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“HOW TO ENHANCE
ORGANIZATIONAL
EFFECTIVENESS ON FREE
TRADE AREA IN ASIA?”**

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Member of:  AACSB
INTERNATIONAL

Department of Management
Faculty of Business and Economics
Universitas Surabaya

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THE 9TH UBAYA International Annual Symposium on Management

Innovation And Best Practices In Business Management: “How To Enhance Organizational Effectiveness On Free Trade Area In Asia?”

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Published by:

Departement of Management, Faculty of Business and Economics

Universitas Surabaya

Jl. Raya Kalirungkut

Surabaya, Indonesia 60293.

Phone: +62-31-2981139

Fax: +62-31-2981239

ISBN: 978-979-99365-6-1

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THE EFFECTS OF SERVICE RECOVERY ON CUSTOMER SATISFACTION IN RESTAURANT INDUSTRY

Siti Rahayu

Department of Management Faculty of Business and Economics, Universitas Surabaya, Surabaya,
Indonesia

email: sitirahayu151@gmail.com

Abstract

The primary objective of this study is to investigate the effects of service recovery on customer satisfaction in restaurant industry. Specifically, it examines the perception of “justice” in service recovery and how it affects the level of satisfaction and behavioral outcomes.

Data in this research were collected through a survey using a structured questionnaire. The 316 respondents were analyzed according to whether they did or did not make a complaint to the restaurants.

The findings of this research showed that the complainants’ level of satisfaction with service recovery was significantly affected by perceived justice. The behavioral outcomes of the complainants in terms of trust, word-of-mouth (WOM) and loyalty were also found to be affected by their satisfaction with the service recovery. T-tests confirmed that the levels of trust, WOM and loyalty were significantly higher for those respondents who were satisfied with the service recovery compared with those who were dissatisfied. Further t-tests also indicated that respondents who were initially satisfied with the service expressed greater trust and positive WOM compared with the satisfied complainants. Finally, the study showed that dissatisfied complainants would exhibit a lower level of trust and were more likely to engage in negative word-of-mouth behavior compared with those who were dissatisfied initially but chose not to complain.

Keywords Customer satisfaction, Complaints

INTRODUCTION

Current condition of business competition is very tight, especially in the service sector. This is due to low entry barriers in the services sector. As a result, new competitors will come easily. Therefore, customer satisfaction becomes an important aspect of business continuity services. Ekiz (2009) states that to attain and retain a pool of loyal and profitable customers, companies try to provide a flawless high quality service to their customers (Kotler and Armstrong, 2006). Nevertheless, as hard as they try, even the best service companies cannot eliminate problems utterly (Gursoy, 2007a; Hart *et al.*, 1990). Most of the time companies only hear from few of these problems through consumer complaints (Hedrick *et al.*, 2007; Plymire, 1991). The factor that distinguishes between few successful companies from the remaining not so successful ones is how they view these complaints as opportunities (Zem ke and Anderson, 2007).

The importance of customer satisfaction has been the attention of researchers and business consultants. A study of customer satisfaction conducted from various viewpoints. According to Chu, Gerstner, and Hess (1998), many researchers and business consultants have emphasized the importance of defensive marketing in recent years. As opposed to offensive marketing, which is aimed at attracting new customers, defensive marketing is aimed at keeping existing customers satisfied and preventing them from defecting to competitors (Hauser and Shugan, 1983; Schmidt and Kernan, 1985; Westbrook, 1981; Woodruff, Cadotte,

If the customer did complain and was not satisfied, the effect of trust is higher when compared to word-of-mouth and consumer loyalty. (3) Customer who do complain are very important to note the company, because customers who do complain and are satisfied greater effect on trust, word-of-mouth, and consumer loyalty than those who do not complain but feel satisfied. (4) The company must also consider the customer to complain, because if they feel dissatisfaction, a sense of trust customers will decline, bad experiences to more people, and less loyal to the restaurant.

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