lowest level.

Service failure was manipulated into categories of outcome and process. The former primarily occurs when a company cannot offer consumers the fundamental good or service they deserve, for instance, no tables for people with reservations or discrepancies between the menu content and the actual order. Hence, the service outcome failure in this study was manipulated into the following circumstance: “The restaurant owner, being worried about consumers not showing up after they had made a reservation, has accepted a great deal too many reservations. This meant that there was no table available for you even though you had made a reservation. Eventually, you were able to obtain a table and make your order. However, after you received your meal, you discovered that it was completely different from what had been described in the menu, thus resulting in further delay. Finally, when paying the bill, you noticed that there were items in addition to those you had ordered, meaning that you were overcharged.”

Service process failure refers to consumers’ negative attitudes being inflamed during the service process, for instance, when service providers display personal feelings in their service attitudes. Hence, the service process failure in this study was manipulated into the following circumstance: “After you entered the restaurant, the waiter, who had been criticized for improper service earlier in the day, exhibited impatience and displeasure when you ordered your meal, which immediately altered your cheerful mood. While you were dining, the waiter accidentally spilled soup on your table without promptly cleaning it up and was late in refilling your drinks. In other words, the requested services were inadequately fulfilled.”

In the cases of both service process failure and service outcome failure, consumers had been offered “<u>50% off all meals of the day</u>” as the service recovery measure.

Measurement of variables

Participants were asked to answer questions with regard to recovery satisfaction was measured by four items, as follows. (1) The restaurant's response reduced your discontent with the service failure. (2) You were satisfied with the service recovery measure provided by the restaurant. (3) The overall service provided to you represented a pleasurable experience. (4) On the whole, you were satisfied with the service provided by the restaurant (Cronbach'α = 0.862). All of these items were measured on a 7-point Likert scale (ranging from 1 for "very low" to 7 for "very high").

Results

Manipulation check

To check the success of the manipulation, participants were asked to answer the questions with regard to "a well-known restaurant" on a 7-point Likert scale, ranging from 1 for "disagree" to 7 for "agree very much." The results indicated that the participants who had been exposed to brands with a higher level of recognition demonstrated greater brand recognition than did those who had been exposed to brands with a lower level of recognition ($t = 22.37$, $p < 0.01$), thus indicating that our brand manipulation was successful.

Hypotheses testing results

The hypotheses were tested in two distinct phases. Moderated hierarchical regression analyses were conducted to test the significance of the hypotheses (Cohen & Cohen, 1983): the direct effects of justice and brand recognition were entered in steps one and two, followed by the interaction of justice and brand recognition in step three. Finally, in step four, we entered the three-way interaction between justice, brand recognition, and type. The results of the moderated hierarchical regression analyses shown in Table 1 reveal that there was a main effect of justice ($\beta = 0.63$, $t = 13.768$, $p < 0.001$), thus providing support for H1. The justice-brand interaction was significant for recovery satisfaction ($\beta = -0.317$, $t = 1.858$, $p < 0.05$). To probe the form of interaction further, we ran separate regression analyses with justice on recovery satisfaction for high and low brand recognition. The results show that the influence of low brand recognition ($\beta = 0.73$, $t = 7.17$, $p < 0.001$) is greater that that of high brand recognition ($\beta = 0.52$, $t = 13$, $p < 0.001$), which is consistent with H2. Low brand recognition has more influence on the relationship between justice and recovery satisfaction than does high brand recognition. Additionally, our results also show that there is no significant three-way interaction between justice, brand recognition, and type ($\beta = 0.371$, $p > 0.1$), thus indicating that the impact of type does not influence the effect of brand recognition on the justice-satisfaction relationship.

Conclusion

Because of the characteristics of service, namely, intangibility, heterogeneity, perishability, and inseparability, service execution is performed by making use of people as the medium of communication. However, even when the service process has been standardized, consumers make judgments about it by determining their own level of satisfaction. Therefore, service failure is an inevitable problem for every service dealer. Such failure often results in dissatisfaction, thus leading to the spread of negative word-of-mouth. To prevent this from happening, service dealers should adopt service recovery measures that immediately decrease consumers' discontent, thus minimizing the effects of the spread of negative word-of-mouth.

However, scholars have also discovered the existence of a "recovery paradox," which, by definition, means that consumers who have received satisfactory service recovery spread more positive word-of-mouth and have a greater repurchase intention and greater brand loyalty than do those who are satisfied with their first purchase. This study further indicates that consumers' level of satisfaction with service recovery is higher when they have a greater sense of perceived justice.

This result is the same as that of previous studies: consumers exhibit more positive evaluations of and repurchase intentions toward a firm's products and services if their perceived sense of justice is greater. This occurs when they perceive that the service provided by the recovery measure is as good as, or even better than, the service they expected (Blodgett, Hill, and Tax, 1997; Chang and Hsiao, 2008; Seiders and Berry, 1998; McColl-Kennedy and Sparks, 2003; Smith, Bolton, and Wagner, 1999).

We have also discovered that the service recovery measures provided by companies with lower levels of brand recognition create higher levels of satisfaction among consumers when their perceptions of justice increase than is the case with those provided by companies with higher levels of brand recognition. In general, consumers expect to receive thoroughly polished and high-quality services, including failure recovery measures, from firms with high levels of brand recognition. At the time of service failure, consumers expect to receive a certain degree of justice and integrity from the recovery measures of such companies; thus, their satisfaction level does not increase significantly when those measures are provided.

In contrast, consumers do not expect high-quality service from firms with low levels of brand recognition; thus, they are significantly more satisfied by the overall service process when recovery measures that exceed their expectations of appropriate and fair compensation are provided. Hence, companies with higher levels of brand recognition, in addition to maintaining a high-quality standardized service process, must continuously and innovatively pursue services that create greater perceived satisfaction for consumers. Companies with lower levels of brand recognition should attempt to extend that recognition by providing services that match up to those of companies with higher levels of brand recognition. This will result in a beneficial difference between consumers' expectations and perceptions of service. By overturning consumers' stereotyped impressions of them, these firms can create high levels of consumer satisfaction, increase positive word-of-mouth, and strengthen repurchase intentions.

Limitations and Future Study

This study has two limitations. First, due to the nature of the sample participants, the majority of whom were college students, its results may not apply to other groups of people. Second, the differences in the service process vary greatly among various service commodities. This study used the restaurant sector as the setting for its experiments; hence, the results may not be generalizable to all service failures.

We suggest two areas of study for future research. First, this study emphasizes the service failures that occur in physical environments. However, due to technological advances and the popularity of the Internet, online service failures are occurring more rapidly than ever, even among some of the well-known online shopping websites. Therefore, research that examines and compares the effects of brand recognition in both physical and virtual environments would be worthwhile. Second, in this study, service failures were divided into "outcome" failures and "process" failures. The gravity of these types of failure could be included in future studies to make the simulations more like the actual circumstances of service failures.

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