SERVICE GUARANTEES: THE IMPACT OF PLAYING 'HARD TO GET' ON PERCEPTIONS OF FIRM CREDIBILITY AND REPURCHASE INTENT

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ABSTRACT

Within a competitive economy, achieving high standards of customer service is important to the survival of any business. For service-based businesses in particular, recovering from inevitable service failures is essential to ensuring this success, which is based on keeping the promises that are made. Effectively using tools such as service guarantees as a part of a firm's service recovery strategy is one way firms can ensure delivery of these promises.

Data from a vignette study (N=318) supported the research hypotheses that customers perceive higher levels of fairness (when presented with a no-questions-asked service guarantee) leading to higher levels of customer satisfaction, perceptions of firm credibility and repurchase intent. Partial support was found for the proposition that firm credibility mediates the relationship between higher levels of service recovery satisfaction and repurchase intentions. Study results suggest that service companies should consider the implementation of a hassle-free service guarantee as it is important for achieving positive organizational outcomes.

Key words: service guarantees, service recovery, service failure, credibility, repurchase intent.

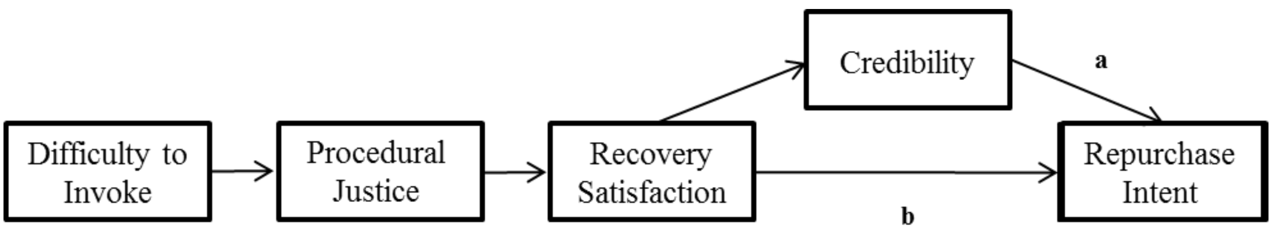
INTRODUCTION

Achieving customer satisfaction and earning repeat business is important to the survival of any business, especially when operating in a competitive economy. Due to the unique nature of services it is impossible to ensure error-free service provision at all times. Even the most customer-oriented organization with the strongest quality program is unlikely to be able to eliminate all service failures (del Rio-Lanza, Vazquez-Casielles, and Diaz-Martin 2009). For instance, although a 98 percent service performance record may seem respectable, using this standard, the United Parcel Service (UPS) would lose or misdirect 302,000 packages and documents each day (UPS Fact Sheet 2009). Therefore, it is important that failed situations be handled appropriately. For most service-based businesses, success is based on keeping the promises that you make. Therefore, without proper recovery efforts when things do go wrong, a firm could leave itself open to a tarnished reputation because for most customers, "you're only as good as your word." In fact, customers rank companies' handling of complaints of service failures as the second most important factor, behind product quality, when making purchase decisions (Conlon and Murray 1996), in addition to having significant effects on customer outcomes such as repurchase intent and customer advocacy. It follows that properly managing service failures and delivering on intended promises with effective strategies is an important objective for any company in order to promote customer satisfaction and develop long-term relationships. A desirable benefit to delivering on these promises is increasing perceptions of firm credibility, or believing that the firm will do what they say they are going to do on the next consumption experience with the firm. Building these perceptions of credibility is recognized by consumers as a long-term investment by the firm, a connection that is sacrificed only when those promises are broken (Wernerfelt 1988). Service guarantees provide a mechanism with which firms can ensure delivery of the promises that they make. However, it is unclear as to how tools such as service guarantees contribute to perceptions of credibility and how such perceptions contribute to favorable customer outcomes such as repurchase intent.

A number of scholars have examined various aspects of service guarantees, such as the design (e.g. McDougall, Levesque, and VanderPlaat 1998; Wirtz 1998) and the outcomes (for both employees and customers) (e.g. Hays and Hill 2001, 2006; Kandampully and Butler 2001; Ostrom and Iacobucci 1998; Tucci and Talaga 1997), but there has been a call for more research surrounding the process of invoking such a recovery tool and its impact on customer perceptions of firm credibility (Hogreve and Gremler 2009). By focusing on aspects of customer perceptions of fairness, satisfaction and credibility, the purpose of the study to be described and discussed in this article is to investigate the role that the level of difficulty in invoking a service guarantee plays in a customer's perceptions of firm credibility and repurchase intent (see Figure 1 for the proposed model).

FIGURE 1

Proposed Mediational Model



Notes: Path a is deleted to obtain the non-mediational model. Path b is added (and path a retained) to obtain the partially mediated model

The article is organized as follows. First, a theoretical overview of service failure, service recovery and service guarantees is presented, along with the study's constructs, which include justice, satisfaction, credibility and repurchase intent. Next, methods are outlined and results presented followed by an analysis and discussion of how the process of invoking a service guarantee can influence perceptions of credibility and behavioral intentions. We conclude by discussing managerial implications, limitations and directions for future research.

LITERATURE REVIEW

Service Failure and Recovery

Post-purchase behavior is recognized as important to any firm because of its influence on repeat purchases and word-of-mouth recommendations (Berkman and Gilson 1986). Therefore, in any business, knowledgeable companies do their best to provide superior performance to satisfy their customers in order to achieve these favorable customer outcomes.

Consumers purchase goods and services based on expectations about the company's anticipated performance, defined as a set of pre-exposure beliefs about the product prior to purchase (Olson and Dover 1979). Expectations are based on information a person is exposed to such as prior experience, word-of-mouth recommendations, comparisons of similar providers, etc. Once the product or service has been consumed, perceived outcomes are compared against prior expectations. When the perceived outcome matches or exceeds expectations, the consumer is satisfied (Oliver 1980). However when performance falls short of expectations, a failure is said to have occurred.

Although the creation of a satisfied customer is every company's ultimate goal, due to the nature of service-based businesses, failures, or errors, are inevitable. Services tend to be higher in experience qualities than tangible goods, so customers are not always confident in what they will get before consuming the service. In addition, consistency in service delivery is not always possible due to the variability of many services. As a result, failed experiences are inevitable and have the ability to negatively affect the satisfaction and future behavior of customers (Mattila 2001). It is therefore important that service firms manage their failed experiences with effective recovery strategies.

Service recovery refers to the action taken by a service provider to address a customer complaint regarding a perceived service failure (Grönroos 1988), an action that provides a means by which a company can rectify a situation that has gone wrong. In a tangible goods producing company, managers can safeguard against errors in production by providing warranties in order to reduce the customer's perceived risk and to lower the likelihood that a consumer develops negative feelings toward the firm if something were to go wrong. If a product were to break, the company can simply replace it if requested by the customer. However, in a service-based context, recovery tools similar to warranties, or service guarantees, are much less common (McCollough 2010).

Service failures left unaddressed will promote negative consumer behavior such as defection from the firm and negative word-of-mouth about the firm. The existence of a well-designed service recovery strategy provides the firm with the ability to rectify the situation, affording the company an additional opportunity to satisfy the customer.

Service Guarantees

Similar to expectation formation prior to a service encounter, the existence and communication of a service guarantee is one way that a firm can help a consumer form recovery expectations. It acts as a signal or cue of the anticipated quality of the recovery effort. In a very real sense, service guarantees inform customers about what to expect and communicate the standard of service that they can expect from the company (Kandampully and Butler 1998). It provides pertinent information to the customer as to what constitutes a failure, as this is not always clear.

According to Hogreve and Gremler (2009), a service guarantee is "an explicit promise made by the service provider to (a) deliver a certain level of service to satisfy the customer and (b) remunerate the customer if the service is not sufficiently delivered" (p. 324). Notably, research has revealed that, due to the risks involved and characteristics associated with service-based businesses, firms make very few commitments regarding the final outcome of their services (McCollough 2010), despite the fact that service guarantees are presumed to have a positive effect on service recovery (Tax and Brown 2000).

The study of service guarantees dates back over 20 years (for a review, see Hogreve and Gremler 2009), covering a variety of domains. The area that has received the most attention is in the evaluation of services, which include topics such as perceived service quality and risk and customer satisfaction (e.g., Andaleeb and Basu 1998; Kandampully and Butler 2001; Liden and Skalen 2003). In addition, researchers have looked at many outcome aspects that have an effect on a customer's behavioral intentions, such as their intent to purchase/repurchase (e.g., Kandampully and Butler 2001), consumer opportunism (e.g., Wirtz and Kum 2004), and on employees or the service firm, including employee motivation and learning (e.g., Hays and Hill 2001, 2006), quality improvements, service development and innovation (e.g., Liden and Saden 2004).

One area that has received less consideration in the literature is service guarantee design. Some of the more prominent topics include appropriate level of compensation to provide in case of a service failure and the scope of the guarantee (Kukar-Kinney, Walters, and MacKenzie 2007; Liden and Edvardsson 2003). Other topics surrounding design issues are related to the invocation of the service guarantee. One study looked at the invocation of the guarantee, examining customer expectations of the service guarantee and found that fair rules surrounding the invocation of the guarantee after a service failure are most appropriate (Liden and Edvardsson 2003). Another study, conducted by Wirtz and Kum (2004), found that consumers expect the rules of invoking the guarantee to be communicated by the service guarantee. However, there has been a call for more research around the process of invoking a service guarantee and its effect on customer perceptions of the firm (Hogreve and Gremler 2009).

With respect to its design, a service guarantee can either be explicit or implicit. If explicit, it is stated specifically in writing what is guaranteed. However, an implicit guarantee represents an understanding that the company will do whatever it takes to ensure customer satisfaction (McCollough, 2010). It has been well documented that the number one aspect that customers expect when consuming a service is reliability (Parasuraman, Berry, and Zeithami 1991), or for the service to be performed as promised. It can be argued that this promise carries an implicit guarantee. However, because there are so many elements associated with a service experience, the unspecified nature of the implicit guarantee may leave the customer unsure as to what exactly is being guaranteed (McCollough 2010). For new customers in particular, an explicit guarantee will lower customers' perceived risk (Barlow and Moller 1996; McDougall et al. 1998), which is advantageous in competitive markets. For the purpose of the study described in this article, we focus solely on explicit guarantees.

Despite the fact that it has been suggested that service guarantees are more effective if a customer is able to obtain the guarantee easily (Hart 1988), the majority of service firms are unwilling to expose themselves to the inherent risks associated with offering a guarantee (McCollough 2010). Some firms fear that the guarantee will be abused by opportunistic consumers (Wirtz 1998; Wirtz and Kum 2004); however, clear evidence to support this claim does not exist (Hogreve and Gremler 2009). It has been suggested that firms that make invoking the guarantee difficult may help such firms in avoiding opportunistic types of behavior (Hart 1993); however, making the process difficult may generate other, less favorable outcomes. Offering a guarantee in the first place may lead a customer to adjust their (recovery) expectations, providing the company with a second chance to satisfy the customer. Making the process difficult for the customer, further amplifying a customer's level of frustration, would fail to alleviate the dissatisfaction experienced with the initial service failure.

Along with the creation of customer satisfaction, firms hope to gain repeat business through the effective implementation of their service guarantee. That guarantee represents a promise to the customer, and if the firm delivers successfully on that promise, a customer is likely to perceive that firm as being more credible, or believing that that the firm will do what they say they are going to do on the next consumption experience. A firm has the opportunity to build a relationship with the customer by delivering on its promises, which can lead to positive behavioral outcomes. Notably, no study to date has looked specifically at the impact that the process of invoking a guarantee has on the perception of credibility about the firm, which is important to the development of a customer-firm relationship. Accordingly, this is one of the primary focuses of this study (see Figure 1 for the study model).

Justice

Buyers and sellers are not able to anticipate, nor prevent, every potential incident that may arise in an exchange process. However, each partner in the exchange expects "fair" treatment from the other. A number of scholars have added to the literature on service recovery by examining customers' evaluation of complaint experiences using justice theory, which appears to be the dominant theoretical framework applied to recovery efforts to demonstrate the importance of how the process takes place (Tax, Brown, and Chandrashekaran 1998; Wirtz and Mattila 2004).

According to justice theory, there are three dimensions of justice that influence an individual's evaluation of a service recovery, namely **distributive** (i.e., fairness of the outcome), **interactional** (i.e., fair interaction) and **procedural** (i.e. fair processes), all of which have been found to be important in achieving customer satisfaction (Tax et al. 1998). Distributive justice refers to the customer's perception about the firm's efforts to correct the problem (Smith, Bolton, and Wagner 1999; Tax et al. 1998) and include tangible benefits customers might receive after a failure has occurred, such as replacements, refunds or discounts on future purchases. Interactional justice focuses on the interpersonal elements of the exchange between employees and customers. It includes customers' perceptions about such things as employee empathy, friendliness, explanations and apologies. Finally, procedural justice reflects the perceived fairness of the complaint handling process. It is judged based on the methods the firm uses to deal with problems in areas such as accessibility, timing/speed (i.e., time taken to refund money), process control (i.e., receiving a quick response, expression of concerns) and flexibility to adapt to the consumer's recovery needs (Blodgett, Hill, and Tax 1997; Tax et al. 1998).

Although all three types of justice are important from a customer's point of view, in the study discussed in this article we will be specifically focusing on the process of invoking a service guarantee, which is directly related to **procedural justice**, keeping everything else constant (i.e., the refund and the way the customer is treated). We believe that this is an appropriate focus for several reasons. First, by offering a service guarantee, organizations are showing a concern for distributive justice. Second, we believe that few organizations are likely to encourage employees to be purposively rude or insensitive to customers. In a very real sense, interactional justice provides the basis for customer service. Finally, although organizations have a direct concern with ensuring distributive and interactional justice, they are also concerned with cost minimization. In responding to the latter concern, organizations might well try to ensure that service guarantees are invoked infrequently and to make the guarantee more difficult to invoke. In so doing, they may inadvertently violate procedural justice and this possibility provides the motivation for the current study.

(Explicit) service guarantees may reduce hassle costs by helping set customer expectations for service and, if something does go wrong, providing clear procedures that make it easier for customers to complain and receive compensation for their failed experience. Essentially, explicit guarantees remove the ambiguity from the service experience. It has been suggested that unless considerable customer opportunism exists, a no-questions asked guarantee is preferred to more restrictive policies as it entails the least risk of customer dissatisfaction (Chu, Gerstner, and Hess 1998; Hart 1988). Research shows that when the guarantee requires too much effort to claim, few customers even bother to report the failure (Ettore 1994), leaving the company without any recourse to rectify the problem. Therefore, in order for guarantees to be effective, the process for invoking the "promise" should be relatively hassle-free (Maher 1991). Service guarantees can improve perceptions of fairness by simplifying the process to remedy a service error. Taking the above-detailed into account, we offer the following research hypothesis:

H1: *Ease in invoking a service guarantee will be positively associated with perceptions of procedural justice.*

Procedural Justice and Customer Satisfaction

Procedural justice refers to customers' perceived fairness of policies, procedures and tools used to handle service failure complaints and the amount of time taken to deal with a complaint (Maxham and Netemeyer 2002). Fornell and Wernerfelt (1987) demonstrated that a well-executed service recovery strategy is required to enhance customer satisfaction. It seems that customers form their procedural justice perceptions based on their personal experiences with the company's complaint handling procedure. Therefore, increasing procedural justice perceptions requires a rapid and appropriate response to customer complaints. Hoffman and Kelley (2000) claim that even though a customer may be satisfied with the type of recovery tool offered, their evaluation of the recovery may be poor due to the process endured to obtain the recovery outcome. Numerous studies have shown that perceived procedural justice has a significant positive effect on customers' satisfaction with complaint handling (Homburg and Fürst 2005; Karatepe 2006; Vázquez-Casielles, Suárez Álvarez, and Díaz Martín 2010). Taking the above-detailed into account, we offer the following research hypothesis:

H2: *Perceptions of procedural justice will be positively associated with customer satisfaction with the recovery effort.*

Customer Satisfaction and Credibility

An organization's credibility is an extremely important dimension in the consumer's assessment of services, due to their intangible nature (de Ruyter and Wetzels 2000). Credibility of the firm or brand can be defined as the believability of the information conveyed by the firm, which requires that consumers perceive that the firm has the ability and willingness to continuously deliver what has been promised (Erdem and Swait 1998; 2004). More specifically, credibility about the brand or firm comprises two components: expertise (i.e., the belief that the firm is capable of delivering on its promises) and trustworthiness (i.e., the belief that the firm is willing to deliver on its promises). Note that trustworthiness is distinct from trust and can be described as a characteristic of an entity (e.g., person or firm). Extant research suggests that the receiver's perception that the source possesses higher levels of expert power, referring to the perceived level of contextually relevant knowledge of the firm (Sharma 1990), enhances the source's trustworthiness (and thus credibility) in the eyes of the recipient (Moorman, Deshpande, and Zaltman 1993; Palmatier, Dant, Grewal, and Evans 2006). An important aspect that reflects the firm's credibility from the point of view of an exchange partner is the firm's expertise, reliability, and intentionality (Ganesan 1994).

Aurier and Siadou-Martin (2007) found perceived justice to be part of the service evaluation process, which in turn influenced satisfaction and relationship quality. Perceptions of credibility play an important role in the development of any relationship. The perception of credibility reflects the consumer's view relative to the provider's ability to deal with events, allowing customers to anticipate the firm's subsequent behavior (Aurier and Siadou-Martin 2007). The customer's expectation in the context of a service failure, for instance, must match the customer's perception after a service recovery has occurred. Accordingly, if the firm creates a service recovery expectation for the customer in the event of a failure and subsequently delivers on that created expectation, it is reasonable to assume that the outcome will be judged favorably, resulting in satisfaction with the encounter as a result of the process being followed according to the firm's "promise," meeting the customer's expectations. As a result, by delivering on its promises, the customer will perceive the firm as being more trustworthy and believable (Kelley and Davis 1994; Vázquez-Casielles et al. 2010). It is then reasonable to suggest that if satisfied with a service recovery effort, the firm will be perceived as being more credible. Taking the above-detailed into account, we offer the following research hypothesis:

H3: *Satisfaction with the recovery effort will be positively associated with firm credibility.*

Credibility, Customer Satisfaction and Repurchase Intentions

Service guarantees have become an effective means to not only attract but also to retain customers (Evans, Clark, and Knutson 1996; Hays and Hill 2006). In the latter instance, the concept of extending or enhancing the relationship becomes relevant. In general, firms report positive customer attitudes and behaviors and increased revenues from implementing service guarantees (Hart 1993).

Marketing researchers usually consider purchase intentions to be one of the main attitudinal consequences of satisfaction (Fornell 1992; Oliver and Swan 1989; Taylor and Baker 1994). It has been well demonstrated that there is a strong relationship between customer satisfaction with service recovery efforts and a willingness to do business with the service provider in the future (Goodwin and Ross 1992; Kelley and Davis 1994; Smith and Bolton 1998; Sparks and McColl-Kennedy 2001; Vázquez-Casielles et al. 2010). Taking the above-detailed into account, we offer the following research hypothesis:

H4: *Satisfaction with recovery efforts will be positively associated with repurchase intentions.*

Perceiving a company as credible inherently decreases a consumer's perceived risk because it increases the consumer's confidence in the firm. Signaling theory suggests that brands are credible (i.e., believable and trustworthy) signals, which motivate firms to be truthful about their product and services and to deliver on the promises that they make. Baek and King (2008) found that credibility is positively correlated with perceived quality, information costs saved and purchase intentions. The process of providing a guarantee can also play a role in assisting customers in making future judgments about purchases with that firm. For instance, by effectively delivering on the promised guarantee (i.e., timely, non-burdensome), it would seem reasonable to expect customers to put more faith in that service provider in the future.

Customer loyalty is enhanced when customers are confident that a company has an effective policy for responding to customer complaints (Bowen and Lawler 1995). It has been demonstrated in the literature that a customer that sees a company as being highly credible is more likely to purchase from them (Eisend 2006; Sweeney and Swait 2008). Taking the above-detailed into account, we offer the following research hypothesis:

H5: *Credibility will be positively associated with repurchase intentions.*

Perceptions of credibility of an exchange partner creates an expectation held by an individual that the partner can be relied on in the future (Lindskold 1978). This affects a customer’s long-term orientation with the firm by reducing the perception of risk. It was shown in a 2004 meta-analysis that perceptions of credibility resulted in a change in customer attitudes, cognitions and subsequent behavior (Eisend 2004). It offers a reassurance of consistent and competent performance, assuring that the consumer will be satisfied with future experiences with the same service provider (Sirdeshmukh, Singh, and Sabol 2002). If a firm is believed to be credible, based on past positive experiences with this company, the level of confidence towards the firm inherently increases, reducing the level of risk that is often associated with consuming an intangible service. Therefore, if the perceived level of risk decreases, an individual would be more likely to purchase from this firm in the future. Extending prior service recovery research, we propose that higher levels of satisfaction with recovery efforts may increase repurchase intentions when a customer perceives a company as being more credible.

H6: *Credibility will mediate the relationship between satisfaction with the recovery effort and repurchase intention.*

METHODS

Study Context and Manipulation

The study was conducted whereby a situational variable (difficulty of invocation) was manipulated in an after-only, between-groups experimental design in order to create sufficient variance to test the null form of the research hypotheses. The study created a situation whereby the participants experienced a service failure (lengthy wait to be served throughout the evening) within a restaurant context and were provided an unconditional (if you are dissatisfied in <u>any way</u> you qualify to invoke the guarantee), explicit service guarantee in order for the firm to recover from the event. Customers were promised a 25 dollar gift certificate if they were unsatisfied with the service in any way.

Past studies (see Liden and Skalen 2003) have pointed out that some participants were dissatisfied with the level of compensation that they were provided. For most people “the punishment should fit the crime.” These authors point out that finding an appropriate compensation level that satisfied the customer and relates to the level of failure is oftentimes difficult. Therefore, in the current study, the specific amount of compensation was stated in order to set expectations before invocation. Although each respondent is an individual and may react differently with respect to satisfaction with the compensation, we felt that remuneration of $25 for a lengthy wait throughout the evening was sufficient. Participants were given identical service scenarios with one manipulated change (see the **Appendix** for the two scenarios). One half of the respondents were randomly chosen to be presented with a situation whereby the process to claim the service guarantee was easy (i.e., after explaining the situation, the server immediately apologizes and promptly hands the customer the $25 gift card). The other half of the respondents were randomly chosen to receive the situation whereby the process to claim the service guarantee was more onerous (i.e., having to explain in *detail* specifically the situation to the server and subsequently to the manager, having to fill out a form explaining the situation and finally receiving the $25 gift card). A hypothetical company was used so that participants did not have any preconceived notions or experience with any real, specific company. The idea was to create a context whereby the participant was visiting this restaurant for the first time.

A restaurant scenario was used as the context of the service failure for two reasons. First, the scenarios that were presented were realistic, as most people would have experienced a similar situation in the past (i.e., visiting a restaurant). Second, the service must be one that could be repeatedly purchased to allow for the testing of repeat purchase intent. Finally, the specific failure that was presented was used because most people can relate to being subjected to a lengthy wait in a restaurant context.

Sample and Research Procedure

From a large Canadian university, 318 undergraduate students participated in the study. Participants were randomly assigned to one of two experimental conditions – one involved a scenario whereby a service guarantee was 'easy' to invoke and the other whereby the service guarantee was 'difficult' to invoke.

All participants read a vignette (Alexander and Jay 1978) describing identical situations, apart from the different processes involved to invoke the guarantee. After reading the scenario each respondent was asked to fill out a questionnaire.

The respondents were guaranteed anonymity and were asked to place their questionnaires in an envelope without any markings that would help to identify the individual participant. The proposed study received review and approval from the university's ethics review board.

Measures

Manipulation Check--Perception of Ease of Invocation

One question was asked to determine the respondent's perception of the achieving the guarantee as easy or difficult (1 = very difficult to 5 = very easy).

Procedural Justice

Procedural justice was measured using a four-item scale from Maxham and Netemeyer (2002), using a 7-point Likert scale anchored by 'strongly disagree' and 'strongly agree.' The scale had a Cronbach's alpha of .82.

Satisfaction with Recovery

Satisfaction with the service recovery was measured using a three-item scale adapted from Bitner (1990). It was measured on a 5-point scale anchored by 'strongly disagree' and 'strongly agree.' The scale had a Cronbach's alpha of .77.

Credibility

Credibility was measured using an adapted version of Ganesan's (1994) scale, consisting of four items measured on a 5-point Likert scale anchored by 'strongly disagree' and 'strongly agree.' The Cronbach's alpha for this scale was .77.

Repurchase Intent

Repurchase intent was measured using an adapted version from Maxham and Netemeyer's (2002) and Blodgett et al.'s (1997) scales, which used a 7-point Likert scale (1 - strongly disagree; 7 - strongly agree). The Cronbach's alpha for this scale was .89.

RESULTS

Descriptive statistics and intercorrelations for all study variables are presented in **Table 1**. To confirm the manipulation we compared respondents' ratings of the perception of ease of invoking the service guarantee across the two conditions. As anticipated, respondents who read the "easy" vignette reported that it was easier to invoke the guarantee (M = 4.01, SD = 1.09) than did those who read the "onerous" vignette (M = 2.34, SD = 1.07), t (316) = 13.72, $p < .01$.

We operationalized our hypotheses as an observed variable path analysis and estimated parameters using maximum likelihood estimation.

TABLE I

Descriptive Statistics and Intercorrelations for all Study Variables (N=318)

Variable	M	SD	1	2	3	4	5
1. Repurchase Intent	5.00	1.22	**.89**				
2. Credibility	2.87	.67	.53**	**.77**			
3. Recovery Satisfaction	4.78	1.23	.63**	.55**	**.77**		
4. Procedural Justice	5.04	1.18	.50**	.37**	.66**	**.82**	
5. Difficulty of invoking service guarantee	-	-	-.31**	-.18**	-.34**	-.49**	-

Notes: Difficulty of invoking coded 1=easy; 2= difficult. * p < .05; ** p < .01

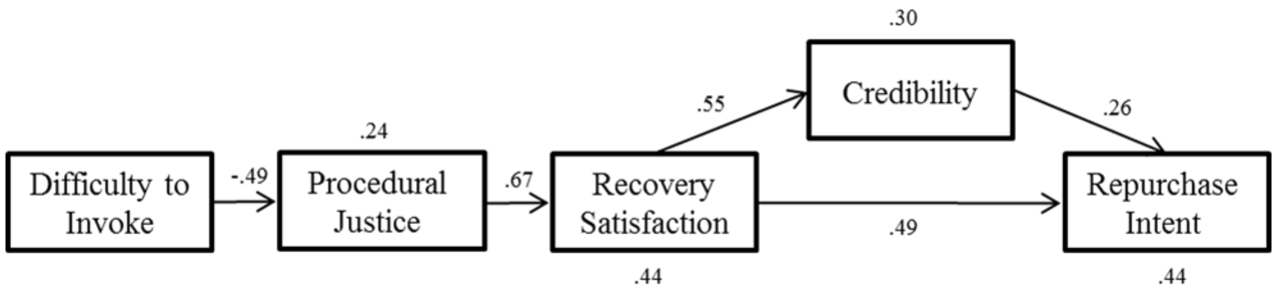
Following the procedures of two-stage modeling (Anderson and Gerbing 1988), we first established the fit of the measurement model. A four-factor model representing the four outcome measures described above provided an acceptable absolute fit to the data (χ^2(77 N = 318) = 217.86, p < .01; CFI=.95; RMSEA = .08 p < .05) and a substantially better fit than did a one-factor model χ^2(77, N = 318) = 936.47, p < .01; CFI=.70; RMSEA = .19, p < .01), $\chi^2_{(\text{difference})}$ (6, N=318) = 718.61, p < .01.

We estimated a series of three models (Kelloway 1998). First, the fully mediated model as shown in **Figure 1** provided a poor fit to the data, χ^2(6, N = 318) = 91.50, p < .01; NFI = .84; CFI=.85; RMSEA = .21, p < .01). The non-mediated model also provided a poor fit to the data, χ^2(6, N = 318) = 31.04, p < .01; NFI = .94; CFI=.95; RMSEA = .12, p < .01). The partially mediated model, however, provided an absolute fit to the data, χ^2(5, N = 318) = 8.77, ns; NFI = .99; CFI=.99; RMSEA = .05, ns) and a significantly better fit than either the mediated ($\Delta\chi^2$(1, N = 318) = 82.73, p < .01) or non-mediated ($\Delta\chi^2$(1, N = 318) = 22.27, p < .01) models.

Standardized parameter estimates for the partially mediated model are presented in **Figure 2**. As shown, repurchase intention was predicted by both recovery satisfaction (β = .49, p < .01) and credibility (β = .26, p < .01). These two variables explained 43.5% of the criterion variance. Credibility was also predicted by recovery satisfaction (β = .55, p < .01; 23.8% of variance) and recovery satisfaction was predicted by procedural justice (β = .67, p < .01; 44.2% of variance). Finally, procedural justice was predicted by the difficulty of invoking the service guarantee as described in the vignette (β = -.49, p < .01), accounting for 25.7% of criterion variance.

FIGURE 2

Standardized Parameter Estimates for the Partially Mediated Model



DISCUSSION

This study aimed to extend the customer service literature on service failures and service recovery by examining how the process of invoking a service guarantee influences customer justice perceptions and outcomes in a service setting. Further, a mediated model was proposed in which customer (recovery) satisfaction influences repurchase intentions through the mediation of customer-perceived firm credibility. Data provided partial support for the proposed mediated relationships.

The results of this study suggest three contributions of some significance. First, although little research has been done on the process of invoking a service guarantee (Hogreve and Gremler 2009), path analysis results demonstrated that in the event of a service failure, consumers prefer companies to provide an 'easy' process when they decide to invoke a service guarantee. This finding suggests that if a company decides to offer a guarantee on their service quality, they should ensure that, when claimed, their frontline employees provide a speedy, non-burdensome response in the complaint management process. Although this may leave companies open to opportunistic behaviors (Wirtz 1998; Wirtz and Kum 2004), past research suggests companies have seen an increase in profitability when a service guarantee is offered (Hart 1993).

Second, the focus on procedural justice theory is particularly important for service providers seeking to maintain a productive relationship with customers (Tax et al. 1998). There has been support in the literature that procedural justice has a strong effect on satisfaction in a service recovery setting (Vázquez-Casielles et al. 2010). Similarly, the present study indicated that when customers are presented with a no-questions-asked service guarantee during a service failure, they felt that the recovery effort was fair, and were satisfied with the experience as a result. The no-questions-asked service guarantee acts as a signal for the customer, providing a basis for setting recovery expectations. Satisfaction resulted when comparing the recovery experience with these expectations.

Finally, research has shown that a customer's perception of credibility has a significant, positive effect on a consumer's attitude, purchase intentions and subsequent behaviors (Eisend 2006; Sweeney and Swait 2008). It has been suggested that a customer that sees a company as being highly credible is more likely to purchase from them (Eisend 2006;

Sweeney and Swait 2008). Somewhat surprisingly, our study only found partial support for this conclusion. This may be explained by the lack of experience with the company in the vignettes provided in the study. In this context, customers were visiting the restaurant for the first time. But perceptions of credibility often take time to form. Therefore, although the customer was satisfied with the recovery effort and intended to patronize the establishment in the future, the results indicated that perceptions of credibility only partially increased these repurchase intentions. Still, the service guarantee provides a means by which a firm can deliver on its promise in the face of a service failure. It gives the firm a second chance to create customer satisfaction. Although perceptions of credibility take time to fully develop, results reveal that these perceptions are beginning to form.

MANAGERIAL IMPLICATIONS

This research offers implications for management and the development of customer relationships. A service guarantee serves many purposes, not only as a means of attracting and increasing customers' willingness to avail themselves of a firm's services, but also provides a firm with the opportunity to continuously improve the service experience for the benefit of the customer, effectively assuring their prospective customers of their service excellence (Kandampully and Butler 2001). In a competitive environment, customers choose one firm over another on the basis of their perceived knowledge of the firm's ability to offer the best service in the market, which from a customer's perspective is the one that exhibits a commitment to consistent superior service, which is exactly what a service guarantee promises.

Despite the many suggested benefits of implementing a service guarantee (Tax and Brown 2000), the use of service guarantees is still the exception, rather than the rule for most services firms (McCollough 2010). However, the findings from our study indicate that managers of service organizations need to recognize the importance of service guarantees in not only rectifying service failures in a single service encounter context, but also in the formation of credibility perceptions for the purpose of developing longer term relationships. If a firm makes it difficult for a customer to receive what has been promised to them due to the fear of opportunistic customers, they risk customer relationship development. Customers may become skeptical that the firm is willing and capable of delivering on their promises. When implementing a recovery tool such as a service guarantee, it is more than just about its existence, but also the process that a customer has to go through to obtain it. Therefore, by first implementing a service guarantee on one or more aspect of the services provided and then delivering on that guarantee in an easy and straightforward manner, firms will be providing customers with critical information that will be useful in making future purchase decisions.

Another of the benefits of instituting a service guarantee is to provide employees with a specific standard that they must reach each and every time they serve a customer. However, failure at some point is inevitable. Therefore, based on the results of the current study detailed in this article, customers are more satisfied, see the firm as being more credible and have a higher intention to purchase if the guarantee is easy to secure. In order to properly facilitate a guarantee that is easy to invoke, employees must be properly trained in how to handle service failure situations and should be empowered to a certain degree in order to ensure that the process is quick, efficient, and painless.

LIMITATIONS AND FUTURE RESEARCH

This study was not without its limitations. First, the majority of the sample used consisted of people under the age of 22, posing a threat to the broader generalizability of the results. Therefore, we suggest a replication and perhaps extension of our study with an older sample. In addition, there is a potential interaction between the treatment used and the sample. In the study scenarios a remuneration of $25 was promised as part of the service guarantee. This amount may be more salient to a younger sample than to the broader population, again suggesting the need for constructive replication with older samples.

Second, our focus was limited to the invocation of the service guarantee and, hence, to perceptions of procedural injustice. Other types of justice perceptions (e.g., distributive -- dealing with the fairness of the outcome; or interactional --dealing with the quality of the interaction) are potentially salient as well. Although the data speak to the importance of procedural justice, further investigations should incorporate other forms of justice perceptions.

Third, with our focus on the procedures involved in invoking a service guarantee the results are most pertinent to those firms that have already implemented such a guarantee. However we suggest that based on our results and the results of previous research, there are sufficient data to warrant the suggestion that both having a service guarantee and having a guarantee that is relatively easy to invoke will result in positive customer outcomes.

To reiterate, in the current study focus was placed on the procedures involved in invoking a service guarantee. We recognize that other aspects of justice, such as perceptions of interactional justice, emerging from the staff-customer interaction might play an important role in determining the customer experience. Therefore, we recommend that future research be based on a more complete consideration of justice perceptions.

SUMMARY AND CONCLUSION

Our data reveal that the difficulty in invoking a service guarantee has implications for perceived justice and, ultimately, customer outcomes. Fear of customer abuse and an interest in minimizing exposure may lead firms to consider making it more difficult to invoke a service guarantee. Analysis of the data suggests that this strategy has a larger cost and that making service guarantees more accessible may lead to enhanced credibility and favorable customer outcomes.

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APPENDIX
The Vignettes

[Easy to Invoke]: You and a friend have gone out for dinner to a new restaurant, Benjamin's. Being a busy night, you have to wait a long time to be served by the waitress throughout the evening. As you pay your bill, you notice a sign that reads:

BENJAMIN'S SERVICE GUARANTEE:
If you are in <u>any</u> way unhappy with your service, simply tell your server and receive a $25 gift card for your next visit.

Being displeased with the service, you explain the situation to your server who immediately apologizes on behalf of the restaurant and promptly hands you a $25 gift card.

[Difficult to Invoke]: You and a friend have gone out for dinner to a new restaurant, Benjamin's. Being a busy night, you have to wait a long time to be served by the waitress throughout the evening. As you pay your bill, you notice a sign that reads:

BENJAMIN'S SERVICE GUARANTEE:
If you are in <u>any</u> way unhappy with your service, simply tell your server and receive a $25 gift card for your next visit.

Being displeased with the service, you notify your server who asks you to explain in *detail* specifically why you were unhappy with your experience at Benjamin's. After listening to your explanation, the server proceeds to find a manager. When the manager appears, he asks you to retell the entire situation regarding your experience at Benjamin's. Finally, after ten minutes of thoroughly explaining the details of the poor service you received, the manager provides you with a form that you have to fill out in order to obtain the $25 gift card. After you finish completing the form, you hand it to the manager who finally provides you with the gift card.