

JUSTICE-BASED SERVICE RECOVERY EXPECTATIONS: MEASUREMENT AND ANTECEDENTS

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ABSTRACT

This study attempts to empirically test an alternative conceptualization that directly integrates perceived justice within the expectancy-disconfirmation framework. While our model acknowledges injustice as an important psychological motivator of redress seeking after service failures, we hypothesize that different components of injustice, namely distributive, procedural, and interactional justice, can be meaningfully integrated within the expectancy-disconfirmation model. We examine the measurement properties of our conceptualization based on a field experiment with a sample of 875 respondents. We found that consumers form normative recovery expectations distinctly in terms of distributive justice and procedural/interactional justice. These justice-based recovery expectations are also negatively related to recovery disconfirmation as hypothesized. The results support our attempt to directly incorporate perceived justice within the expectancy-disconfirmation framework. We also explore potential antecedents to consumer recovery expectations and found that each of the two justice components draws from distinct antecedents. All three tested antecedents – magnitude of service failure, switching cost, and length of the customer-organization relationship – are found to have either a direct or an interactive effect on expectations of distributive justice and procedural/interactional justice.

INTRODUCTION

Much of today's world economy is dominated by services. Even manufacturing firms that, in the past, have largely depended on product differentiation for their competitive advantage now recognize the vital role that services play in

the current and future success of their businesses. While firms continue to improve their services, service failure is inevitable in all service contexts even for firms with world-class service systems (Zeithaml and Bitner 2003). Service failures could be costly because they could lead to negative word-of-mouth (Liu, Sudharshan and Hamer 2000) and customer defection (Maxham 2001). To alleviate the negative consequences of service failures and retain their customers, firms must understand what customers expect when service failures occur, and implement effective service recovery strategies.

A prerequisite for developing effective service recovery strategies is an understanding of customers' psychological processes in the evaluation of a service failure and the subsequent service recovery effort. In the service recovery literature, equity (or perceived justice) theory emerges as the dominant thought, with disconfirmation often considered a supplementary or control variable (Oliver and Swan 1989; Smith and Bolton 2002; Smith, Bolton and Wagner 1999). Researchers have found that various aspects of perceived justice are salient antecedents to customer recovery satisfaction (Smith et al. 1999; Tax, Brown and Chandrashekar 1998). Recovery disconfirmation, resulted from a comparison of recovery performance to "predictive" recovery expectations, is also found to have a significant, albeit smaller, effect on post-recovery satisfaction (Andreassen 2000; McCollough, Berry and Yadav 2000). These studies that have examined joint influences of disconfirmation and equity perceptions on recovery satisfaction have treated equity and disconfirmation as separate processes of service recovery evaluation. However, Oliver and Swan (1989) have put forth an alternative hypothesis regarding the connection between the equity and disconfirmation comparison processes for future

testing. They suggest that equity could be directly integrated within the more general expectancy-disconfirmation process. Singh and Widing (1991) also provide conceptual supports for a service recovery evaluation process that models post-recovery satisfaction as a function of "normative" expectations of recovery response, perceived recovery performance, and recovery disconfirmation (resulted from a comparison of perceived recovery performance to normative recovery expectations). To date, this alternative hypothesis of an integrative-effect model of equity and disconfirmation still awaits empirical confirmation.

Following Oliver and Swan (1989) and Singh and Widing (1991), our study takes an integrative approach by incorporating equity within the expectancy-disconfirmation process. Specifically, we measure both recovery expectations and perceived performance in terms of perceived justice and treat these equity-based measures as constructs in the expectancy-disconfirmation framework. Using a field experiment with 875 subjects, we assess the measurement properties of this integrative-effect model and ascertain the antecedents to consumer "normative" recovery expectations. Our paper aims to contribute in three areas: (1) to empirically examine the measurement properties of an equity-based expectancy-disconfirmation framework in service recovery evaluation, (2) to test hypotheses regarding potential antecedents to consumer "normative" recovery expectations, and (3) to provide implications on the development of effective recovery strategies.

We begin by discussing briefly some key issues in both the equity and expectancy-disconfirmation frameworks when applying to service recovery and the conceptual background for their integration. This is followed by the presentation of our hypotheses. Then, our methodology that involves the use of a mixed-design experiment is described, followed by a discussion of the data analyses and results. Finally, we conclude with implications of the findings and suggest some directions for future research.

CONCEPTUAL FRAMEWORKS

Equity Theory

Since first introduced into the marketing literature, equity theory has been applied to customer satisfaction research. The concept of equity concerns a fairness, rightness, or deservedness judgment that individuals make in reference to what one or others receive (Oliver 1997, p.194). Generally, the theory suggests that in an exchange if customers feel equitably treated and their input to the exchange is in balance with the output of the exchange, then they will be satisfied (Goodwin and Ross 1992; Oliver 1997). Further, the theory suggests that customers are concerned not only with the perceived fairness of the *outcome* they receive, but also with the perceived fairness of the *process* used to deliver the outcome (Conlon and Murray 1996; Palmer, Beggs and Keown-McMullan 2000). These two concerns are referred to as *distributive* and *procedural* justice, respectively. Some studies also separate out the inter-personal aspect of procedural justice, referred to as *interactional* justice, which emphasizes the manner in which the process is executed and information is communicated to the customer by the service provider (Seiders and Berry 1998; Smith et al. 1999; Tax et al. 1998).

Past research finds equity theory to be especially valuable in explaining recovery satisfaction (Smith et al. 1999; Tax et al. 1998). Given that consumers often perceive an inequity following a service failure, their needs for justice are often provoked and they are more likely to engage in equity evaluation in the redress stage (Hoffman and Kelley 2000; Maxham 2001). It is also argued that because consumers confront a specific service staff rather than an anonymous firm in most service scenarios, the notion of equity, which is based on a comparison between self and others, is more salient in service rather than product failure situations (Blodgett, Hill and Tax 1997; Goodwin and Ross 1989; Seiders and Berry 1998). Yet the application of equity theory to service recovery evaluation has, thus far, been limited to the examination of a direct effect of

perceived justice on satisfaction or loyalty.

Expectancy-Disconfirmation Paradigm

The expectancy-disconfirmation paradigm is the most commonly used framework to model customer satisfaction/dissatisfaction (CS/D) evaluation. This framework postulates that consumers would compare the perceived performance of a product or service against their prior expectations (Oliver and DeSarbo 1988; Rust and Oliver 1994; Tse, Nicosia and Wilton 1990). Whether the comparison outcome could be perceived as worse than expected (a negative disconfirmation), better than expected (a positive disconfirmation) or just as expected (a zero disconfirmation or, simply, a confirmation), will directly drive the satisfaction evaluation (Oliver 1980, 1981). While most customer satisfaction studies have adopted the confirmation/disconfirmation paradigm, expectations or more precisely predictive expectations are not the only comparison standard considered (Tse and Wilton 1988; Yi 1990). Other proposed standards of comparison include comparison levels derived from consumers' past experience and other consumers' experience with similar products (LaTour and Peat 1980; Swan and Martin 1981), equity (Fisk and Young 1985; Oliver and Swan 1989), experience-based norms (Woodruff, Cadotte, and Jenkins 1983; Cadotte, Woodruff, and Jenkins 1987), and value-percept (Westbrook and Reilly 1983). See Yi (1990) for an excellent review of the different standards of comparison.

For quite some time, researchers (Oliver and DeSarbo 1988; Tse et al. 1990) have proposed to extend the expectancy-disconfirmation paradigm to service recovery evaluation. Withstanding the challenge to develop context-specific measures (Fournier and Mick 1999), a few attempts (Gilly and Gelb 1982; Resnik and Harmon 1983) were made to examine the construct of recovery expectations and how well recovery efforts match with consumer expectations. Singh and Widing (1991) also proposed a theoretical model that extends the disconfirmation of (normative) expectations paradigm to consumer complaint response evaluation process. However, none of

these studies have considered the concept of perceived justice explicitly.

A number of recent studies have also investigated the joint influences of disconfirmation and equity on customer satisfaction with service recovery (Andreassen 2000; McCollough et al. 2000; Smith and Bolton 2002; Smith et al. 1999). However, these studies have modeled equity and disconfirmation as distinct and complementary effects affecting service recovery evaluation. They find that disconfirmation complements perceived justice in the prediction of service recovery satisfaction, but its effect is the smaller of the two determinants.

Alternatively, Oliver and Swan (1989) have suggested an *integrative* approach that incorporates equity theory within the general disconfirmation paradigm by formalizing equity as expectations and subject it to later disconfirmation. This alternative conceptualization is similar to Singh and Widing's (1991) theoretical framework, which models post-recovery satisfaction as a function of "normative" expectations of recovery response, perceived recovery performance, and recovery disconfirmation. Neither Oliver and Swan's alternative conceptualization nor Singh and Widing's theoretical model has ever been empirically tested.

Proposed Model of Justice-Based Recovery Expectations

Following Oliver and Swan (1989) and Singh and Widing (1991), we propose to integrate equity within the expectancy-disconfirmation framework in the form of justice-based "normative" recovery expectations. As proposed in the equity literature, we model consumers' expectations as comprised of distributive, procedural, and interactional justice needs. These expectations are conceptualized as *should* expectations. A *should* expectation is different from a *will* expectation in that the former represents a normative standard while the latter is predictive in nature. For example, after having experienced a three-hour delay in a flight, a customer believes that the airline should provide her with a compensation of

\$200 (a *should* expectation) because she has missed her connecting flight and will have to spend a night at a hotel. However, she thinks the airline will likely give her 100 frequent-flyer points (a *will* expectation) based on a similar prior experience she had with this airline. Although *should* expectations are unduly receiving less attention than *will* expectations (Cadotte et al. 1987; Fournier and Mick 1999), several researchers (Swan and Trawick 1979; Westbrook and Reilly 1983; Woodruff, Cadotte and Jenkins 1983; Zeithaml, Berry and Parasuraman 1993) argued that CS/D is more likely to be determined by how well performance fulfills needs, wants, or desires of consumers, rather than how performance compares with pre-purchase predictions.

Further, the notion of *should* expectations also appeals to researchers who share our interest in complaint handling (Gilly and Gelb 1982; Resnik and Harmon 1983; Singh and Widing 1991). When lodging a complaint, consumers express their "desired" response and evaluate firms' actual recovery response as "appropriate" or not (Gilly and Gelb 1982; McCollough et al. 2000; Resnik and Harmon 1983). Both the notions of "desired" and "appropriate" relate to the referent state of *should* expectations. Past studies also find that *will* recovery expectations, which represent consumer-perceived likelihood of what may be gained from the firm's recovery effort, determine whether a dissatisfied consumer will complain (Blodgett, Granbois and Walters 1993; Oliver 1981). *Should* expectations concerning the desired recovery performance that meets consumers' needs/wants are, on the other hand, more likely to serve as "benchmarks" for later disconfirmation and satisfaction judgement (Gilly and Gelb 1982; Singh and Widing 1991). Correspondingly, we model recovery disconfirmation as a function of these justice-based "normative" recovery expectations and perceived recovery performance. As discussed, these justice-based measures consist of the distributive, procedural, and interactional dimensions.

HYPOTHESES

Normative Recovery Expectations, Perceived Recovery Performance, and Disconfirmation

Our primary goal is to assess the role of equity-based recovery expectations in the service recovery evaluation process. Given the evidence that expectations of complaining consumers are often not met (Gilly and Gelb 1982), a closer look at recovery expectations seems highly warranted in the complaining behavior literature. Since prior studies have established the different dimensions of perceived justice (e.g., Blodgett et al. 1997; Smith and Bolton 2002; Smith et al. 1999), we also expect consumers to form normative expectations on the three dimensions of distributive justice, procedural justice, and interactional justice. Hence, we expect:

H1: Consumers form normative recovery expectations in terms of perceived justice (i.e., distributive justice, procedural justice, and interactional justice).

In line with previous research applying the expectancy-disconfirmation paradigm with *should* expectations, we expect a contrast effect of normative recovery expectations on disconfirmation. That is, the higher the normative expectations or equity needs, the more difficult it is for the recovery effort to generate a positive disconfirmation. This contrast effect can be attributed to the fact that customers have an initial dissatisfaction due to the service failure. Given the same level of expectations, a higher perceived recovery performance should be more likely to produce a positive disconfirmation. Previous research also provides plenty of support for a positive effect of disconfirmation on satisfaction, which in turn affects loyalty-based behavioral intentions positively. Therefore, we hypothesize:

H2a: Normative recovery expectations of equity have a negative relationship with recovery disconfirmation.

H2b: Perceived recovery performance of equity has a positive relationship with recovery disconfirmation.

Research that examines effects of different components of perceived justice finds that distributive justice has more influence on immediate cognitive evaluation than other types of justice (Mattila 2001; Smith et al. 1999). This may be caused by the fact that distributive justice ("what I receive is fair or not") is the primary motivator and hence most instantaneously processed in the service recovery context than is procedural justice. It is consistent with social psychology research, which suggests that it is easier for customers to access information on outcomes than on procedures or interactions (Leventhal 1980). Evidence from content analysis also shows that complaining consumers often describe distributive justice-related issues such as compensation as their top concern (Goodwin and Ross 1989; Tax et al. 1998). We hypothesize that the differential effects of distributive justice (vs. procedural justice or interactional justice) apply to the relationships between recovery disconfirmation and both recovery expectations and performance.

H3: The relationship between distributive justice (expectations and performance) and recovery disconfirmation is stronger than that of procedural justice or interactional justice in redress seeking behavior.

Antecedents to Consumer Expectations of Perceived Justice

Because normative recovery expectations have not been examined in the literature, direct supports for the development of specific hypotheses regarding potential antecedents to normative recovery expectations are very limited. Nevertheless, we believe it is useful to ascertain factors that potentially affect the formation of normative recovery expectations. We note that support for hypotheses presented in this section should be considered largely indirect in nature.

We have selected to examine (1) magnitude of

the service failure, (2) switching cost, and (3) customer-organization relationship as potential antecedents based on findings from previous research on perceived justice in service recovery evaluations (e.g., Hoffman and Kelley 2000; Smith et al. 1999; Tax et al. 1998).

Magnitude of service failure has been examined as a key characteristic of service failure context in a number of recent studies (see Smith and Bolton 1998, 2002; Smith et al. 1999). In general, we observe that most complaints are lodged only when customers experience what they perceived to be a serious problem; once these customers have complained, they expect action (Tax and Brown 1998). Therefore, customers who have experienced more severe service failures might have higher expectations regarding service recovery. Smith et al. (1999) also argue that customers' requirements on different levels of recovery will depend on the severity of the failure. Particularly, the magnitude of the failure will determine the level of recovery required to restore perceived justice. They find that recovery actions in terms of compensation and speed of recovery have a greater impact on perceptions of distributive and procedural justice, respectively, when magnitude of failure is low than when magnitude of failure is high. It could be that customers have lower expectations of distributive and procedural justice (therefore, more easily met) when the magnitude of failure is lower. In sum, we hypothesize that:

H4: Customers have higher normative recovery expectations of *perceived justice* when magnitude of failure is high than when magnitude of failure is low.

Switching cost could be a potential antecedent to recovery expectations because it could affect customer loyalty or retention (Bowen and Lawler 1992; Hurley 1998) in services. After having experienced a service failure, a customer is less likely to defect if the cost of switching to alternative providers is high. Customers with high switching cost are less likely to defect because poor service may be less alienating to them or they may be more easily satisfied with a firm's

recovery strategy (Hoffman and Kelley 2000). Therefore, we expect:

H5: Customers have lower normative recovery expectations of *perceived justice* when their switching cost is high than when their switching cost is low.

Examining customer-organization relationship as a potential antecedent to recovery expectations is of interest to service recovery researchers because stronger (or longer) versus weaker (or shorter) relationships are qualitatively different and they have differential moderating effects on the relationship between service recovery and trust (Tax et al.1998). It is reasonable to expect that customers who visit a restaurant regularly and continuously do it because of their prior positive experience with the restaurant. Tax, Brown and Chandrashekar (1998) hypothesize and confirm that a prior positive experience could mitigate the negative effects of a poor service recovery effort on trust. We infer from this finding that regular or longer-term customers are more tolerant of a poor service recovery effort because they might have lower recovery expectations. On the other hand, a number of studies suggest that clients in long-term relationships begin to have higher expectations for service providers (Boulding, Kalra, Staelin and Zeithaml 1993; Moorman, Zaltman and Deshpandé 1992) and those expectations will be increased and adjusted higher from one failure to the next (Maxham and Netemeyer 2002). In sum, the above studies provide arguments and results to support the effect of relationship on normative recovery expectations of perceived justice. However, a conclusion regarding the direction of the effect could not be made until further empirical tests are conducted. Therefore, we hypothesize that:

H6: The strength or length of customers' relationship with an organization will have an impact on their normative recovery expectations of *perceived justice*.

Table 1
Demographic Characteristics of Respondents

<u>Demographic Variable</u>	<u>Percentage Distribution</u>
Gender	%
Male	49.60
Female	50.40
Age	
18-24	19.20
25-30	21.40
31-40	25.90
41-50	20.60
51 or above	12.90
Marital Status	
Single	47.50
Married	52.50
Occupation	
Professionals	15.40
Managerial/Executive	10.90
White Collar	33.40
Technical	12.40
Students	6.20
Home duties	7.00
Retired/Unemployed	7.30
Others	7.40
Education	
Below High School	12.30
High School Graduate	41.70
College	17.60
Graduate level or above	28.40
Personal Monthly Income	
Below HK\$10,000	34.70
\$10,000 - HK\$19,999	38.60
\$20,000 - HK\$29,999	15.80
\$30,000 - HK\$50,000	8.70
Above HK\$50,000	2.20

Note: Sample size = 875

METHODOLOGY

Sampling and Data Collection Method

We employed a mixed-design experiment by conducting a survey using convenience sampling at diverse locations. Respondents were recruited on a university campus, at residence houses, and in business and shopping areas in order to provide a sample of customers with diverse demographics and service experiences. Table 1 provides a summary of the characteristics of the sample. The total sample has 912 respondents; missing data reduced the analysis sample to 875 respondents.

Respondents were asked to evaluate written failure/recovery scenarios set in the context of a restaurant that they visited most often. Although this approach involves a trade-off between control and generalizability, a scenario method is useful to explore complex concepts that are not easily operationalized in a real world setting (Eroglu 1987). The use of scenarios has been practiced extensively in previous satisfaction and service recovery research (e.g. Bitner 1990; McCollough et al. 2000; Smith and Bolton 1998, 2002; Smith et al. 1999). Since the survey is conducted across multiple restaurants, the results could be generalized across companies in the restaurant industry with added external validity.

Experimental Design

The mixed-design experiment involved a 2 x 2 x 2 between-subject design, in which type of failure (outcome versus process), magnitude of failure (high versus low) and importance of the purchase (important versus less important) were manipulated. An important purchase is operationalized as a dinner party that the subject was responsible for organizing while a less important purchase is described as a usual dinner with only the respondent himself/herself. Descriptions of the eight failure scenarios are presented in Appendix A. Similarly, the recovery response (from the restaurant) also involved a 2 x 2 x 2 between-subject design. In this design, three service recovery attributes (compensation, response speed, apology) were manipulated. Compensation was varied at two levels (high or low), expressed as percentage discounts on the next visit. Response speed was manipulated at two levels (within 24 hours or more than 1 month), as was apology (present or absent). The recovery response scenarios are described in Appendix B. The eight service failure scenarios and eight recovery response scenarios provide sixty-four treatment cells. Each subject was exposed to one of the treatments, with treatments completely randomized across subjects.

Data for this study were collected using a two-part survey. In Part I, subjects began by naming a restaurant that they visited most often. Next, they

answered a series of closed-end questions about their experience with the restaurant (length of patronage, frequency of visits, etc.), followed by questions regarding their pre-failure satisfaction with and loyalty to the restaurant. Subjects were then presented with a hypothetical encounter at the restaurant in which a service failure occurred. Following a series of questions regarding their evaluations of the service failure (including manipulation checks), subjects were asked for their propensity to complain and/or exit and their normative recovery expectations. Starting in Part II of the survey, a scenario of service recovery was randomly presented to each subject and followed by a set of questions (including manipulation checks) for evaluating the service recovery (perceived justice, disconfirmation, etc.). Finally, they rated the post-recovery satisfaction and behavioral intentions toward the restaurant, and provided demographic information.

Measurement of Key Constructs

Since a key objective of this study is to empirically examine an integration of perceived justice within the expectancy-disconfirmation framework in service recovery evaluation, both normative recovery expectations and perceived recovery performance are measured in terms of perceived justice. Items to measure normative recovery expectations are developed by consulting the literature on perceived justice and normative expectations. We included multiple items to represent all three dimensions of perceived justice (namely distributive, procedural, and interactional) as described in the literature. However, recent research on perceived justice seems to suggest that the conceptualizations of interactional justice and procedural justice can be integrated. Perceptions of procedural justice are found to be influenced by factors that go beyond the formal procedures used to resolve disputes or allocate rewards (Bies 1987; Greenberg 1990). In particular, it has been demonstrated that judgments of procedural justice are influenced by the interpersonal treatment people receive from decision-makers, and the adequacy with which formal decision-making procedures are explained (Tyler and Bies 1990).

Table 2
Operationalization of Constructs and Measurement Model Results

Construct	Items	Factor Loading	Composite Reliability			
		Standardized	Construct			
Recovery Expectations:						
▪ Distributive Justice (EDJ)	The restaurant should provide a monetary compensation to me.	0.799	0.751			
	The restaurant should provide a written letter of apology to me.	0.752				
▪ Procedural/Interactional Justice (EPJ)	The restaurant should be courteous and sincere when responding to my complaint.	0.850	0.851			
	The restaurant should correct its mistake quickly.	0.802				
	The restaurant should promise to put the proper effort into investigating the problem.	0.744				
	The restaurant should take care of my complaint immediately.	0.664				
Recovery Performance:						
▪ Distributive Justice (PDJ)	The compensation I received was appropriate.	0.861	0.841			
	In resolving the problem, the restaurant gave me what I needed.	0.842				
▪ Procedural/Interactional Justice (PPJ)	The restaurant seemed very concerned about my problem.	0.848	0.759			
	The employees didn't put the proper effort into handling my complaint. (R)	0.612				
	The employees' communications with me were appropriate	0.607				
	The restaurant handled my complaint in thoughtful manner.	0.601				
	The length of time taken to resolve my problem was longer than necessary. (R)	0.408				
Recovery Disconfirmation (DISC)	How would you rate the restaurant's response to your complaint as compared to your expectations?					
Goodness-of-Fit Statistics:						
$\chi^2 = 214.841$	df = 68	P = .000	GFI = .965	CFI = .970	TLI = .960	RMSEA = .050
	EDJ	EPJ	PDJ	PPJ	DISC	
1. EDJ	1.000					
2. EPJ	0.249 ^a	1.000				
4. PDJ	-0.159 ^a	-0.071 ^b	1.000			
5. PPJ	-0.127 ^a	-0.099 ^a	0.660 ^a	1.000		
6. DISC	-0.189 ^a	-0.120 ^a	0.651 ^a	0.676 ^a	1.000	
Mean ^c	3.999	5.827	4.318	3.999	4.046	
S.D.	1.344	0.869	1.381	0.998	1.434	

^a p < 0.01 (2-tailed).

^b p < 0.05 (2-tailed), Sample size = 875

^c Measures averaged by the number of scale items.

This issue of whether procedural justice and interactional justice should be integrated will be addressed empirically in the confirmatory factor analysis and measurement model estimation. Recovery disconfirmation is measured by asking the respondent to rate the restaurant's response to his/her complaint as compared to expectations. Descriptions of the final scale items (after item pruning) used to represent key constructs in this study are presented in Table 2.

As mentioned, potential antecedents to consumer normative recovery expectations examined in this study include: (1) magnitude of the service failure, (2) switching cost, and (3) customer-organization relationship. Magnitude of the service failure is one of the service failure factors manipulated in the mixed-design experiment. Switching cost is a 5-item measure

capturing the customer's time, effort, and cognitive costs associated with switching to another restaurant. Customer-organization relationship is measured by the length of the relationship (1 item).

Data Analysis

The analysis began with the estimation of a measurement model consisting of justice-based recovery expectations (3 factors) and performance (3 factors), and recovery disconfirmation (using AMOS 4.0). Scale items with low factor loadings were pruned and the constructs were tested for unidimensionality and convergent and discriminant validity. Goodness of fit measures and squared multiple correlations were used to identify the final set of items representing

constructs in the justice-based expectancy-disconfirmation model of service recovery evaluation. Finally, we conduct Multivariate ANCOVA to explore potential antecedents to normative recovery expectations of perceived justice.

RESULTS

Measurement Model

The final measurement model results including standardized item loadings and construct composite reliabilities are presented in Table 2. Even though the overall χ^2 test of the model was statistically significant ($\chi^2 = 214.841$, $df = 68$), the measurement model fits the data satisfactorily. All standardized loadings are significant at $p < 0.001$ and the composite reliabilities for all constructs were well-above the usual 0.60 desirable value (Bagozzi and Yi 1988) supporting the reliability of the measures. The goodness-of-fit measures (goodness-of-fit index [GFI] = 0.965, comparative fit index [CFI] = 0.970, Tucker-Lewis index [TLI] = 0.960) all exceeded Bollen's (1989) 0.90 criterion and the RMSEA value (= 0.050) is well below the 0.08 cutoff. Further, the average extracted variance of each construct (except recovery performance of procedural/interactional justice) exceeded the 0.50 standard suggested by Fornell and Larcker (1981). Thus, these measures display adequate convergent validity.

Our initial measurement model consists of three factors of recovery expectations and recovery performance, respectively. However, in the confirmatory factor analysis and measurement model estimation, we found that the procedural and interactional justice components of recovery expectations as well as recovery performance cannot be validly distinguished from each other empirically (correlations between the two components equal to 0.821 and 0.855 for recovery expectations and recovery performance, respectively). Because interactional justice is often considered a sub-element of the more global construct of procedural justice (Greenberg 1990; McCollough et al. 2000) and the binary

classification of perceived justice into distributive and procedural justice is generally accepted (e.g., Conlon and Murray 1996; Greenberg 1990), we decide to combine the procedural and interactional components of recovery expectations as well as recovery performance into single factors in our subsequent analysis.

We conducted additional confirmatory factor analyses to assess the discriminant validity of the construct of recovery expectations. We estimated 1 one-factor model, 3 two-factor models, and 1 three-factor model. The results of these analyses suggest that the selected two-factor model (as shown in Table 2) fits the data better than the one-factor model, the three-factor model, and all other two-factor models. Thus, H1 which hypothesizes that consumers form normative recovery expectations in terms of perceived justice (i.e., distributive justice and procedural/interactional justice) is supported.

To assess the nomological validity of the recovery expectations construct within the expectancy-disconfirmation framework, we examined the correlations between recovery disconfirmation and the factors of recovery expectations and performance. As shown in the correlation table (Table 2), both factors of recovery expectations are negatively correlated with recovery disconfirmation (both significant at $p < 0.01$); thus, H2a is supported. Further, both factors of recovery performance are positively correlated with recovery disconfirmation (all significant at $p < 0.01$) as hypothesized in H2b. Finally, the coefficient of the correlation between recovery disconfirmation and recovery expectations of distributive justice is larger than that of procedural/interactional justice (-0.189 vs. -0.120). However, the correlation between recovery disconfirmation and recovery performance of distributive justice is smaller than that of procedural/interactional justice (0.651 vs. 0.676). Therefore, H3 is only partially supported.

In sum, the above results provide support for our effort and suggest that integrating perceived justice within the expectancy-disconfirmation framework is a valid alternative conceptualization to modeling the disconfirmation and perceived justice effects separately in service recovery

Figure 1a
Main Effect of Magnitude of Failure on Expectations of Distributive Justice

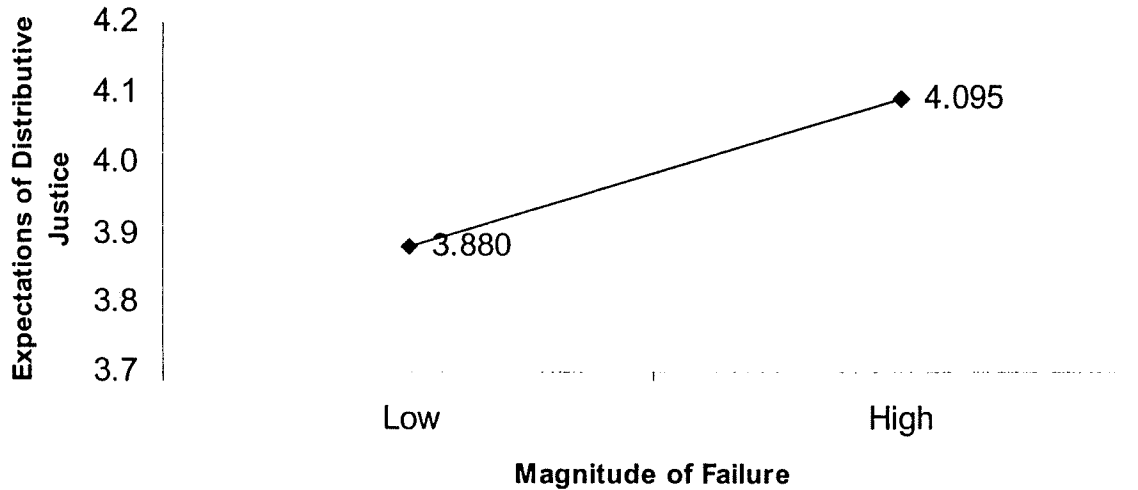
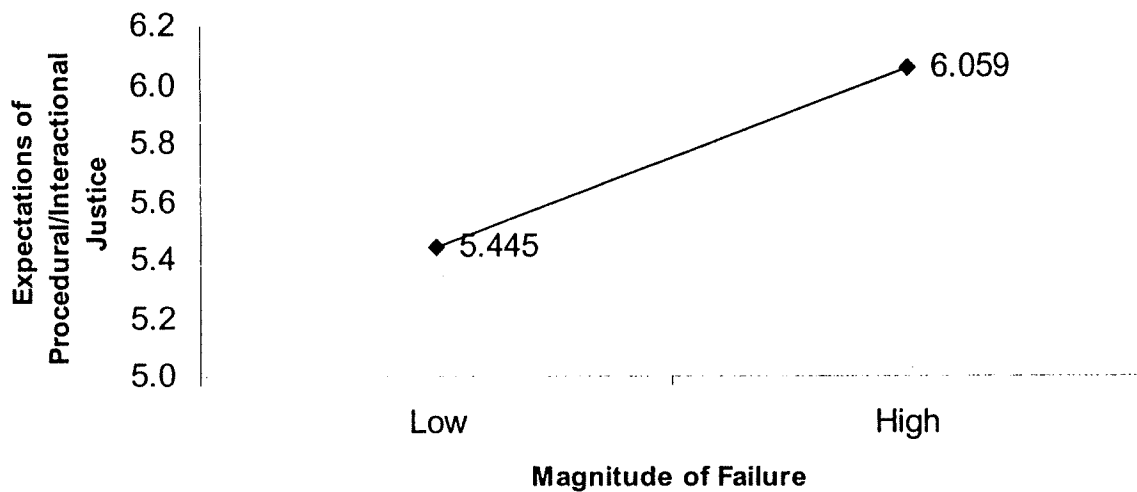


Figure 1b
Main Effect of Magnitude of Failure on Expectations of Procedural/Interactional Justice



evaluation.

Antecedents to Consumer Expectations of Perceived Justice

Now that we have confirmed the important

role of normative recovery expectations (expressed in terms of perceived justice) in service recovery evaluation, a logical next question is what are the antecedents to consumer expectations of perceived justice? We conducted multivariate ANCOVA with the two factors of recovery

Figure 1c
Main Effect of Switching Cost on Expectations of Procedural/Interactional Justice

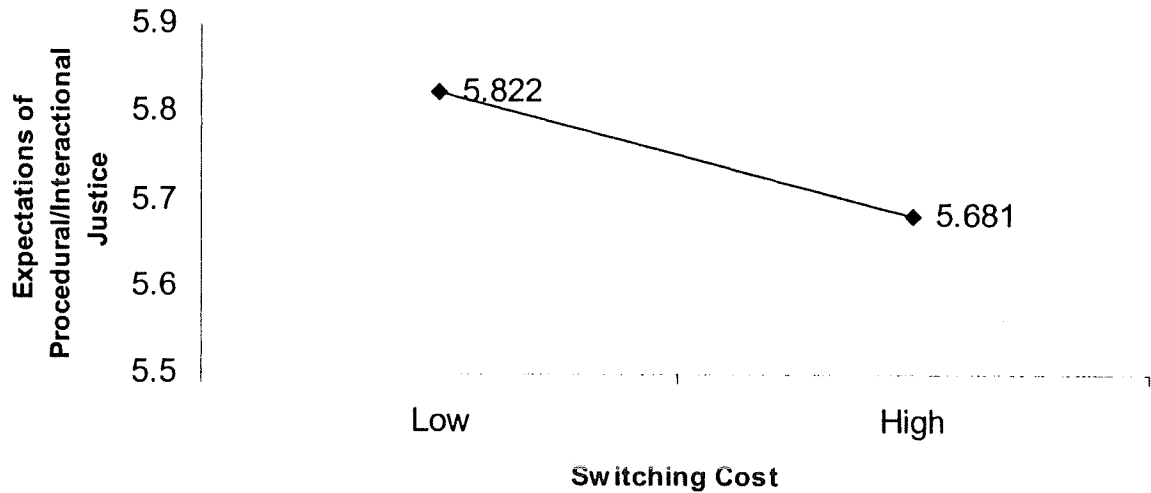
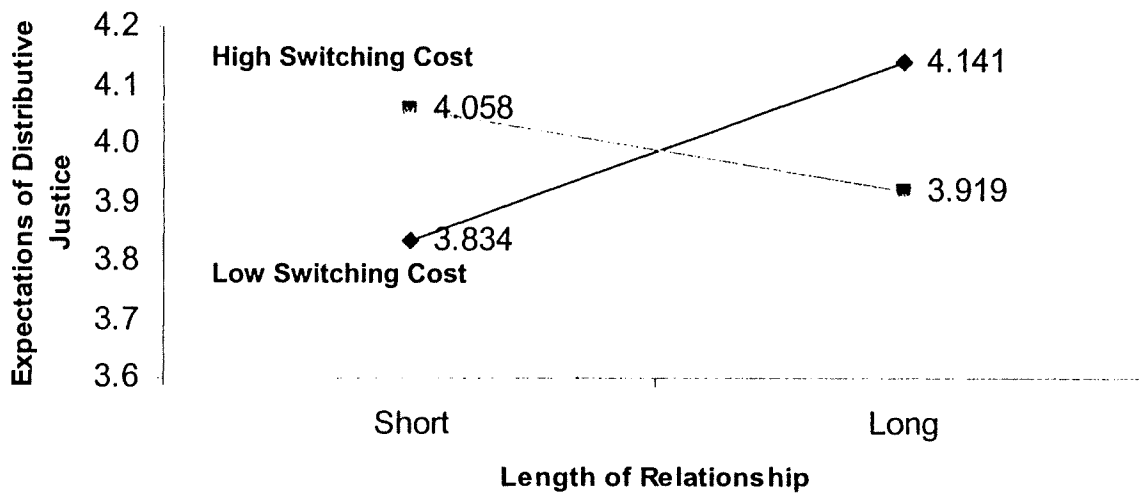


Figure 1d
Interaction Effect of Length of Relationship x Switching Cost on Expectations of Distributive Justice

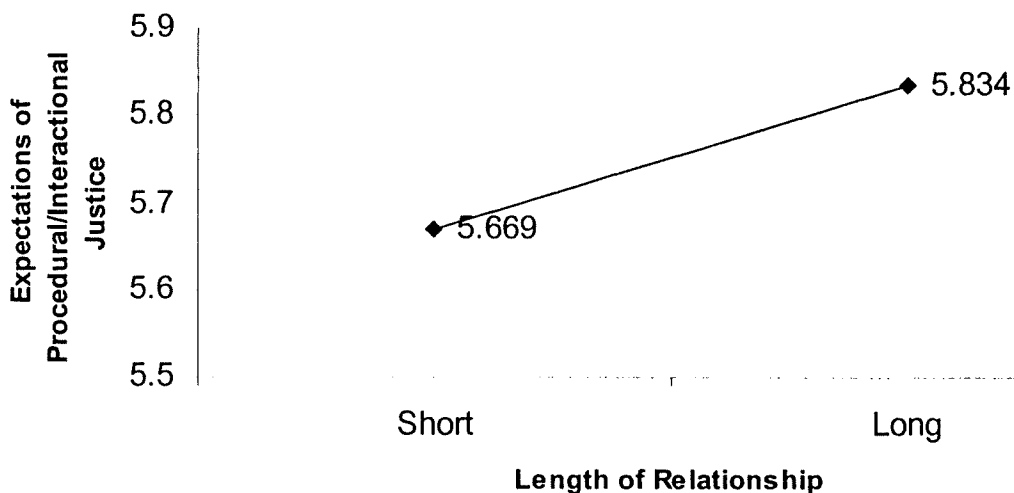


expectations as dependent variables, magnitude of service failure, switching cost, and length of relationship as independent variables, and gender, age, and education level as covariates to identify potential antecedents to consumer expectations of

perceived justice. We used two-tailed significant tests for all main and interaction effects.

The results reveal a significant main effect of magnitude of failure on expectations of both distributive justice ($F(1, 865) = 4.857, p < 0.05$)

Figure 1e
Main Effect of Length of Relationship on Expectations of Procedural/Interactional Justice



and procedural/interactional justice ($F(1, 865) = 107.201, p < 0.001$), a significant main effect of switching cost on expectations of procedural/interactional justice ($F(1, 865) = 5.679, p < 0.05$), a significant interaction effect of length of relationship \times switching cost on expectations of distributive justice ($F(1, 865) = 5.742, p < 0.05$), and a significant main effect of length of relationship on expectations of procedural/interactional justice ($F(1, 865) = 7.784, p < 0.01$). Figures 1a, 1b, 1c, 1d and 1e show the results of the above significant effects graphically.

Recovery expectations of both distributive justice (Figure 1a) and procedural/interactional justice (Figure 1b) are higher when customers experienced a more severe service failure (high magnitude) than when customers experienced a less severe service failure. Thus, H4 which hypothesizes that customers have higher recovery expectations of *perceived justice* when magnitude of failure is high than when magnitude of failure is low is supported. As shown in Figure 1c, customers are found to have lower recovery expectations of procedural/interactional justice when switching cost is high than when switching cost is low. Therefore, H5 is supported for procedural/interactional justice. Finally, recovery

expectations of distributive justice are higher when customers have a longer length of relationship than when customers have a shorter length of relationship with the restaurant, only if switching cost is low (Figure 1d). Customers are also found to have higher expectations of procedural/interactional justice when they have a longer length of relationship with the restaurant (Figure 1e). Together, these last two findings provide support for H6, which hypothesizes that the length of customers' relationship with an organization will have an impact on their normative recovery expectations of perceived justice. The direction of the effect seems to be consistent with the argument that clients in long-term relationships begin to have higher expectations for service providers (Boulding et al. 1993; Moorman et al. 1992).

DISCUSSION AND IMPLICATIONS

The main purposes of this paper are (1) to empirically examine the measurement properties of an equity-based expectancy-disconfirmation framework in service recovery evaluation, and (2) to test hypotheses regarding potential antecedents to consumer "normative" recovery expectations.

We formalize both recovery expectations and performance in terms of distributive, procedural, and interactional justice, and examine their relationships with recovery disconfirmation. An important merit of this conceptualization is that it enables us to apply the established expectancy-disconfirmation framework to understand the process of service recovery evaluation. Expectations are considered as a critical construct in satisfaction research (Gilly and Gelb 1982; Kelley and Davis 1994), but relatively little work is devoted to understanding its role in service recovery evaluation, not to say, from an equity perspective.

The results of this study validate previous findings that when service failures occur, customers are likely to engage in equity or justice-based evaluation processes. More importantly, our results demonstrate that customers form justice-based normative recovery expectations and use them as reference standards in evaluating recovery performance of the service provider. These results suggest that it is appropriate to model equity evaluations within the expectancy-disconfirmation framework. An implication for future research is that integrating equity within the expectancy-disconfirmation framework is a valid alternative conceptualization to modeling the disconfirmation and equity effects separately in service recovery evaluation. Failure to include the influence of these normative recovery expectations may lead to inappropriate conclusions and limit the explanatory power of any equity-based models of service recovery. In managing relationships with customers, service firms should also consider learning more about customers' needs/wants after service failures before they formulate appropriate recovery strategies.

Our results show that recovery expectations of distributive justice are more strongly related to the recovery disconfirmation judgment than that of procedural/interactional justice. This result is consistent with previous findings that customers are focusing on distributive gains after a service failure (Smith and Bolton 2002), therefore, recovery efforts must consider improving the outcome from the customer's perspective.

Nevertheless, service organizations must still pay close attention to the process by which the recovery strategies are executed in addition to the outcome itself.

Our finding that the levels of consumer expectations of both distributive justice and procedural/interactional justice are proportional to the magnitude of service failure provides insights into how firms should structure their compensation and speed when responding to service failures. It implies that compensation and speed of response should be commensurate with the severity of the service failure. While firms could over-compensate customers in less severe failures to get a positive disconfirmation, under-compensating customers in more severe failures could lead to a double deviation/failure effect.

The positive effect of switching cost on customer loyalty has been discussed in previous research. Our study extends the dampening effect of switching cost to the formation of recovery expectations in terms of procedural/interactional justice. Customers who realize that they have more choices because of low switching cost are more demanding on the recovery, especially on procedural/interactional justice. This result implies that firms should pay particular attention to courtesy and promptness when responding to complaints filed by non-captive customers.

As suggested in our results, customers who have a longer length of relationship with a firm tend to have higher expectations of distributive justice (when switching cost is low) and procedural/interactional justice. It supports the finding of recent research (e.g., Grayson and Ambler 1999; Moorman et al. 1992) regarding a potential dark side of long-term relationships with customers. Because arguments supporting an opposite effect could be advanced and there are benefits associated with developing good relationships with customers, more research is definitely needed to ascertain this effect.

This study could be improved and its scope could be extended in a number of ways. First, our study has focused on a single service industry – restaurants. Our results should be validated on different service industries, preferably along the transactional-relational continuum. Second, our

model only examines the cognitive process of service recovery evaluation; future study could explore the role of emotions in the service recovery evaluation process. Third, given the importance of recovery expectations in the evaluation of service recovery, a better understanding, beyond what have been provided in this study, of how recovery expectations are formed is definitely needed. For example, different segments of consumers (e.g., age, personality, etc.) may have different expectations and norms of recovery responsiveness in similar failure situations. Exploration of situational factors such as the group versus individual consumption as potential antecedents to recovery expectations could be fruitful. Finally, we have examined recovery responses in terms of compensation, speed, and apology. To provide more useful guidelines for the development of effective recovery strategy, future research could explore customers' responses to a variety of recovery practices (e.g., immediate compensation versus compensation tied to repatronage).

In summary, the results of this study confirm the important role of normative equity-based expectations in service recovery evaluation. To institute effective programs of service recovery, managers need to know what customers expect in order to be satisfied. They should strive to offer high recovery performance that meets or exceeds customer expectations. The results also offer organizations with guidelines for understanding customer expectations with service recovery. They can use these guidelines to enhance the ability of their employees to recognize customer expectations, customize recovery responses, and manage the overall process of recovery; thus, maximizing returns in terms of satisfaction and favorable behavioral intentions.

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Appendix A Service Failure Scenarios

Eight service failure scenarios were created as combinations from varying (1) high vs. low importance of purchase, (2) outcome vs. process failure, (2) high vs. low failure

magnitude.

High importance:

You were responsible for organizing a dinner party and went to the restaurant with a group of people to celebrate a special occasion last night.

Low importance:

You went to the restaurant as usual last night.

Outcome failure and High magnitude:

When you placed an order of your favorite dish, the waiter informed you that the restaurant was out of your choice of entrée. You had to order something else. When the waiter brought your entree at the table, the food was cold, unfresh, and poorly cooked. After you left the restaurant, you found you were overcharged in your total bill.

Outcome failure and Low magnitude:

When the waiter brought the entrées of your group at the table, the food was cold, unfresh, and poorly cooked.

Process failure and High magnitude:

You waited for a very long while before you were seated though you had made a reservation. The waiter came to bring the water/tea to you/your group and take your/your group's order 30 minutes after you/your group was seated. It took an hour for the waiter to bring the food at your table. Besides, the waiter ignored your requests (e.g., refilling your water/tea) and did not respond to your questions throughout the course of your dinner.

Process failure and Low magnitude:

The waiter ignored your requests (e.g., refilling your water/tea) and did not respond to your questions throughout the course of your dinner.

Appendix B Service Recovery Scenarios

Eight service recovery scenarios were created as combinations from varying (1) prompt vs. delayed response, (2) high vs. low compensation, (2) yes vs. no apology.

Prompt response:

The restaurant responded to your complaint within 24 hours.

Delayed response:

The restaurant responded to your complaint after 1 month.

High compensation:

You received a coupon good for a 50% discount on your total bill on your next visit to the restaurant.

Low compensation:

You received a coupon good for 5% discount on your total bill on your next visit to the restaurant.

Apology:

You received a sincere apology from the management of the restaurant.

No apology:

You did not receive an apology from the restaurant.

BEHAVIORAL INTENTIONS IN SATISFACTION RESEARCH REVISITED

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ABSTRACT

Intentions are usually included as dependent variables in satisfaction models, but satisfaction researchers have paid little attention to the discussion in psychology and philosophy in which different intention constructs are distinguished. In this paper, we examine – empirically and conceptually – the satisfaction–intention link with respect to three different intention constructs. The main result is that satisfaction is not equally correlated with these three intentions, and it suggests that satisfaction researchers should be concerned with the particular intention constructs they use: the selection of one particular intention indicator over another will generate different conclusions about the role of satisfaction as a determinant of intentions. Since behavioral data are seldom collected by satisfaction researchers (intentions are often used as a proxy for behavior), different conclusions about the satisfaction–intention link are also likely to affect conclusions about customer behavior.

INTRODUCTION

Despite a frequently made assumption that customer satisfaction is affecting customer behavior, empirical studies of satisfaction's consequences seldom include data on behavioral outcomes. Instead, focus is on behavioral intentions. Repatronizing intentions, repurchasing intentions, and word-of-mouth intentions are examples of intentions often appearing as dependent variables in satisfaction research. There are reasons, however, to believe that satisfaction researchers have not paid enough attention to intentions. One particular deficiency is dealt with in this paper: satisfaction researchers have ignored the existence of different theoretical intention constructs. Yet scholars outside the field of customer satisfaction show that different types of intentions are not always strongly correlated with

each other (Sheeran and Orbell, 1998) and that they produce different strength in associations with other variables (Fishbein and Stasson, 1990; Netemeyer and Burton, 1990; Norman and Smith, 1995; Sheppard et al, 1988; Warshaw and Davis, 1985). Moreover, at a conceptual level, scholars in psychology (e.g., Sheppard et al, 1988; Warshaw and Davis, 1985) and philosophy (e.g., Audi, 1973; Kenny, 1966) argue that several different intention constructs exist. To date, satisfaction research has not been informed by this development, since satisfaction researchers seem to merely select one particular operationalization of intentions without much explicit consideration.

Attention to different intention constructs, however, has not been completely absent from satisfaction research; Söderlund (2002, 2003) shows that satisfaction is affecting different intention constructs with unequal strength. Basically, Söderlund (2002) examined one specific satisfaction construct (current satisfaction with an object) and its impact on three different intention constructs, and Söderlund (2003) examined two satisfaction constructs (current satisfaction with an object and anticipated satisfaction with an object) and their effects on two intention constructs. The present paper should be seen as an attempt to replicate and extend this research. First, the present approach involves a different stimulus sampling method than those used by Söderlund (2002, 2003); in those two cases, all respondents were customers to the same firm, an airline, but in the present case several different firms served as stimulus objects. Second, neither Söderlund (2002) nor Söderlund (2003) used an act-oriented satisfaction construct, but it is included here. The main reason is that research on evaluations, particularly attitude research (cf. Ajzen and Madden, 1986), suggests that evaluations of an act are particularly useful in predicting intentions (to carry out an act) compared to evaluations of objects. Third, in relation to Söderlund (2002) and Söderlund
