

LOYALTY AND INVOLVEMENT IN SERVICE RECOVERY PROCESSES

ABSTRACT:

It is increasingly important for a company to build successful relationships with profitable customers. Customers are the most valuable asset of a company and for that reason, in the event of service failure, a company should try and regain customer satisfaction.

The aim of this investigation is to study the extent to which customer loyalty and involvement affect customer satisfaction post service failure and the ensuing customer-company relationship relative to the efforts of the company to restore service.

The findings of this investigation demonstrate the importance of perceived effort and justice in recovering customer satisfaction after customers have suffered a service failure. Furthermore, data suggests that those customers with a higher level of involvement place more demands on the company. Equally, customers who are less loyal are more demanding. There are not substantial differences between the levels of perceived justice, and we see this to be a key requirement in regaining customer satisfaction. The study concludes with practical implications for marketing.

KEYWORDS: service recovery, satisfaction, loyalty, involvement.

1. INTRODUCTION AND OBJETIVES

The customer portfolio of a company constitutes its most valuable asset. Customers are a source of key value given they contribute to present and future wealth (Gupta, Lehmann y Stuart 2004; Petersen et al. 2009). Therefore, it is vital to establish solid, long-lasting customer relationships. In this sense, companies can develop relationship marketing strategies with the express intent of establishing, developing and maintaining successful, long-term exchange relationships with customers to maximize profits and achieve a competitive advantage (Morgan y Hunt, 1994; Palmatier et al., 2006).

However, although companies strive to achieve excellence, service failures can often occur, which can result in the deterioration of the company-customer relationship. In the event of service failure companies are strongly advised to try and restore the service to avoid more serious consequences in the development of the relationship. The aim of the service recovery process is to provide a solution to the problem (Bitner et al., 1990). Thus, said actions provide an opportunity to fix the problem in question, regain customer satisfaction (Miller et al., 2000) and also result in a deeper understanding of the customer and his/her needs (Cambra et al., 2011).

A review of key literature on the subject reveals two fundamental antecedents to service recovery: perceived effort (Huang, 2008; Ha y Jang, 2009) and perceived justice (Smith et al., 1999; Maxham y Netemeyer, 2002; Kau y Loh, 2006; Chang y Chang, 2010). If the company makes a determined effort to provide a just solution to the problem, customers will regain satisfaction in the company. However, the literature review also highlighted a research gap regarding the analysis of the characteristics of the company-customer relationship as possible moderating variables in service recovery – effort and perceived justice – and satisfaction. Specific analysis of the characteristics is vital, given that the effectiveness of service recovery strategies depends largely on the ability of the company to identify which course of action is the most appropriate for each type of relationship. This research gap is therefore surprising and requires further investigation.

To contribute further to the study of this subject, we propose to analyze two key characteristics that define the nature of the relationship: loyalty and involvement, and study the moderating role of the service recovery process. We understand that loyalty is defined as the predisposition of the customer to maintain a relationship with his service provider, ultimately resulting in a repeat purchase, whilst involvement is characterized by a superior

condition, whereby the customer is strongly engaged with the company and interacts with it continuously.

Therefore, to fill the aforementioned gap in the literature, this study serves a dual purpose. Firstly, we propose a conceptual model that allows us to understand the effect of the most relevant antecedents of service recovery on the level of customer satisfaction during the service recovery process. Secondly, we wish to examine whether there are significant differences in the service recovery process in relation to the level of loyalty and involvement of the customers. With this in mind, the point of reference for this study is the Spanish mobile phone industry, which, due to its structural characteristics, is a particularly attractive industry. In order to reach the stated objectives, the following section provides an in-depth review of the most relevant service recovery literature. The subsequent section provides a conceptual model which introduces two new moderating variables to service recovery research: customer loyalty and involvement. Finally, we analyze the findings and present possible implications of the study.

2. REVIEW OF THE LITERATURE

Due to the onus that companies place on customer relationships, many analyze customers in terms of loyalty or involvement. In this study, loyalty and involvement are treated as two separate terms.

The concept of loyalty refers to the attitude of the customer in terms of maintaining a relationship with their service provider (McEwan, 2003) and according to Estelami (2003) loyalty can be conditioned by the degree of customer satisfaction with the service recovery process. However, although loyalty may give rise to repeat purchase behavior, it is not always a result of intrinsic motives and attitudes of the customer. Loyalty is sometimes the result of incentives offered by the company by way of gifts, discounts, purchase rewards, etc. (McEwan, 2003), or as a result of habit or possible contractual obligations, which gives rise to behavioral loyalty, or calculated loyalty, which occurs to avoid switching costs (Burnham, Frels y Mahajan, 2003; Chen y Hitt, 2002). As a case in point, loyalty in the Spanish mobile phone market is often forced by companies, rather than characterized by voluntary action, through virtue of the fact that consumers frequently honor their permanency contracts, which typically last 18 months. However, although customers tend to be loyal for the duration of their permanency contracts, the number of those that switch mobile phone operators once the

stipulated period expires is increasingly higher, as shown by monthly figures produced by the National Commission of Telecommunications (CMT, 2012),

In contrast, the level of involvement refers to the degree in which customers are engaged with the company. Bowden (2009) considers a series of processes that go beyond loyalty, shaped by the company-customer interaction, which not only facilitates current customer retention – consolidating the relationship with the company – but also attracts new customers and improves brand image. In their groundbreaking article, Higgins and Scholer (2009) provide evidence to support the fact that involvement is a state reflected by a high level of absorption that allows the company to maintain the customer's attention in the company. Vivek (2009) also discusses the degree of intensity with which customers interact with the products, services, or activities offered by a company. In short, a customer with a high level of involvement can contribute to the value generation of a company in many ways: through buying behavior and other non-transactional behavior – advice, recommendations, opinions, etc. - (Kumar et al., 2010; van Doorn et al., 2010; Verhoef et al., 2010).

In this sense, the diversity of customers in terms of their loyalty and involvement are crucial in enabling us to understand their responses when faced with service failure and the subsequent recovery strategy that companies should employ.

Despite the efforts of numerous companies to keep their customers happy it is inevitable that a service failure may occur, thus leading to customer dissatisfaction. This service failure may be due to a real or perceived problem (Maxham, 2001). To overcome this real or perceived problem and restore customer bonhomie companies can carry out a practice known as service recovery (Zeithmal et al., 1996). Service recovery is understood to encompass all those actions a company carries out in order to repair any damage suffered by a customer (Bitner et al., 1990).

However, in order for service recovery to take place the company must be aware of the existence of the problem – that is to say, customers must express their dissatisfaction by registering a complaint or query. That said, as noted by authors such as Michel and Meuter (2008) and Cambra et al. (2011), many customers simply do not register their queries or complaints, or conversely, companies do not respond accordingly even if complaints have been filed. Therefore, given the complexity of the aforementioned processes, we assert the following for the purpose of this research: we assume the customer will express their

dissatisfaction and the company will try to offer a solution. TABLE 1 presents the findings of the most relevant service recover research.

AUTHORS / YEAR	CONTEXT	ANTECEDENTS	MEDIATORS	CONSEQUENCES
Bitner, Booms and Stanfield, 1990	Service industry	<ul style="list-style-type: none"> - Satisfactory incidents - Unsatisfactory incidents 	<ul style="list-style-type: none"> - Employee response to service failure - Employee response to customer needs and requests - Unprompted employee action 	-
Zeithaml, Berry and Parasuraman, 1996	Product industry	<ul style="list-style-type: none"> - Higher quality service - Lower quality service 	<ul style="list-style-type: none"> - Favorable behavioral intentions* (SCS+) - Unfavorable behavioral intentions 	<ul style="list-style-type: none"> - Financial consequences (loyalty, pay more,...)* (ICF+)
Blodgett, Hill and Tal, 1997	Retail outlet	<ul style="list-style-type: none"> - Distributive justice - Procedural justice - Interactional justice 	-	<ul style="list-style-type: none"> - Repurchase intentions*(JD+, JI+) - Negative Word-of-mouth* (JD-, JI-)
Hocutt and Stone, 1998	Restaurant	<ul style="list-style-type: none"> - Employee empowerment - Employee satisfaction 	<ul style="list-style-type: none"> - Effort with responsiveness* (EE+) - Effort with empathy and politeness * (SE+) 	<ul style="list-style-type: none"> - Satisfaction* (ER+, EEC+)
Tax, Brown and Chandrashekar, 1998	Service industry	<ul style="list-style-type: none"> - Distributive justice - Procedural justice - Interactional justice 	<ul style="list-style-type: none"> - Satisfaction with complaint handling* (DJ+, PJ+, IJ+) 	<ul style="list-style-type: none"> - Trust* (S+) - Commitment* (S+)
Smith, Bolton and Wagner, 1999	Service industry (hotels and restaurants)	<ul style="list-style-type: none"> - Compensation - Response speed - Apologies - Recovery initiation 	<ul style="list-style-type: none"> - Distributive justice* (C+) - Procedural justice* (V+) - Interactive justice * (D+, I+) 	<ul style="list-style-type: none"> - Satisfaction* (JD+, JP+, JI+)
Maxham & Netemeyer, 2002	Banking services	<ul style="list-style-type: none"> - Distributive justice - Procedural justice - Interactional justice 	<ul style="list-style-type: none"> - Satisfaction with the recovery* (JD+, JI+) - General satisfaction* (JD+, JI+, JI+, S+) 	<ul style="list-style-type: none"> - Word-of-mouth* (S+) - Repurchase intention* (SG+)
McCull-Kennedy and Sparks, 2003	Tourism	<ul style="list-style-type: none"> - Negative event 	<ul style="list-style-type: none"> - Conduct of the service provider(situational effort, viable options) - Moral principles 	<ul style="list-style-type: none"> - Emotional response of the customer (anger, happiness, delight)
Mattila and Patterson, 2004	Restaurant	<ul style="list-style-type: none"> - Causal explanation - Internal factors - External factors 	<ul style="list-style-type: none"> - Perceived effort of the employees* (AI+, AE+) 	<ul style="list-style-type: none"> - Satisfaction with the recovery * (C+, EPE+)

*Significant correlations with respect to the variables shown in brackets.

The pioneering studies on service recovery form the basis of this table (Bitner et al., 1990; Zeithalm et al., 1996), after which we chart the progression of the relevant literature, with a view to examining the antecedents of satisfaction following a customer complaint handling process. We can therefore observe that the two most influential and studied antecedents positively related to customer satisfaction are perceived effort (Hocutt and Stone, 1998; McColl-Kennedy y Sparks, 2003; Mattila and Patterson, 2004; Karatepe, 2006; Huang, 2008; Ha y Jang, 2010; Cambra et al., 2011) and perceived justice (Blodgett et al., 1997; Smith et al., 1999; Maxham and Netemeyer, 2002; Homburg and Fürst, 2005; Voorhees and Brady, 2005; DeWitt et al., 2008; Orsingher et al., 2009; Gelbrich and Roschk, 2011).

Furthermore, as shown in Table 1, loyalty has been measured as a consequence of said processes (Kau y Loh, 2006; DeWitt et al., 2006; Homburg y Fürst, 2005; Chang y Chang, 2010; Cambra et al., 2011) and not as a moderating variable that could influence customer's perception of the antecedents of effort and justice based on the company's efforts to fix the problem. Additionally, to date, the variable involvement has not been analyzed within the context of service recovery.

To address this issue, we propose an innovative model in the following section, which is founded on the principles of relationship marketing, and considers loyalty and involvement as moderating variables of the antecedents of satisfaction within service recovery processes.

3. CONCEPTUAL MODEL AND HYPOTHESIS-BUILDING

As well as contrasting the influence of the effort of the company and the provision of a just solution on levels of satisfaction, the main objective of this study is to analyze these relations in terms of degree of customer loyalty or involvement with the company prior to service failure.

The concept of loyalty includes an attitudinal component, as well as a behavioral component (Oliver 1999). As often happens (highlighted by the industry chosen for the purposes of this study) the behavioral component is dominant, and the consequence of this is repeat purchase and a continued relationship with the service provider, which is conditioned by incentives or strategies (such as contractual clauses) aimed at making it difficult to change suppliers, defined as switching costs (Jones et al, 2007). The concept of switching costs is defined as those difficulties encountered by customers during the process of changing suppliers

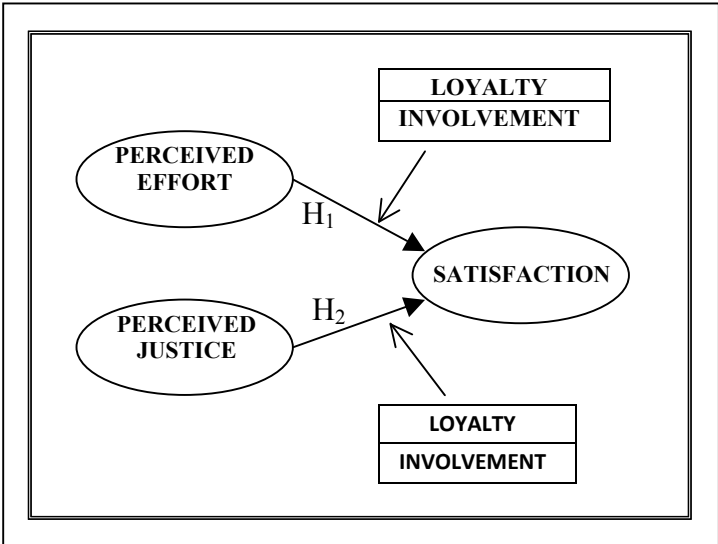
(Burnham, Frels and Mahajan, 2003), and has become a factor that explains to a large extent, customer retention (Chen and Hitt, 2002; Polo and Sese, 2009).

Furthermore, in terms of relationship marketing, both the company and customer can invest resources in the relationship with the express intent of mutual cooperation and consolidating a stable relationship from which both parties benefit in the long-term (Morgan and Hunt, 1994). This idea is reflected in the concept of involvement: a customer who is committed to a company in order to build a satisfactory relationship for both parties.

With this is mind, in the event of service failure, the outcome of service recovery can vary depending on the degree of loyalty and involvement. We propose that by understanding the nature of the relationship, the company will be able to develop more efficient and successful service recovery strategies, with the aim of restoring customer satisfaction. This marketing relationship will add value to customer service, influence customer satisfaction and consolidate strong ties with the company (Hennig et al., 2002; Palmatier et al., 2006; Harker and Egan, 2006; Palmatier et al., 2009).

Therefore, within the context of this study, if the company strives to offer the customer a just solution it will be able to regain customer satisfaction and the relationship between the company and customer may even be strengthened, once the problem has arisen. The reference model is shown in FIGURE 1.

FIGURE 1: Conceptual model. Antecedents of service recovery



3.1. ANTECEDENTS OF SATISFACTION WITH SERVICE RECOVERY PROCESSES

In order for a customer to feel satisfied once he/she has been subject to a service recovery process, he must perceive that the company has made every effort to fix the problem (Karatepe, 2006). This effort can be defined as a feeling the customer experiences regarding the resources and interest that the company demonstrates to solve the problem (Huang, 2008). When such an effort is perceived by the customer this can lead to added value for the customer and positively affect his degree of satisfaction (Butcher et al., 2001). Furthermore, literature suggests that the effort companies place on providing a solution enhances customer relations (Ha and Jang, 2009). Thus, a customer can feel tied to a company for longer and the view the customer held previous to the service failure can be reinforced (McColl-Kennedy and Sparks, 2003).

That said, it is the employees of the company who play the determining role in the resolution of any conflict (Matos et al., 2007; Huang, 2008; Johnston y Michel, 2008). This is due to the fact that it is they who deal with the affected customers and therefore their attitude, politeness, friendliness and professionalism are essential in restoring customer satisfaction (Huang, 2008). Employees must therefore convey to the customer their interest in providing a solution to the problem (Mattila and Patterson, 2004). Furthermore, authors such as McColl-Kennedy and Sparks (2003) or Huang (2008) point to a strong relationship between the perceived effort of the employees and degree of satisfaction after service recovery. Based on these arguments, we have formulated the following hypothesis:

H₁: The greater the perceived effort by the customer, the greater the degree of satisfaction with the service recovery process.

A just solution to the problem is also important, especially if we take into account the fact that customers often pass their judgments based on the solutions offered and final compensation (De Witt et al., 2008). Thus, the customer who has suffered a service failure will decide whether the service recovery has been just or unjust, which affects his subsequent feeling of satisfaction or dissatisfaction (DeWitt et al., 2008; Chang y Chang, 2010). The relationship between perceived justice and satisfaction has been proven in prior studies conducted in different contexts (Tax and Brown, 1998; Maxham and Netemeyer, 2002; Orsingher et al., 2009; Chang and Chang, 2010; Gelbrich and Roschk, 2011).

The concept of justice is based on three dimensions: distributive justice, procedural justice, and interactional justice (Smith et al., 1999; Sparks and McColl-Kennedy, 2001; Voorhees and Brady, 2005). Distributive justice refers to the compensation the customer receives as a result of service recovery; procedural justice provides an assessment of the way in which the justice is carried out itself during the service recovery process; and lastly, interactional justice refers to the way in which employees handle the situation during the service recovery process - willingness to solve the problem, interest shown, explanations provided, etc.- (Chang and Chang, 2010). In line with the literature, we have formulated the following hypothesis:

H₂: The greater the perceived justice by the customer, the greater the degree of satisfaction with the service recovery process

3.2. THE INFLUENCE OF THE DEGREE OF CUSTOMER LOYALTY IN THE ANTECEDENTS OF SATISFACTION WITH THE SERVICE RECOVERY PROCESS

Loyalty has been defined by Oliver (1999) as the prevailing customer attitude toward the repurchase of products produced by the same company. In terms of service recovery, customer loyalty is viewed as the result of customer satisfaction once the problem has been fixed (Kau and Loh, 2006; DeWitt et al., 2008; Chang and Chang, 2010). However, this study will examine whether the fact that the customer is loyal or disloyal affects his view of the effort made by the company or justice provided to solve the problem. The work by Estelami (2003) provides one of the relatively few studies that demonstrate how loyalty can affect the degree of satisfaction with service recovery. Therefore, a customer with a low degree of loyalty and one with a high degree of loyalty can react differently to the problem and consequently rate the effort the company makes or the justice received in divergent ways. We think it is important to highlight that those customers who are loyal may be this way due to habit, incentives by way of promotions and discounts, or contractual ties, etc., which could lead them to be less demanding with the company (McEwan, 2003) given that they hold a favorable attitude toward a continuing relationship, irrespective of their motives. Therefore, this type of customer will be content provided the problem is settled in a just way. On the other hand, a customer with a lesser degree of loyalty could rate highly the efforts of the company and interest shown in providing a solution to the problem. Based on these arguments, we propose to following hypothesis:

H_{1a}: The effect of perceived effort on satisfaction with the service recovery process will be lesser for those customers who have a greater degree of loyalty than those who are less loyal.

H_{2a}: The effect of perceived effort on satisfaction with the service recovery process will be greater for those customers who have a greater degree of loyalty than those who are less loyal.

3.3. THE INFLUENCE OF THE DEGREE OF CUSTOMER INVOLVEMENT IN THE ANTECEDENTS OF SATISFACTION WITH THE SERVICE RECOVERY PROCESSES

The degree of involvement goes beyond repeat purchases and occurs as a result of a series of individual motivational drivers (van Doorn et al., 2010) that determine the permanent customer attention toward the products of a company or brands (Abdul-Ghani, 2011).

Brodie et al., (2011) highlight the importance of this, pointing to the interactive experience of the customer in his relationship with the company and enabling customers to create value for the company through their ideas, recommendations, etc. Thus, a long-term relationship between the company and its customers necessitates continuity, which takes place through continuous interactions, the result of the bond customers have with the company (Druckenmiller, 2009). Therefore, as a result of the interactivity of many customers, a customer who is committed to the company can react differently to a service failure to one who has a lesser degree of commitment toward to the company. Those customers who are highly involved have higher expectations and tend to be more demanding, and command an increased effort and a just solution to the problem. Similarly, a customer with a low level of involvement with the company could be satisfied provided the failure is resolved in an adequate manner. Our next hypothesis is then:

H_{1b}: The effect of perceived effort on satisfaction with the service recovery process will be greater for those customers who have a higher level of involvement than those with a lesser level of involvement.

H_{2b}: The effect of perceived justice on satisfaction with the service recovery process will be greater for those customers who have a higher level of involvement than those with a lesser level of involvement.

4. EMPIRICAL STUDY

In order to test the hypotheses outlined in the proposed model we created a questionnaire aimed at mobile phone users. The reasoning behind the choice of this particular industry was two-fold. Firstly, the industry experienced a substantial increase in complaints registered each year (National Institute of Consumption, 2012). Secondly, the industry is subject to constant growth. According to the National Commission of Telecommunications (CMT, 2012), the mobile phone industry boasted more than 58 million mobile phone lines in Spain. Furthermore, the number of portability transfers reached its peak during the first few months of the year – more than 540,000 monthly customer portability transfers. The emergence of mobile virtual network operators signaled an increase in the range of alternatives on offer and competitive rivalry within the industry. The reaction of the operators has been to try to increase their market share through aggressive customer acquisition and retention tactics (Polo y Sese, 2009).

The scales used in the questionnaire were based on previously tested and validated scales from relevant research. Furthermore, to test the validity and understanding of the items, we carried out a pre-test amongst marketing researchers from several Spanish universities and a group of reference service users. APPENDIX I shows the measurement scales and references initially used to develop them. Furthermore, due to the complexity of analyzing these service recovery processes, due to the fact that only a small number of unsatisfied customers register a formal complaint (Michel and Meuter, 2008; Cambra et al., 2011), we hired a market research field company. The criteria for inclusion in the sample population were: i) legal adults, ii) adults who had first-hand experience of a problem with their mobile phone operator and iii) had received a response from their company after registering a complaint. Data was collected between February and March 2011. We obtained a representative sample population of 176 individuals.

The variables perceived effort and satisfaction were pondered as first-order constructs, whilst perceived justice a second-order construct in which each of its dimensions – distributive, procedural, and interactive – were treated as reflective first-order constructs¹.

¹ In this study the variable perceived justice comprises three indicators: distributive justice, interactional justice, and procedural justice. To confirm that multicollinearity was not present, we calculated the collinearity statistic using the VIF value (Variance Inflation Factor). The VIF we obtained for the dependent variable - procedural justice – was 2,023. The limit is considered as 5 (Mathwick et al., 2001). We therefore demonstrated that there was no correlation between the indicators that measure the variable perceived justice.

Following data collection we performed a series of analysis – individual reliability analysis, composite reliability, convergent validity, discriminant validity – using the *cross-loadings* and *overview* techniques. We first ran an individual reliability analysis where the values of each item exceeded the threshold required by Carmines and Zeller (1979). The same occurred with the composite reliability analysis of the variables using *Alpha de Cronbach* (APPENDIX I). The convergent and discriminant validity were also confirmed, where the average variance extracted (AVE)² is higher than 0.5 (Fornell y Larcker, 1981) and the comparison of the AVE of each construct exceeds the correlations between the variables (APPENDIX II).

Once data quality had been confirmed, we applied a structural equation analysis *Partial Least Squares* (PLS), using the *SmartPLS* version 2.0M3 program, with a view to analyzing the robustness of the proposed model and contrast the aforementioned hypotheses. This methodology has been recently defended in the field of marketing (Chung, 2009; Jayawardhena et al., 2009; Lindgreen et al., 2009; Reinartz et al., 2009) and is highly appropriate for the purposes of this study.

5. RESULTS

5.1. GENERAL MODEL

The first part of this section contains an analysis of the structural model. To present the findings, using the SmartPLS program, we calculated the *path* coefficients and *t* values of the parameters obtained using the *Bootstrap* method. These measurements allow us to test the precision and stability of the estimates. TABLE 2 shows the significance of the structural paths and the confirmation or rejection of the hypotheses proposed in the general model.

TABLE 2: Structural model results (Total sample)

Hypotheses:	Path coefficients β (T value; <i>bootstrap</i>) Total sample (N = 176)
H₁: Perceived effort → Satisfaction	0.2635*** (4.4393)
H₂: Perceived justice → Satisfaction	0.6408*** (12.0162)

² It should be noted that the AVE is a measurement that can only be calculated for the reflective variables. Therefore, the average variance extracted for perceived justice by customers in service recovery does not receive any value.

*** $p < 0.001$ ($t = 3.347318055$). When the *t* value obtained using the Bootstrap method is greater than the Student's *t*-value ($0.001; 499$) = 3.347318055, the hypothesis is confirmed with a significance of 99.9% (***).

These results show that the two hypotheses posed are significant. The results of the estimates show that the parameters associated with both correlations are positive and significant ($\beta = 0.2635$, $p < 0.001$; $\beta = 0.6408$; $p < 0.001$). Therefore, we can confirm the correlations between perceived effort and justice and the resulting degree of customer satisfaction with the service recovery process (H_1 y H_2 respectively). Thus, in order to recover customer satisfaction for those customers who have suffered a service failure, the company necessarily needs to strive to fix the problem in a just way.

5.2. ANALYSIS OF THE MODERATING EFFECT OF THE LOYALTY AND CUSTOMER COMMITMENT VARIABLES

This section provides an empirical evaluation of the degree of the prior correlations outlined between perceived effort and justice by customers and their level of satisfaction with the service recovery process, and how these correlations can be influenced by customer loyalty and their involvement in the company. To test the possible moderating role of the variables considered in this study – customer loyalty and involvement – the results of each subsample are presently separately. This enables us to compare the β coefficients and analyze the preferences of each, prior to examining whether these differences are significant. By doing this, we are able to gain an overall view of the characteristics of each subsample, which will allow us to better understand the results. The scales range between 1 (totally disagree) and 7 (totally agree) and the cutoff point is 4.

The results pertaining to the moderating variable loyalty are detailed in TABLE 1. The findings show the correlation between the perceived effort of the company to solve the problem and the level of customer satisfaction is only significant for the subsample of customers who are less loyal.

On the other hand, the dichotomy between a fair solution to the problem and satisfaction is 99.9% significant in the two subsamples. Furthermore, if we consider the β coefficients obtained we can see potential differences between the two subsamples. Customers with a higher degree of loyalty recognize to a greater extent justice when a company solves the problem ($\beta = 0.754$, $p < 0.001$) than those who are less loyal ($\beta = 0.5635$, $p < 0.001$).

TABLE 3.1: Structural results (Loyalty)

IMPACT ON ENDOGENOUS VARIABLES	TOTAL (N = 176)	LOW DEGREE OF LOYALTY (n=115)	HIGH DEGREE OF LOYALTY (m=61)
	<i>Path coefficients (β)</i> T value (<i>bootstrap</i>)	<i>Path coefficients (β)</i> T value (<i>bootstrap</i>)	<i>Path coefficients (β)</i> T value (<i>bootstrap</i>)
H₁: Perceived effort → Satisfaction	0.2635*** (4.4393)	0.3418*** (3.0452)	0.0449 (0.5175)
H₂: Perceived justice → Satisfaction	0.6408*** (12.0162)	0.5635*** (5.3563)	0.754*** (9.6481)

*** $p < 0.001$ ($t = 3.347318055$). When the t value obtained using the Bootstrap method is greater than the Student's t -value ($0.001; 499$) = 3.347318055, the hypothesis is confirmed with a significance of 99.9% (***).

TABLE 3.2 shows the results of the moderating variable involvement. Data only serves to confirm the correlation between perceived effort by customers and satisfaction for the subsample for those customers who are highly involved with the company. Customers who have a high level of involvement value to a greater extent that the company strives to solve their problem ($\beta = 0.3286 > \beta = 0.0779$). Equally, customers who are less involved do not consider the effort for the company to solve their problem a major requirement for recuperating satisfaction. Furthermore, the correlation between perceived justice by customers and their subsequent satisfaction is confirmed for both subsamples with a level of significance of 99.9%. From the β coefficients obtained, we can conclude that those customers who are less involved value to a greater extent justice ($\beta = 0.772$, $p < 0.001$) than those who have a greater level of involvement ($\beta = 0.6162$, $p < 0.001$).

TABLE 3.2: Structural results (Involvement)

Impact on endogenous variables	TOTAL (N = 176)	LOW DEGREE OF INVOLVEMENT (n=50)	HIGH DEGREE OF INVOLVEMENT (m=126)
	<i>Path coefficients (β)</i> T value (<i>bootstrap</i>)	<i>Path coefficients (β)</i> T value (<i>bootstrap</i>)	<i>Path coefficients (β)</i> T value (<i>bootstrap</i>)
H₁: Perceived effort → Satisfaction	0.2635*** (4.4393)	0.0779 (1.0768)	0.3286*** (3.6043)
H₂: Perceived justice → Satisfaction	0.6408*** (12.016)	0.722*** (11.8352)	0.6162*** (7.381)

*** $p < 0.001$ ($t = 3.347318055$). When the t value obtained using the Bootstrap method is greater than the Student's t -value ($0.001; 499$) = 3.347318055, the hypothesis is confirmed with a significance of 99.9% (***).

5.2.1. Contrast of the moderating effects: T-Test

In order to substantiate analysis of the moderating effect, we empirically compared the differences to examine the extent to which these differences were significant or not, in relation to each moderating variable – customer loyalty and involvement. The statistical methodology recommended to verify the significance of these differences is the multi-group analysis, based on the T-test, as suggested by Chin (1998) and Keil et al. (2000). The following table (TABLE 4.1.) shows the results of the multi-group analysis for the loyalty variable.

TABLE 4.1: Results of the analysis of moderating effect (Loyalty)

T-TEST	LOW DEGREE OF LOYALTY (β) (n=115)	HIGH DEGREE OF LOYALTY (β) (m=61)	SE		SP	T value
			LOW DEGREE OF LOYALTY	HIGH DEGREE OF LOYALTY		
H_{1A}: Perceived effort → Satisfaction	0.3418	0.0449	0.1122	0.0867	0.905	2.119***
H_{2A}: Perceived justice → Satisfaction	0.5635	0.754	0.1052	0,0782	0.829	1.484

***p<0.05 (T=1.96318055). SE: Standard error. SP: Separate Variance Estimate.

The results of the T-test demonstrate the correlation between the perceived effort by the customer and his/her subsequent degree of satisfaction in terms of the degree of customer loyalty. Results show that customers with a lesser degree of loyalty place more demands on the company in solving their problem. On the other hand, those customers who have been with the company for longer believe that the effort the company makes to solve their problem does not significantly influence their ensuing satisfaction. Therefore, we observe noteworthy differences between customers with varying degrees of loyalty in terms of perceived effort. Furthermore, the correlation between perceived justice and satisfaction is not moderated by customer loyalty. Although the results initially indicated that the coefficients of the variables were divergent in relation to justice and differing degrees of customer loyalty, these differences were shown insignificant. Thus, we can confirm that within the mobile phone industry, which was the focus of this study, providing a just solution to the problem is vital to regain customer loyalty post service failure, irrespective of the degree of customer loyalty. Finally, TABLE 4.2 shows the results of the T-test to contrast the possible moderating effect of involvement in the two hypotheses posed in the general model.

TABLE 4.2: Results of analysis of the moderating effect (Involvement)

T-TEST	LOW DEGREE OF INVOLVEMENT (β) (n=50)	HIGH DEGREE OF INVOLVEMENT (β) (m=126)	SE		SP	T value
			LOW DEGREE OF INVOLVEMENT	HIGH DEGREE OF INVOLVEMENT		
H_{1A}: Perceived effort → Satisfaction	0.0779	0.3286	0.0724	0.0891	0.811	1.997***
H_{2A}: Perceived justice → Satisfaction	0.722	0.6162	0.061	0.0835	0.745	0.918

*** $p < 0.05$ ($T=1.96318055$). SE: Standard error. SP: Separate Variance Estimate.

This table shows that the degree of involvement significantly moderates the correlation between the effort the company makes to solve the problem and the level of customer satisfaction with the service recovery. We can conclude that those customers with a higher level of involvement expect the company to make a substantial effort in the complaint handling process. This is shown by the parameters obtained (more involved: $\beta = 0.3286 >$ less involved: $\beta = 0.0779$). In fact, for the group of customers with a low level of involvement, effort does not exert a great influence on satisfaction.

In terms of the second hypothesis, the perceived justice in the service recovery process significantly influences the degree of customer satisfaction for both subsamples. This suggests that perceived justice exerts the same influence on customer satisfaction, irrespective of their level of involvement.

6. DISCUSSION AND CONCLUSIONS

This study has centered on the analysis of the antecedents of satisfaction within the context of the service recovery process. Despite the fact that companies make mistakes, if they strive to solve the problem and provide a just solution, levels of customer satisfaction can be recovered. From this point of view, the results of the study confirm the hypotheses initially posed and indicate that when a customer expresses his/her dissatisfaction, if the company

makes a concerted effort to rectify the situation and offers a just solution, the customer will be satisfied. In this sense, the key prerequisites of the service recovery process outlined by Bitner et al. (1990) and Zeithaml et al. (1996) are fulfilled.

The influence of perceived effort on satisfaction, as far as service recovery is concerned, is due to the fact that customers appreciate that companies dedicate their resources to resolving the problem and that employees strive to provide an adequate solution. For this reason, the role of employees is essential in regaining customer satisfaction, and companies should invest in training their personnel, highlighting the importance of good customer service – patience, friendliness, politeness, professionalism, the ability to apologize – and keep the customer informed of developments in the complaint handling process.

As regards the variable of justice, if we consider the *outer-weights* of the general model (APPENDIX 1), we can appreciate the importance of its combined dimensions. As such, the company needs to do more than offer a proper compensation for the problem caused. Procedural and interactional justice have a bearing on the degree of customer satisfaction. Therefore, the speed and efficiency with which the company addresses the problem are positively valued by consumers. When employees apologize for any inconvenience caused, are courteous and show an understanding of the problem suffered by the consumer, are also taken into consideration.

Despite the fact that numerous studies have pointed to customer loyalty as the result of the satisfactory resolution of a problem, there is a clear lack of studies that help to explain how the degree of customer loyalty or his/her level of involvement with the company can lead to a different valuation of the antecedents of service recovery. Therefore, this study furthers the analysis of how the reaction of customers to the stated antecedents varies according to their degree of loyalty or involvement. Do less loyal customers demand the same level of effort and justice in service recovery? What can we expect from customers who are more or less involved with the company? In terms of levels of customer loyalty and involvement, the results of the study allow us to confirm that there are varying degrees of preferences when evaluating the antecedents of service recovery. This leads us to reflect on the differences between loyal customers and those who are highly involved with the company.

The literature suggests that loyalty can sometimes be due to mere routine, the lack of alternatives or incentives by way of discounts and promotions, more than a positive feeling or wanting to continue to operate with the same company (McEwan, 2003). This is even more

evident in the Spanish mobile telephone industry. In this respect, those customers who are less loyal are the ones who are more demanding in terms of effort the companies in the service recovery process. The absence of interest in continuing a future relationship with the company makes these customers more demanding when a service failure occurs, and they expect the company to make a concerted effort to remedy the situation. Equally, customers who are loyal regain satisfaction with greater ease, possibly due to the fact that they have already formed an opinion of the performance of the company over the duration of their relationship and do not need re-assess the attention and effort that the company makes during service recovery. Another possible explanation is that these customers are more conformist than customers with a lesser degree of loyalty. However, the effect of justice is the same for all customers, irrespective of whether they are less or more loyal. Providing a just solution to the service failure is paramount to regain customer satisfaction, irrespective of the attitude of the customer in maintaining a future relationship with the company.

Our study makes the distinction between loyal customers and involved customers. In terms of the variable of involvement, results suggest that the customers who are more involved with the company are those who most value the effort of the company to provide a solution. As such, involved customers will place high demands on the company. In part, this could be due to the fact that if they have maintained a certain level of commitment for a reasonable period, and even promoted the company through word-of-mouth, they expect the same treatment in return and give great importance to the effort of the company to resolve any complaint. As happens with loyalty, justice is a precursor of customer satisfaction in service recovery, irrespective of whether the customers are more or less involved.

7. LIMITATIONS

However, despite the relevance of the results obtained, this study is not without its limitations. Firstly, this study has only focused on one industry – the mobile phone sector – which in Spain exhibits particular characteristics: it is highly competitive, conducts aggressive strategies to capture new customers and has a substantial number of complaints, which increase year-on-year. As such, we recognize that the results may be have influenced by the particular characteristics of our chosen industry. The degree of loyalty is often imposed by contractual agreements or promotions, rather the customer's pursuit of real satisfaction. This fact, despite having been specifically taken into consideration when formulating our hypotheses, may have influenced results. Therefore, our recommendation is to replicate the

study showing different profiles of loyalty. Furthermore, the data based on customer opinions represents a cross-section – not a longitudinal section, as we would have preferred. Lastly, we selected the subsamples using the cut-off point as 4, as it was halfway in our scale – 1, totally disagree and 7, totally agree.

8. FUTURE RESEARCH LINES

Future lines of research could investigate further the consequences of satisfaction following a successful service recovery process and contrast the possible influence of the two variables considered in this study: loyalty and involvement. Aside from the degree of customer loyalty and involvement, research could also be carried out to examine the influence of other moderating variables, such as perceived risk or type of service failure. This would allow companies to understand if the perceived risk of a problem solution also affects customer satisfaction or even future company-customer relationships. Furthermore, the company would obtain an overall view of which types of service failures make customers more demanding, or those which produce worse results, thus enabling the company to either try to prevent them or correct them. Lastly, it would be beneficial to study other industries or countries to obtain more definite results and contrast similarities or differences between industries and cultures.

9. IMPLICACIONES PARA LA GESTIÓN

The results provide us a number of implications for mobile phone companies, as well as other companies in the services sector, who are interested in maintaining and fostering long-term, productive, customer relationships. It is increasingly important for companies to harness successful and customer profitable relationships. In trying to reach this goal it is inevitable that companies make mistakes. All service failures destabilize the customer relationship and it is only through sound management of the problem that this relationship be restored. Therefore, the company should strive to regain customer satisfaction, given that customers represent their most valuable asset: without customers the wheels of the company stop turning and they lose their sense of being.

However, the service recovery strategies need to be adequately structured and designed so that marketing resources are used efficiently. Precisely along these lines, our study allows us to draw some interesting conclusions. This study proposes that service recovery strategies should be in line with the characteristics of the customer, and more concretely, in accordance with the degree of loyalty and involvement. If the company wants customers with a lesser degree of loyalty to be satisfied with the service recovery process, it should demonstrate that

it is making a concerted effort. In other words, employees, who are the face of the company, should be constructively engaged with the problem, be polite to customers, keep them up-to-date with any developments, etc. Ultimately, the company should manage the service failure by investing resources to satisfy the customer.

It is here the company decides whether to invest or not the necessary resources, depending on whether the customers are potentially profitable, or whether they offer little return and profitability (due to the low degree of loyalty) and the resources could be better invested in other, more profitable, alternatives (customers). There is a chance that these less loyal customers have the potential to become loyal customers – through attitudinal responses and as a consequence of switching costs - provided they experience a satisfactory service recovery.

Equally, knowing the level of customer involvement will facilitate the design of the most appropriate service recovery strategies. Given that the customers who are highly involved with the company command a more concerted effort from the company, it follows that these customers require a higher level of resource investment. This last point is vital because loyal customers can generate success for a company, through positive behavioral actions, such as recommendations, suggestions to improve service and activities, and constructive word-of-mouth. However, should a company not make the sufficient effort in the service recovery process, these loyal customers can bring negative consequences for the company, as they may discredit it, damage the company-customer relationship, not only on a personal level but extend further to other customers through negative word-of-mouth, complaints and public actions. On the other hand, those customers with a lesser degree of involvement require less effort from the company.

Therefore, knowing the customer, and more specifically, acquiring knowledge of their loyalty and involvement, is vital to correctly manage the service recovery process. For this reason, if the company has developed relationship marketing strategies, and is aware of the expectations of the customers, it will not only be easier to restore service in a satisfactory manner but also help decide what volume of resources is necessary in each case to regain satisfaction. Some authors have highlighted the importance of using loyalty programs, and consider them a source of key information (Ashley, 2010) that allow companies to obtain reliable information about the characteristics of the customer, purchase frequency, their tastes, involvement, or length of the customer-company relationship.

However, apart from having more information about the consumer, the company could also try to interact with the customer directly. This would result in them obtaining first-hand information about the type of compensation the customer prefers – economic, discount of

future purchase, gifts, etc. – or which solution would be most appropriate. Ultimately, this information can lead to strategies which provide successful corporate results.

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APPENDIX I: MEASUREMENT SCALES. The scales range between 1 (totally disagree) and 7 (totally agree). General model.

Variables/Items	Total sample		
	Cross Loadings	Composite Reliability	AVE
PERCEIVED EFFORT (Karatepe et al., 2006)			
The employee put all his/her effort into solving my problem.	0,8874	0,9313	0,8187
The employee worked at full capacity to solve my problem.	0,9053		
The employee was committed to solving my problem.	0,9215		
PERCEIVED JUSTICE (DeWitt et al., 2008)			
J DIS1: I was offered a just solution following my complaint. J DIS2: The company gave me what I needed when solving my problem.	0,3806**	NA*	NA*
J PRO1: The company responded to my needs in a fair and quick way. J PRO2: The company was flexible when offering me a solution to my problem. J PRO3: Company policies and procedures were suitable to address my concerns.	0,3641**		
J INT1: The company was suitably concerned about my problem. J INT2: Communication on the part of the company was appropriate.	0,3528**		
SERVICE RECOVERY SATISFACTION (Karatepe, 2006)			
I felt more satisfied with my mobile phone operator after the problem was fixed.	0,9422	0,9449	0,8955
My impression of the mobile phone operator improved after the problem was fixed.	0,9484		
LOYALTY (Karatepe, 2006; DeWitt et al., 2008)			
I will continue to do business with this company in the next few years. This company is a good alternative for this service. If the company raised its prices I would continue to be a customer.			
INVOLVEMENT (Ashley, 2010)			
I am fully aware of the services offered by this company. It is important to me to hire the services of this company.			

*NA (Not Available). If we consider the perceived justice indicators to be formative, the AVE cannot be calculated since it only accepts values for reflective constructs (Fornell and Larcker, 1981).

**NOTE: The *outer-weights* values have been calculated for the formative variable (perceived justice).

APPENDIX IB: MEASUREMENT SCALES. The scales range between 1 (totally disagree) and 7 (totally agree). Moderator effect: Loyalty.

VARIABLES/ITEMS	LOW DEGREE OF LOYALTY			HIGH DEGREE OF LOYALTY		
	Cross Loadings	Composite Reliability	AVE	Cross Loadings	Composite Reliability	AVE
PERCEIVED EFFORT (Karatepe et al., 2006)						
The employee put all his/her effort into solving my problem.	0,9104	0,9323	0,8211	0,7458	0,8963	0,7439
The employee worked at full capacity to solve my problem.	0,8854			0,9232		
The employee was committed to solving my problem.	0,9223			0,9073		
PERCEIVED JUSTICE (DeWitt et al., 2008)						
J DIS1: I was offered a just solution following my complaint. J DIS2: The company gave me what I needed when solving my problem.	0,4056**	NA*	NA*	0,375**	NA*	NA*
J PRO1: The company responded to my needs in a fair and quick way. J PRO2: The company was flexible when offering me a solution to my problem. J PRO3: Company policies and procedures were suitable to address my concerns.	0,3536**			0,379**		
J INT1: The company was suitably concerned about my problem. J INT2: Communication on the part of the company was appropriate.	0,3673**			0,35**		
SERVICE RECOVERY SATISFACTION (Karatepe, 2006)						
I felt more satisfied with my mobile phone operator after the problem was fixed.	0,9205	0,9155	0,824	0,957	0,9627	0,9281
My impression of the mobile phone operator improved after the problem was fixed.	0,9155			0,9696		

*NA (Not Available). If we consider the perceived justice indicators to be formative, the AVE cannot be calculated since it only accepts values for reflective constructs (Fornell and Larcker, 1981).

**NOTE: The *outer-weights* values have been calculated for the formative variable (perceived justice).

APPENDIX IB: MEASUREMENT SCALES. The scales range between 1 (totally disagree) and 7 (totally agree). Moderator effect: Involvement.

Variables/Items	LOW INVOLVEMENT			HIGH INVOLVEMENT		
	Cross Loadings	Composite Reliability	AVE	Cross Loadings	Composite Reliability	AVE
PERCEIVED EFFORT (Karatepe et al., 2006)						
The employee put all his/her effort into solving my problem.	0,8738	0,9323	0,8213	0,8914	0,9316	0,8195
The employee worked at full capacity to solve my problem.	0,9038			0,9076		
The employee was committed to solving my problem.	0,9399			0,9166		
PERCEIVED JUSTICE (DeWitt et al., 2008)						
J DIS1: I was offered a just solution following my complaint. J DIS2: The company gave me what I needed when solving my problem.	0,4218**	NA*	NA*	0,3684**	NA*	NA*
J PRO1: The company responded to my needs in a fair and quick way. J PRO2: The company was flexible when offering me a solution to my problem. J PRO3: Company policies and procedures were suitable to address my concerns.	0,3592**			0,3657**		
J INT1: The company was suitably concerned about my problem. J INT2: Communication on the part of the company was appropriate.	0,3618**			0,3502**		
SERVICE RECOVERY SATISFACTION (Karatepe, 2006)						
I felt more satisfied with my mobile phone operator after the problem was fixed.	0,9012	0,915	0,8433	0,9557	0,9542	0,9125
My impression of the mobile phone operator improved after the problem was fixed.	0,9352			0,9548		

*NA (Not Available). If we consider the perceived justice indicators to be formative, the AVE cannot be calculated since it only accepts values for reflective constructs (Fornell and Larcker, 1981).

**NOTE: The *outer-weights* values have been calculated for the formative variable (perceived justice).

APPENDIX II: Discriminant validity for structural model variables.

SAMPLE	VARIABLES	PERCEIVED EFFORT	PERCEIVED JUSTICE	SATISFACTION
TOTAL	PERCEIVED EFFORT	0,9048	0	0
	PERCEIVED JUSTICE	0,6388	NA*	0
	SATISFACTION	0,6728	0,8091	0,9463

The data on that appears on the main diagonal are the square roots for the AVE (Average Variance Extracted) of the variables. The remaining data represents the correlations between the constructs. All correlations are significant $p < 0,01$, (Fornell and Larcker, 1981).

*NA (Not Available). If we consider the perceived justice indicators to be formative, the AVE cannot be calculated since it only accepts values for reflective constructs (Fornell and Larcker, 1981).

APPENDIX IIA: Discriminant validity for structural model variables. Moderating effect: Loyalty.

SAMPLE	VARIABLES	PERCEIVED EFFORT	PERCEIVED JUSTICE	SATISFACTION
LOW DEGREE OF LOYALTY	PERCEIVED EFFORT	0,9061	0	0
	PERCEIVED JUSTICE	0,5277	NA*	0
	SATISFACTION	0,6391	0,7438	0,9077
HIGH DEGREE OF LOYALTY	PERCEIVED EFFORT	0,8624	0	0
	PERCEIVED JUSTICE	0,6914	NA*	0
	SATISFACTION	0,5662	0,7851	0,9633

The data on that appears on the main diagonal are the square roots for the AVE (Average Variance Extracted) of the variables. The remaining data represents the correlations between the constructs. All correlations are significant $p < 0,01$, (Fornell and Larcker, 1981).

*NA (Not Available). If we consider the perceived justice indicators to be formative, the AVE cannot be calculated since it only accepts values for reflective constructs (Fornell and Larcker, 1981).

APPENDIX IIB: Discriminant validity for structural model variables. Moderating effect: Involvement.

SAMPLE	VARIABLES	PERCEIVED EFFORT	PERCEIVED JUSTICE	SATISFACTION
LOW INVOLVEMENT	PERCEIVED EFFORT	0,9062	0	0
	PERCEIVED JUSTICE	0,6218	NA*	0
	SATISFACTION	0,5268	0,7704	0,9183
HIGH INVOLVEMENT	PERCEIVED EFFORT	0,9052	0	0
	PERCEIVED JUSTICE	0,6451	NA*	0
	SATISFACTION	0,7261	0,8282	0,9552

The data on that appears on the main diagonal are the square roots for the AVE (Average Variance Extracted) of the variables. The remaining data represents the correlations between the constructs. All correlations are significant $p < 0,01$, (Fornell and Larcker, 1981).

*NA (Not Available). If we consider the perceived justice indicators to be formative, the AVE cannot be calculated since it only accepts values for reflective constructs (Fornell and Larcker, 1981).