

# SERVICE RECOVERY PARADOX IN INDIAN BANKING INDUSTRY

## An Empirical Investigation

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*The present study examines existence of service recovery paradox in Indian banking industry. The study is taken up in the tri-city of Chandigarh, Panchkula and Mohali. The respondents are categorized into failure and no-failure groups on the basis of their service experience. Failure group constitutes those respondents who have experienced service recovery, and has been further divided into five sub-groups ranging from service recovery++ (service recovery better than expected) to service recovery-- (service recovery worse than expected). Service recovery paradox is examined by comparing service recovery++ group with no-failure group. The study shows evidence for existence of service recovery paradox in relation to satisfaction. It has been concluded that for service recovery paradox to exist, recovery effort has to be exceptionally good and much better than expectation level of the customer. The study suggests that service managers should take service failure as an opportunity to appease customers by providing a much better than expected recovery experience. However, organizations should not plan to create service failure situations because if they falter on imparting the recovery, customer satisfaction may be influenced negatively.*

### Abstract



**Keywords:** Banking, service failure, customer satisfaction, recommendation intention, service recovery, recovery paradox.

Customer feels dissatisfied in a service setting when the service on offer fails. A service failure is defined as “any service-related mishaps or problems (real and/or perceived) that occur during a consumer’s experience with the firm” (Maxham, 2001). The customer may categorize a service as failed service if the perceived quality of service after service delivery does not match the expected service. The perceptions regarding quality of services delivered depends upon outcome and output of the ser-

vice, process of service delivery, time taken to deliver the service, conduct of service personnel, etc., and failure on any of the dimensions of service delivery may be responsible for categorizing a service as failed service. No matter how much effort the firm puts into ensuring service quality, it is not possible to entirely eliminate service errors and failures. This is largely due to simultaneous production and consumption characteristic of services. Customers experience several negative emotions in the event of a service

failure. He may stop using the product, complain to the firm, complain to the third party or spread negative word of mouth. Complaint management and service recovery process by service firms, and resultant outcome become crucial in such situations to ease the customer. It is believed that appropriate service recovery efforts may restore dissatisfied customer to a state of satisfaction (Bitner *et al.*, 1990). Service recovery refers to the actions by the service provider in response to service failure (Grönroos, 1988). At times, it is felt that dissatisfied customer who has experienced service failure is even more satisfied after service recovery than the customer who receives correct service in the first place. Service recovery paradox has been suggested to refer to this kind of situation. Such satisfied customer after service recovery is supposed to possess higher word-of-mouth intention and repurchase rate as compared to the customer who has not faced service failure in the initial service (McCullough and Bharadwaj, 1992). Hence, it has been proposed that service failure is an opportunity for the service firm to affect an excellent service recovery which enhances satisfaction and loyalty levels of the customer.

The present paper aims to examine service recovery paradox in case of banking services. The study has been taken up in the tri-city of Chandigarh, Panchkula and Mohali. The opening up of the Indian economy has already seen the entry of many private-sector banks. Various public and private-sector banks are trying to woo the customers by distinguishing their offers and services. An attempt is being made by these banks to implement effective service recovery strategies

in the event of experience of service failure by a customer. In this context, an investigation into service recovery paradox will give an opportunity to these banks to understand if effective service recovery strategies contribute towards ensuring higher satisfaction of a recovered customer as compared to that of a customer who receives a correct initial service. The specific objectives of the study are to study the existence of service recovery paradox with respect to customer satisfaction and recommendation intention in case of banking services.

## LITERATURE REVIEW

One of the most cited works supporting the concept of service recovery paradox is by Hart *et al.* (1990). The authors contended that an effective service recovery after service failure can ensure that post-failure satisfaction of the customer exceeds his satisfaction when there is no service failure. However, McCullough and Bharadwaj (1992) are credited with coining the term service recovery paradox.

Some studies have contested the existence of service recovery paradox. Berry *et al.* (1990) and Zeithaml *et al.* (1996) concluded that no service problem is better than a service problem resolved satisfactorily. Repurchase intentions for non-complaining satisfied customers were found to be higher than for complaining customers who were satisfied with complaint handling (Halstead and Page, 1992). Further, no significant difference in satisfaction and repurchase intention between high and moderate service recovery was found by Maxham (2001). However, significant difference was observed on word-of-mouth. Andreassen (2001)

and McCollough *et al.* (2000) also revealed absence of recovery paradox. Brown *et al.* (1996) found that though service recovery has a positive impact on encounter but reliability is important for long term success. Hence, according to these studies the best way to ensure maximum satisfaction of a customer is to deliver first time error-free service.

Service recovery paradox has been confirmed as a real phenomenon by many other studies. Smith and Bolton (1998) revealed that a satisfactory service recovery leads to recovery paradox. An excellent repair incident in case of telecommunication services was found to cause paradox by Bolton and Drew (1991). Paradox in airline services was also confirmed when full refund and additional free air ticket was offered to passengers of a cancelled flight (Boshoff, 1997). Spreng *et al.* (1995), and Swanson and Kelley (2001) confirmed that effective service recovery increases not only overall satisfaction, but also positive word-of-mouth. Magnini *et al.* (2007) concluded that paradox is likely to occur when failure is not perceived as severe, when there was no prior failure, when the cause of the failure is perceived unstable and beyond the firm's control. Many other studies have also specified the conditions in which service recovery paradox holds true. Service recovery paradox has been confirmed as a reality when it is customer's fault and not provider's fault (Hocutt *et al.*, 1997); complete recovery is possible for low harm services (McCollough, 2000); and there is one failure and recovery (Maxham and Netemeyer, 2002). Maxham and Netemeyer (2002a) have also revealed

that when a customer experiences a second failure, she/he is more likely to attribute the cause of that problem to the firm than when the customer experiences the first failure. Existence of paradox was confirmed only for the best recovery scenario as compared to no-failure scenario by Hocutt *et al.* (2006).

Bitner *et al.* (1990) found that over 23 per cent of memorable satisfactory encounters in the airline, hotel, and restaurant industries were directly due to incidents relating to the way service employees responded to service failures. They also coined the term double-deviation from customer expectations of service organizations. This term refers to perceived inappropriate and/or inadequate response to service failures. It has been concluded that it was not the initial failure that caused the dissatisfactory encounter, but rather it was the employee's response to the failure that caused the incident to be remembered unfavourably by the customer. In other words, it was not the service failure itself, but the failure to recover that caused the customer to be dissatisfied. These types of events result in the magnification of negative evaluations by service customers. Spreng *et al.* (1995) further found that the most important determinant of overall satisfaction among customers with damage claims was satisfaction with damage claims personnel, a service recovery variable. The effect of this variable was greater than the effect of the damage variable, which was the original cause of the service failure. This service recovery variable also had the strongest indirect effect on repatronage intentions and positive word-of-mouth.

The review of literature shows that varied and conflicting results in respect of evidence of service recovery paradox have been offered by the existing studies. Whereas some studies have refuted the existence of service recovery paradox, many other studies have confirmed service recovery paradox as a real phenomenon. Further, it has been seen that whereas some researchers have employed scenario-based experiments, others have tried to evaluate service failure and recovery experiences of respondents through surveys. Michel (2002) reviewed available literature on service recovery paradox and found that existing studies suggest various dependent variables of service recovery paradox like satisfaction, loyalty, service quality, repurchase intention, positive word-of-mouth, image, commitment, trust, and combinations of these constructs. Hence, there is no agreement on the dependent variable of service recovery paradox. Further, even satisfaction and loyalty are not defined uniformly across the studies. Michel (2002) has suggested this as one of the reasons for conflicting results of various empirical studies on service recovery paradox. Further, Michel and Meuter (2007) have pointed that lack of uniform definition of service recovery paradox and the very nature of paradox may be responsible for mixed findings by various available studies on service recovery paradox. Some authors test for a between-subject effect (comparing a recovery/ complaining group with a control group) while others test for a within-subject effect (before a failure/complaint and after a failure/complaint). The authors have contended that service recovery paradox has been suggested as a very rare event (Bo-

shoff, 1997; Hart *et al.*, 1990; Michel, 2001), which means that it is not easy to detect even if it exists. According to Michel and Meuter (2007), few studies have revealed that only a minority of dissatisfied customers complain (Andreasen and Best, 1977; Singh, 1990) and that most recoveries do not lead to customer satisfaction (Hoffman *et al.*, 1995). Further, service recovery paradox can only be witnessed in case of that dissatisfied lot of customers who actually complain and are satisfied by service recovery efforts of the service firms. Hence, in order to produce any significant result, a very large sample has to be chosen to get across to the complaining dissatisfied customers who could get satisfactory recovery. Michel and Meuter (2007) are also of the opinion that requirement for large sample may explain why some studies have failed to produce significant results. However, it can be concluded on the basis of the available studies that service recovery paradox exists, but there may be conditions that can restrain or enhance the paradox.

### ***HYPOTHESES DEVELOPMENT***

Three theories namely, expectancy disconfirmation paradigm, script theory and commitment–trust theory have been propounded to offer theoretical foundation to the concept of service recovery paradox. Expectations-confirmation theory confirms that expectations, coupled with perceived performance, lead to post-purchase satisfaction. This effect is mediated through expectancy disconfirmation paradigm which is related with positive or negative disconfirmation between expectations and performance. If a product falls short of expectations (negative disconfirmation), the con-

sumer is likely to be dissatisfied. However, satisfaction will result if customer expectations are outperformed leading to positive disconfirmation (Oliver, 1980; Spreng *et al.* 1995). Hence, if disconfirmation is considered as a function of recovery expectations and performance, post-failure excellent recovery received by the customer causes positive disconfirmation of expectations resulting in a heightened post-satisfaction state (Oliver, 1997). Second theory that is, script theory posits that knowledge about familiar and frequent situations is stored in one's mind as a coherent description of events expected to occur (Bateson, 2002). Information about service processes is stored in the memory of a customer as a sequence of activities. Any deviation from familiar and frequent activities in certain order makes customer more attentive and sensitive. Such attention and sensitivity on the part of the customer is more evident in a service failure situation which makes the customer vulnerable and uncomfortable. Consequently, a more attentive and sensitive customer's satisfaction is influenced to a greater extent with quality of service recovery as compared to initial attributes of a service which has not failed (Bitner *et al.*, 1990). Third theory to offer theoretical foundation to recovery paradox is commitment–trust theory for relationship marketing by Morgan and Hunt (1994). This theory states that service failures are inevitable. Experience of an effective service recovery by the customer in the event of service failure ensures trust and confidence in the customer regarding honesty and integrity of the service firm. The customer is assured that the service firm has the ability and willingness to offer rectifi-

cation if service fails. Hence, effective service recovery when failure happens can ultimately lead to more trust in the company. Due to these robust theoretical foundations consistent with myriad other studies, the first hypothesis is:

**H1:** Post-failure satisfaction of a customer after excellent service recovery is more than satisfaction of a customer who does not experience service failure.

The recommendation intention of the customer is also influenced positively by satisfactory service recovery (Spreng *et al.*, 1995; Swanson and Kelley, 2001; Maxham, 2001). Michel (2002), and Michel and Meuter (2007) have also found evidence in this regard. Maxham (2001) revealed that a very good service recovery, compared with a good recovery, had a stronger impact on word-of-mouth than on satisfaction or repurchase intention. Hence, second hypothesis is formulated as:

**H2:** Post-failure recommendation intention of a customer after excellent service recovery is more than recommendation intention of a customer who does not experience service failure.

The foregoing review reveals that no attempt has been made to examine service recovery paradox in case of banking services in India. The review also suggests that no attempt has been made to investigate service recovery paradox as such in India. Whatever studies are available in the field of service recovery paradox, almost all of them have been conducted abroad. This important area of services marketing has generally been neglected by



researchers in India, and no comprehensive study has been conducted to abridge gaps in the existing literature. Hence, the present study is an attempt in that direction.

### RESEARCH METHOD

The study attempts to make a comparison of satisfaction and recommendation intentions of two categories of customers viz., those who experience error-free service and those who experience failure and recovery. The scope of the study is restricted to banking industry. Banking-sector in India has seen tremendous growth in last few years. Since the opening up of Indian economy, a large number of private-sector banks have entered in the arena. Almost all the banks are trying to offer majority of financial services under one roof. The universe of the study consists of the respondents living in the tri-city of Chandigarh, Panchkula and Mohali. Chandigarh is a Union Territory and also the state capital of Punjab. Panchkula and Mohali belong to the States of Haryana and Punjab respectively. The three are few of the most prominent and modern cities of north-India, and are home to people from diverse cross-sections of the society. More than 35 commercial banks including nationalized and private-sector banks have their branches in the tri-city. For the sampling purpose, the population consists of all the customers of banking services who have availed such services in the last one year. Owing to the exploratory nature of the study, non-probability convenience sampling technique has been adopted.

In order to find sufficiently large number of service failure and recovery

instances, a very large number of customers were required to be contacted. For the purpose, a general sample of the customers of banking services has been contacted and attempt has been made to examine if they experienced failure in their recent interaction with the service provider in the last one year. The universe, however, as mentioned earlier, consisted of the respondents living in the tri-city of Chandigarh, Panchkula and Mohali. An attempt has been made to represent customers of diverse cross-sections from all the major banks. Survey method using personal interview has been adopted for collection of the data. The branches of various banks have been approached through contacts and personal visits in order to collect data from the respondents. The help of personal contacts employed in various banks has also been taken for the collection of data. A sample of 2670 respondents was contacted for the purpose of data collection. Out of the respondents contacted, 1571 experienced no failure, 1091 experienced one failure and 208 experienced two or more failures. The respondents who experienced more than one failure were not considered for further analysis. Out of 1091 respondents who experienced one failure, 165 respondents were not able to communicate their service recovery experience since they either did not complain or service recovery was still pending. Hence, effective sample size for failure group was 926, whereas sample size for no-failure group was 1571. Thus, total final sample size consisting of respondents from failure and no-failure groups was 2497. The respondents were asked about service failures faced by them in order to ensure that generally expected and ac-

cepted failure instances were not included. The respondents were asked to report a failure as acceptable, unacceptable or absolutely unacceptable. Those respondents who categorized a failure as acceptable were included in no-failure group, whereas those who categorized a failure as unacceptable or absolutely unacceptable were included in failure group. Some of the previous research studies (Michel and Meuter, 2008; Michel, 2002; Smith *et al.*, 1999) have adopted this approach.

Pre-tested, structured and non-disguised questionnaire has been designed as instrument for this purpose. In order to examine level of satisfaction of respondents, a single-item five-point satisfaction scale with 1 indicating 'highly dissatisfied' and 5 indicating 'highly satisfied' is used. Recommendation intention of customers has been examined through a single-item five-point scale ranging from 1 indicating 'very unlikely to recommend' to 5 indicating 'very likely to recommend'. Service recovery experience of customers has been examined on various parameters on a five-point scale ranging from 1 indicating 'service recovery much worse than expected' to 5 indicating 'service recovery much better than expected'. These parameters have been chosen on the basis of available literature.

Data was tabulated and analyzed by using percentages and mean scores. Validity test has been used to check if there are enough relevant questions covering all aspects being studied and that irrelevant questions are not asked. The questionnaire was submitted to a panel of banking professionals and lecturers to check that the questions

reflect the concepts being studied. Cronbach's alpha has been used to assess reliability of scale used to measure service recovery experience. The value of Cronbach's alpha for service recovery experience of customers has been found as 0.761. Nunnally (1978) suggests an alpha of 0.70 and above as acceptable. However, scale reliability cannot be confirmed for satisfaction and recommendation intention since single-item measures have been used. In order to test hypotheses H1 and H2, two groups of respondents viz., failure group and no-failure group have been generated. Failure group consists of customers who experienced a service failure, complained to the bank regarding the failure and received service recovery. No-failure group consists of customers who received an error-free correct service in the first place. Failure group has been further divided into five sub-groups based on service recovery experience. These sub-groups range from service recovery++ (service recovery better than expected) to service recovery - - (service recovery worse than expected). In order to test hypothesis H1, mean level of satisfaction of service recovery++ group has been compared with mean level of satisfaction of no-failure group. Hypothesis H2 has been tested by comparing mean value for recommendation intention of service recovery++ group with mean value of recommendation intention of no-failure group. Mean values of satisfaction and recommendation intentions of failure and no-failure groups have been tested for significant differences. In order to decide about use of parametric/ non-parametric tests for significance testing, the normality of data has been checked through K-S Test.

Table 1. Demographic Profile of Respondents

		n= 2497	
Profile Characteristic	Categories	Number of Respondents	
Sex	Male	1897	(75.97)
	Female	600	(24.03)
Age (in years)	20- 30	444	(17.78)
	30- 40	488	(19.54)
	40- 50	665	(26.63)
	50- 60	627	(25.11)
	60 or more	273	(10.94)
Occupation	Service	1320	(52.86)
	Business	577	(23.11)
	Professional	256	(10.25)
	Others	344	(13.78)
Monthly Income (in Rs.)	Less than 20,000	504	(20.18)
	20,000- 30,000	494	(19.78)
	30,000- 40,000	444	(17.78)
	40,000 or more	416	(16.66)
	Did not respond	639	(25.60)
Education	Matriculation	128	(5.13)
	Under graduation	211	(8.45)
	Graduation	1142	(45.73)
	Post graduation	622	(24.91)
	Professional Qualification	394	(15.78)
Marital Status	Married	1998	(80.01)
	Unmarried	499	(19.99)

## RESULT AND DISCUSSION

The demographic profile of the respondents is presented in Table 1. The table reveals that majority of the respondents (75.97 %) are males. Only 24.03 per cent are females. Further, most of the respondents (26.63%) are in the age group 40-50 years, followed by age groups of 50-60 years (25.11%), 30-40 years (19.54%), 20-30 years (17.78%) and 60 years or more (10.89%), in that order. Occupation-wise distribution of the respondents shows that most of the respondents (52.86%) are in service, followed by business (23.11%). Only 10.25 per cent of the respondents are professionals, whereas 13.78 per cent of the respondents belong to 'others' category of occupation, which includes those who are housewives among females, students and those who are retired from service. As regards income level of respondents, 25.60 per cent of the

respondents have not revealed their income level. Most of the respondents (20.18%) belong to the monthly income group of less than Rs. 20,000, followed by monthly income groups of Rs. 20,000-30,000 (19.78%), Rs. 30,000-40,000 (17.78%) and Rs. 40,000 or more (16.66%), in that order. As far as education level is concerned, most of the respondents (45.73%) are graduates, followed by postgraduates (24.91%). Further, 15.78 per cent have got professional qualification. Only 8.45 per cent and 5.13 per cent are undergraduates and matriculates respectively. Further, the table indicates that majority of the respondents are married (80.01%). Only 19.99 per cent are unmarried.

## HYPOTHESES TESTING

In order to test hypotheses H1 and H2, the failure group has been further categorized into five sub-groups



Table 2. Satisfaction and Recommendation Intentions of Failure and No-Failure Groups

Groups	Sample Size	Overall Satisfaction Mean Score (m.s.)	Overall Recommendation Intention Mean Score (m.s.)
<b>Failure Group</b>	<b>926 (37.08%)</b>	<b>3.74</b>	<b>3.83</b>
Service recovery much better than expected (Service Recovery++)	161 (6.45%)	4.38	4.35
Service recovery better than expected (Service Recovery+)	189 (7.57%)	3.94	4.11
Service recovery as per expectations (Service Recovery0)	346 (13.86%)	3.78	4.01
Service recovery worse than expected (Service Recovery-)	132 (5.29%)	3.19	3.22
Service recovery much worse than expected (Service Recovery --)	98 (3.92%)	2.88	2.61
<b>No-failure Group</b>	<b>1571 (62.92%)</b>	<b>4.17</b>	<b>4.32</b>
<b>Total</b>	<b>2497</b>	<b>4.01</b>	<b>4.14</b>

based on service recovery experience. These sub-groups range from service recovery++ (service recovery better than expected) to service recovery - - (service recovery worse than expected). The sample sizes, and mean scores for satisfaction and recommendation intentions in case of no-failure group, failure group and each of the five sub-groups of failure group have been mentioned in Table 2. Table 2 indicates that out of a total effective sample of 2497, large majority of the respondents (62.92%) belong to no-failure group, whereas only 37.08 per cent belong to failure group. Further, 13.86 per cent of the total respondents have experienced service recovery as per expectation (service recovery0 group), while 7.57 per cent and 6.45 per cent have respectively experienced service recovery better than expected, and much better than expected. Rest of the respondents in failure group has found recovery effort below their expectation levels.

Furthermore, it can be seen from Table 2 that as anticipated satisfaction level in case of no-failure group (m.s. =4.17) is relatively more as compared to failure group (m.s. =3.74). The

satisfaction levels for the five failure sub-groups also follow the expected pattern with satisfaction level being highest for service recovery++ group (m.s.= 4.38) and lowest for service recovery- - group (m.s.= 2.88). This pattern also holds for recommendation intentions of respondents. Recommendation intention is relatively more in case of no-failure group (m.s. = 4.32) as compared to failure group (m.s. = 3.83). For failure group, recommendation intention is highest for service recovery++ group (m.s. = 4.35) and lowest for service recovery- - group (m.s. = 2.61). In order to establish service recovery paradox, the respondents who experienced service failure have been compared with those who did not experience failure and received error-free service. K-S test (test static= 0.157, p value= 0.027) for normality indicates that data is not normally distributed. The sample sizes for failure and no-failure groups also being unequal, non-parametric Mann-Whitney U test has been applied for significance testing. The results of Mann-Whitney U test are given in Table 3.

Table 2 also reveals that respondents who experienced failure but received

Table 3. Mann-Whitney U Test Results

	Mean Scores (m.s.)		z	p-value
<b>Satisfaction</b>	Service Recovery ++ Group = 4.38	No-failure Group = 4.17	-3.127*	0.019
	Service Recovery + Group = 3.94	No-failure Group = 4.17	-2.981*	0.027
<b>Recommendation Intentions</b>	Service Recovery ++ Group = 4.35	No-failure Group = 4.32	0.000	0.102
	Service Recovery + Group = 4.11	No-failure Group = 4.32	-3.884*	0.011

\*significant at 5% level

service recovery much better than expected (service recovery ++ group, m.s. = 4.38) are comparatively more satisfied than respondents who experienced an error-free service without failure (no-failure group, m.s. = 4.17). The results of Mann-Whitney U test ( $z = -3.127$ ,  $p < 0.05$ ) from Table 3 confirm that statistically, the mean difference in satisfaction between service recovery ++ group and no-failure group is significant at 5 per cent level of significance. Hence, hypothesis H1 is accepted and it can be interpreted that post-failure satisfaction of a customer after excellent service recovery is more than satisfaction of a customer who does not experience service failure. This indicates existence of service recovery paradox. Further, Table 2 shows that those respondents who experienced failure but received service recovery better than expected (service recovery + group, m.s. = 3.94) are less satisfied as compared to those who received an error-free service without failure (no-failure group, m.s. = 4.17). Mann-Whitney U test results ( $z = -2.981$ ,  $p < 0.05$ ) as shown in Table 3 confirm that statistically, the mean difference in satisfaction between service recovery+ group and no-failure group is significant at 5 per cent level of significance. This reveals that satisfaction of no-failure group is significantly more than service recovery + group indicating service recovery paradox with respect to satisfaction cannot exist if service recovery effort is not ex-

ceptionally superior. It can only exist if service recovery effort is much better than expectation level of the customers.

Mean score values for recommendation intentions of respondents in Table 2 indicate that recommendation intention of those who experienced service recovery much better than expected (service recovery ++ group, m.s. = 4.35) is marginally stronger than those who experienced an error-free service without failure (no-failure group, m.s. = 4.32). However, Mann-Whitney U test results ( $z = 0.000$ ,  $p > 0.05$ ) as indicated in Table 3 show that statistically, mean difference in recommendation intentions of two groups is not significant at 5 per cent level of significance. Hence, hypothesis H2 is rejected and it can be interpreted that an exceptionally good service recovery after failure may lead to approximately same recommendation intention as does an error-free service without failure. Table 2 further reveals that respondents who received an error-free service without failure (no-failure group, m.s. = 4.32) have stronger recommendation intentions than those who experienced failure but received service recovery better than expected (service recovery + group, m.s. = 4.11). The mean difference in recommendation intentions of no-failure group and service recovery+ group has also been found to be statistically significant at 5 per cent level of significance, as confirmed by

Mann-Whitney U test ( $z = -3.884$ ,  $p < 0.05$ ).

## CONCLUSIONS

The findings of the study show that out of an effective total sample of 2497, a large majority of respondents (62.92%) experienced an error-free no-failure service. Rest of the 926 respondents (37.08%) experienced service failure and recovery effort from the service provider. Further, only 161 respondents (6.45%) perceived service recovery much better than expected, whereas 189 respondents (7.57%) felt recovery effort just better than expected after experiencing service failure. The study shows evidence for existence of service recovery paradox in relation to satisfaction. It is revealed that respondents who experienced service failure but received recovery much better than expected are significantly more satisfied than those who experienced error-free no-failure service. No evidence has been found for existence of service recovery paradox when recovery effort is just better than expected. Hence, in comparison to the situation of no service failure, a very pleasing recovery experience after service failure ensures higher level of satisfaction of the customer. However, anything less than a pleasing recovery experience will ensure a lower level of customer satisfaction when compared to the situation of no service failure. Thus, it may be concluded that for service recovery paradox to exist, the recovery effort has to be exceptionally good, much better than the expectation level of the customer who experiences service failure. The same cannot be said for the possibility of positively recommending a service provider. No evidence of service recovery paradox

related to positive word-of-mouth has been found. The study reveals that an exceptionally good recovery effort does not result in stronger recommendation intention as compared to the situation of no service failure. Rather, an exceptionally good service recovery or an error-free no-failure service results in almost same level of positive word-of-mouth on the part of respondents. However, recommendation intentions of respondents who received an error-free no-failure service have been found to be significantly higher than those who experienced failure but received service recovery just better than expected.

The study has some important implications for providers of banking services. Employees have to ensure an error-free service to the customers to ensure satisfaction for them. An error-free service builds reliability for the organization and customer gets confident about efficiency level of the organization and its employees. However, service failures are inevitable in most service situations. The findings indicate that satisfaction level of the customer who experienced an exceptionally good much better than expected recovery after service failure is significantly more than that of the customer who experienced an error-free service. Thus, customers can leave a service failure situation more satisfied as compared to the situation of no service failure, provided their complaints are resolved in the most efficient way. If the service provider acknowledges customer complaints, apologizes, and responds quickly and empathically to service failure, the customer gains confidence in capabilities and intentions of the organization. Hence, the

managers should take service failure situation as an opportunity to appease the customers by providing a very pleasing much better than expected recovery experience. Such an experience enhances reliability of customer service function of the organization. Customer gets the confidence that organization is concerned about him and in future if something wrong goes with the service delivery, the organization is not going to leave him in the lurch. However, it does not mean that organizations should plan to create service failure situations. It has been revealed that as compared to the situation of no service failure, the level of customer satisfaction is significantly lower if his recovery experience is just better than expected or as expected. Hence, if an organization falters on imparting the recovery, it may result in negatively influencing satisfaction of the customer. However, an organization, otherwise, should be ready with recovery management system in case a service goes wrong. All the resources should be leveraged to ensure most pleasing recovery experience to the customer. In fact, for service recovery paradox with respect to satisfaction to exist, the organizations should plan a recovery experience which is exceptional and leaves the customer pleasantly delighted, something beyond his imagination. Anything less than that is not going to ensure higher level of satisfaction of the customer as compared to the no service failure situation. Rather, as revealed by the study findings, a recovery experience that cannot delight the customer would ensure that

satisfaction of the customer is less as compared to the situation of no service failure. In this regard, it is important for an organization to understand service recovery expectations of its customers. The customers should be contacted on regular basis to gather their feedback regarding common and critical failure points. This may enable the managers to plan their recovery effort in a much better way. Further, it may be suggested that employees should be trained and empowered to offer a very pleasant recovery experience to the customers in the event of service failure.

The present study has been able to offer evidence regarding service recovery paradox in Indian banking industry with respondents being chosen from real-life situations. Although the chosen industry is well-suited for this type of study due to long-lasting relationships with many transactions, but scope of the study is restricted to only banking services. The study may be extended to various other services. Further, data for the present study has been collected from the tri-city of Chandigarh, Panchkula and Mohali. The study may be extended to other geographical regions and area-wise comparison of findings may be made. The present study is cross-sectional in nature. Longitudinal studies may also be conducted to compare and contrast the findings in order to observe the changes over a period of time. The analysis may also be carried out on the basis of demographic variables of the respondents.

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**QUESTIONNAIRE**

Q1. Please specify names of banks you are aware of:

Q2. Of the above, which bank’s services are you availing?

If you are availing services of more than one bank, kindly name the bank with which you transact the most

**Please give your response to the following questions for the above mentioned bank**

Q3. Which of the following services are you availing from the bank with which you transact the most? (Please tick)

(a)	Saving/ Current Account
(c)	Personal/ Home/ Property Loan
(d)	Mutual Fund
(e)	Life/ General Insurance
(f)	Any Other (Please Specify)

Q4. Have you experienced any service failure from your bank in the last 1 year?  
Yes/ No

If yes,

- a. Kindly specify the problem you faced:
- b. Did you ever complain about the service failure to your bank? Yes/ No
- c. If you complained, has your problem been rectified? Yes/ No
- d. If your problem has been rectified, how do you rate each of the following with respect to your service recovery experience from the bank?  
(1= much worse than expected, 2= worse than expected, 3= as per expectations, 4= better than expected, 5= much better than expected)

		1	2	3	4	5
(a)	Complaint registration system					
(b)	Responsiveness of bank					
(c)	Courteousness and behaviour of employees					
(d)	Regular update on complaint status					
(e)	Time taken to resolve your complaint					
(f)	Complaint resolution process					
(g)	Solution/ Compensation received					

Q5. Please specify your level of satisfaction from the bank? (Please Tick)

Highly Dissatisfied	Dissatisfied	Neither Satisfied nor dissatisfied	Satisfied	Highly Satisfied

Q6. How much likely are you to recommend services of the bank to others?  
(Please Tick)

Very unlikely to recommend	Unlikely to recommend	Not Sure	Likely to recommend	Very Likely to recommend

**Personal Information:**

Name	Gender	Marital Status
	Male ___	Married ___
	Female ___	Unmarried ___

Age (Yrs)	Education	Occupation	Monthly Income (Rs.)
20- 30 ___	Matriculation ___	Service ___	Less than 20,000 ___
30- 40 ___	Under graduation ___	Business ___	20,000- 30,000 ___
40- 50 ___	Graduation ___	Professional ___	30,000- 40,000 ___
50- 60 ___	Post graduation ___	Others ___	40,000 or more ___
60 or more ___			

<b>Residence:</b>	
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