

# The moderating effect of problem experience (service failure) and resolution (service recovery) on the service quality, overall satisfaction and loyalty chain

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## Aim of paper and research questions

Previous research found a continuum of higher ratings for service quality, satisfaction and loyalty for customers who had not experienced a problem compared to those who had problems resolved, with lowest ratings for those who had not had their problem resolved (Howat, Murray & Crilley, 1999; Zeithaml, Berry & Parasuraman, 1996). Extending this research the main aim for this study was to examine the relative impact of specific service quality dimensions on satisfaction and loyalty for customers (N = 2,246) of Australian public aquatics centres. Using Structural Equation Modelling (SEM), we compared (a) customers not experiencing problems (b) customers whose problems were resolved, and (c) customers with problems that were not resolved.

## Literature review

A priority for service organizations is the early identification of problems (Cronin, 2003; Johnston, 2004). Customers whose problems are resolved to their satisfaction are more likely to remain loyal (Brown, Barry, Dacin & Gunst, 2005; Zeithaml, Bitner & Gremler, 2006). Conversely, poor recovery after a service failure often leads to negative word-of-mouth (WOM) (Bonifield & Cole, 2008; De Matos & Rossi, 2008). In recognising that WOM and repatronage intentions represent different constructs (Jones, Reynolds, Mothersbaugh & Beatty, 2007; Theodorakis & Alexandris, 2008), our research, used a single item for repatronage intentions and a three-item WOM (*recommend intentions*) scale adapted from Zeithaml et al. (1996) and Alexandris, Zahariadis, Tsorbatzoudis, and Grouios (2004).

Based on a customer's cumulative experiences with a service (Gustafsson, Johnson & Roos, 2005), overall satisfaction is the customer's overall judgement of that service (Choi & Chu, 2001). Consistent with other sports and leisure service quality research (Alexandris et al., 2004; Baker, & Crompton, 2000) we assumed a mediating role for overall satisfaction between service quality and loyalty.

## Research design and data analysis

Adapted from Howat, Crilley and McGrath (2008), the questionnaire included customer service quality, customer demographics, customer use characteristics, overall satisfaction, and loyalty measures. Respondents (N= 2,246) were repeat customers of 11 Australian public aquatics centres involved in aquatics and/or gym/fitness activities.

The structural model was tested using maximum likelihood estimation with the AMOS 7.0 statistical package. Five service quality dimensions validated in the CFA (*personnel, facility*

*presentation, parking, relaxation and personal accomplishment*) were included in the SEM along with *overall satisfaction* and *recommend intentions*. The overall fit of the model was good (CFI = .973, IFI = .973, SRMR = .037, RMSEA = .018, normed chi-square = 2.7).

### Results

For all three groups of respondents a strong relationship was found between *overall satisfaction* and *recommend intentions* with standardised regression weights (R) ranging from .80 to .90 ( $p < .001$ ). For those without problems, the *facility presentation* dimension recorded the strongest relationship with *overall satisfaction* (R = .20) followed by *personnel* (R = .17), *relaxation benefits* (R = .17) and *personal accomplishment* (R = .10). For respondents with problems not resolved satisfactorily *facility presentation* (R = .31) recorded the strongest relationship with *overall satisfaction* followed by *personnel* (R = .29) and *relaxation benefits* (R = .29). Respondents whose problems were resolved saw *personnel* (R = .28) and *facility presentation* (R = .26) recording similar relationships with *overall satisfaction*, while the *relaxation* dimension had little impact on *overall satisfaction* in contrast to *personal accomplishment* (R = .21).

### Discussion and conclusion

SEM supported the consistent influence of two process dimensions (*personnel* and *facility presentation*) on *overall satisfaction* and *recommend intentions*. In contrast, the outcomes dimensions (*personal accomplishment* and *relaxation*) had differing impacts on *overall satisfaction* for the three customer groups. These findings indicate that poor service recovery accentuates the relationship between *relaxation benefits* and *overall satisfaction*, suggesting that relaxation and escaping pressures of daily life (eg reduced stress) were less likely when problems were not resolved. In contrast, customers whose problems were resolved to their satisfaction recorded a positive relationship between *personal accomplishment* and *overall satisfaction*, indicating that this group was more likely to experience such personal outcomes as feelings of personal accomplishment, improved self-esteem, and improved skill level. In turn, the moderating effect of problem experience (service failure) and resolution (service recovery) adds utility to the focussed service quality, benefits, overall satisfaction and loyalty model for public aquatic centres proposed by Howat et al. (2008).

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