ESTIMATING THE PROBABILITY OF SERVICE RECOVERY STRATEGIES IN FRANCHISE FAST FOOD RESTAURANT

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Abstract

This paper sets out to determine the probability from a customer's viewpoint, of which service recovery activities will most probably be carried out by front liners in Franchise Fast Food Restaurants (FFFR). The study utilized a Juster scale based questionnaire survey format. Data was then analyzed using means and factor analysis. Means analysis indicated that customers did not expect front liners to offer free food but there was a good possibility that they would receive an apology. More than half of the service recovery strategies studied lay below the 50/50 probability. Factor analysis indicated three views of customers on service recover strategies, which are termed as '*Immediate*', '*Works*' and '*Words*'. Customers believe that there is a good possibility for '*Words*' service recovery activity, fairly good possibility of '*Immediate*' service recovery and fair possibility of '*Works*' service recovery activity. The study was limited to respondents in Kuching and customers of FFFR. Nevertheless the finding has important implications to management and academia. A practical application from this study would be the use of '*Immediate*' and '*Words*' service recovery strategies to improve customer's perception of a company after service failure. The use of '*Works*' would delight them, as it is not expected.

Keywords: Franchise Fast Food Restaurants; Kuching; Service Recovery Strategy

1. Introduction

The franchise fast food industry is a high growth industry that is mainly a service and people oriented business (Lam and Zhang, 2003). Nevertheless, mistakes are an unavoidable feature of all human endeavors and services are undeniably intertwined with the human element (Boshoff, 1997). The unique characteristic of the service

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industry, the need for human interaction, especially in the franchise fast food restaurant industry, makes mistakes more distinct and zero defects not attainable (Hart *et al.*, 1990; Hoffman *et al.*, 1995; Wirtz and Mattila, 2004).

Malaysians were first introduced to franchise fast foods by A&W in 1963 (Noraini, 2002). This initial taste has boomed, with the introduction of other franchise fast food restaurants such as Kentucky Fried Chicken, McDonalds and the like. In 1986, sales from FFFR was at US$154 million (MR383.46 million) (Noraini, 2002). Franchised fast food restaurants (FFFR) offer relatively low priced products, served quickly, suitable to consume with fingers, has disposable packaging and durable (Price and Arnould, 1999; Price, 1997). Many consumers choose to visit FFFR because of convenience, time saved, quality, cleanliness, values of the FFFR, food quality, image and atmosphere in FFFR (Auty, 1992; Lewis, 1981; Pettijohn *et al.*, 1997).

While the boom in franchise fast food restaurants is clear, customers have also become more demanding, with a variety of expectations and needs, different types of attitudes, characters and behaviors (Payne, 1999; Woodruffe, 1995). It is also evident that front liners are emotional entities that have to deal with customers' emotions and actions yet management has been shown to ignore front liners (Lemmink and Mattsson, 2002; Schneider and Bowen, 1995; Shapiro *et al.*, 1992). Thus, front liners differentiate customers and do not treat them equally. They usually categorize customers into two groups - the good or friendly type and the nasty or ungrateful type and act accordingly though the weight of management and their own professionalism may temper such actions (Gutek, 1995; Payne, 1999; Schneider and Bowen, 1995). How front liners act when there is a service failure is therefore important yet lacking in the literature.

Studies have indicated that there is a possibility of improved customer satisfaction and service quality perceptions leading to positive behavior intentions such as repeat purchase (Smith and Bolton, 1998). It may also enhance customer loyalty and reduce defection (Bitner *et al.*, 1990; Boshoff, 1997; Hart *et al.*, 1990; Lewis and Spyrakopoulos, 2001). Other studies have indicated that Word of Mouth following a problem resolution can be considered a critical factor impacting in a company's reputation and retaining customers (Lewis and McCann, 2004; Reichheld and Sasser, 1990).

Numerous studies have been done in the West that identifies the service recovery strategies that are used in restaurants (Hoffman *et al.*, 1995; Mack *et al.*, 2000). There is none that have looked at such a situation in Malaysia. As such, this research explores the issue of service recovery done at FFFRs through the perception of its customers in Kuching, Sarawak, Malaysia. It utilizes past literature on service recovery methods that are translated into a questionnaire format and further analyzed (Bitner *et al.*, 1990; Hart *et al.*, 1990; Hoffman *et al.*, 1995; Kelley *et al.*, 1993; Smith *et al.*, 1999; Zemke and Bell, 1990). The results have important implications for management and customer service strategies. The rest of the paper is organized as follows: first, discussion of the relevant literature is presented; followed by a discussion of the methodology used, thirdly, the findings are presented and then discussed, followed by the conclusions that look at academic and managerial implications, limitations, and areas for future research.

2. Literature Review

Franchise Fast Food Restaurants (FFFR) provide a location where meals are served to the public quickly and with minimal services. Other characteristics include: 1) low relative monetary price, 2) the end-product is served quickly, 3) the food is cooked in bulk in advance and kept hot, or reheated to order, and 4) the food offered by fast food restaurant is suitable for eating with fingers and has disposable packaging (Price and Arnould, 1999; Price, 1997). It is also seen as a potential place for service failure to occur (Palmer *et al.*, 2000).

Service failure is defined as a service encounters that result in a dissatisfied customer (Hays and Hill, 1999). From a customer's perspective, a service failure is any situation where something has gone wrong, irrespective of responsibility such as unavailable service, unreasonably slow service, and other core service problems (Bitner *et al.*, 1990; Palmer *et al.*, 2000). In the restaurant sector, a majority of service failure relates to slow service (long wait for seating, food and bill), staff error (orders mixed), and cook/kitchen error (Mack *et al.*, 2000). Previous studies have indicated that switching behavior, negative word-of-mouth, higher cost in recruiting new customers, relationship breakdown may occur due to service failure (Forrester and Maute, 2001; Hart *et al.*, 1990; Keaveney, 1995; Levesque and McDougall, 2000).

As such, there is a need to seek out and deal with such failures (Johnston, 1994). Service recovery is a thought out plan of all the possible actions taken by a service provider in order to resolve the problem that caused the service failure and return the customer to a state of satisfaction (Gronroos, 1990; Lewis and Spyrakopoulos, 2001; Zemke and Bell, 1990). It is not complaint handling, as not all customers that experience service failure will complain but they may engage in private actions (Agbonifoh and Edoreh, 1986; Day, 1977; Day and Landon, 1976; Day and Landon, 1977; Grønhaug, 1977).

Studies have indicated that when service failure occurs, the best recovery is by front liners (Hart *et al.*, 1990). The recovery should match what customers want, usually dissatisfied customers expect reasonable compensation for their misfortune and this also shows that the service providers demonstrate some understanding (Zemke and Bell, 1990). A speedy response to keep customers loyal is required as the service company's opportunity to demonstrate its commitment to quality is fleeting (Conlon and Murray, 1996; Hart *et al.*, 1990).

The literature has shown that action that service providers may take in response to failure may comprise of a combination of psychological and tangible activity (Lewis and McCann, 2004). The most common and frequently used recovery strategies are apology, assistance, or compensation, or some combination of these three (Bitner *et al.*, 1990; Hart *et al.*, 1990; Hoffman *et al.*, 1995; Kelley *et al.*, 1993; Smith *et al.*, 1999). There are also a variety of suggestions. Some have suggested: (1) Apology, (2) Urgent reinstatement, (3) Empathy, (4) Symbolic atonement and (5) Follow-up (Zemke and Bell, 1990). Others have suggested that service recovery should include: (1) Acknowledgement, (2) Explanation, (3) Apology, and 4) Compensation (Bitner *et al.*, 1990). Others suggest (1) Discount, (2) Correction, (3) Management/employee intervention, (4) Correction plus replacement, (5) Apology, and (6) Refund (Kelley *et*

al., 1993). In another study done in the restaurant industry, seven strategies have been identified, which are (1) Free food, (2) Discount, (3) Coupon, (4) Managerial intervention, (5) Replacement, (6) Correction, and (7) Apology (Hoffman *et al*., 1995).

It is interesting that a study found that compensation (e.g. free food, discounts, coupons, replacement) was rated most effectively in restaurant service failures especially during the waiting time of service (Hoffman *et al*., 1995). This is supported by others who indicate compensation is more important than correction (Bitner *et al*., 1990; Boshoff, 1997; Kelley *et al*., 1993). In a separate study, the results show that any form of financial compensation is not necessary for service recovery (Johnston, 1994). Nevertheless, all studies noted that apology is needed in recovery as it is seen as the minimum recovery that would be offered by a service provider (Lewis and McCann, 2004; McDougall and Levesque, 1999). Yet Johnston (1994) found no evidence for this.

A different perspective has been offered in recent studies on service recovery, empowerment of employees (Boshoff and Leong, 1998; Hart *et al*., 1990). Thus, employees must have the authority to do anything, on the spot, to take care their customer to their satisfaction. Unfortunately, front-line service staffs are often not permitted to participate in problem solving because they have been trained as production-line workers (Bowen and Lawler III, 1992; Bowen and Lawler III, 1995).

The effectiveness of service recovery often depends on the situation and is influenced by different factors such as the type of service (Mattila, 2001), the type of failure (McDougall and Levesque, 1999), and the speed of response (Boshoff, 1997). The effectiveness of service recovery strategies depends on the situation, customer, equivalent to the failure, and not over or under compensated (Johnson and Fern, 1999; Lewis and Sotiris, 2001; Smith *et al*., 1999).

3. Data and Methodology

There are currently six FFFR businesses with a total of 30 branches operating in Kuching. The population of this study consisted of 494,109 Kuching residents (Department of Statistics Sarawak, 2004). A minimum sample size was calculated at 264 persons (Luck *et al*., 1987). Respondents were obtained at the various outlets in Kuching by convenience sampling with stratification; refer to Table 1.

Table 1
Basis for Stratification

No.	Name	No. of Outlets	Proportion	Percentage (%)
1	Kenny Rogers Roaster	1	1/30	3.30
2	Hartz Chicken Buffet	3	3/30	10.00
3	Pizza Hut	5	5/30	16.70
4	McDonald	2	2/30	6.70
5	Kentucky Fried Chicken	12	12/30	40.00
6	Sugar Bun	7	7/30	23.30

Source: Malaysian Franchise Association (2003).

264 questionnaires were distributed to customers at the above named fast food outlets. 252 questionnaires (95.5%) were usable as 12 questionnaires were incomplete. The questionnaire was part of a larger study and consisted of three sections; respondents' demographic data, the service recovery strategies perceived to be carried out by franchise fast food restaurants (Bitner, 1990; Hart *et al*., 1990; Hoffman *et al*., 1995; Kelley *et al*., 1993; Zemke and Bell, 1990) and the effect of those strategies in customers' retention. Section B was measured using the following question, "Based on your experience, what is the probability that staffs of franchise fast food restaurants will implement any of the following strategies upon service failure?" Both Section B and C utilized Juster's eleven-point probability scale. The Juster scale is a probability-based scale using odds out of ten (Foxall, 1982). It can be used to gain estimates of the probability that a population will do something (Garland, 2002; Patterson, 2004); refer to Table 2.

Table 2
Juster's 11-point Probability Scale

Scale Point	Label
10	Certain, practically certain (99 chances in 100)
9	Almost sure (9 chances in 10)
8	Very probable (8 chances in 10)
7	Probable (7 chances in 10)
6	Good possibility (6 chances in 10)
5	Fairly good possibility (5 chances in 10)
4	Fair possibility (4 chances in 10)
3	Some possibility (3 chances in 10)
2	Slight possibility (2 chances in 10)
1	Very slight possibility (1 chances in 10)
0	No chance, almost no chances (1 chance in 100)

Data from Section A was analyzed using frequency table, while data from Section B was analyzed using means and factor analysis. Exploratory factor analysis, using the *SPSS v.14* statistical program, was used to assess the latent structure and variance of the perceived service recovery act construct in the Kuching context.

The questionnaires were written in English, Malays and Mandarin. Back translation was employed for the translation of the language in the questionnaire (Green and White, 1976). The questionnaire was pre-tested before the process of collecting data to test whether respondents understood the questions, questions difficulty, and the duration taken by respondents to answer all the questions (Chen, 2001; Sinha, 2000). The questionnaire was pre-tested by a convenience sample of five people who were not included in actual survey. The characteristics of respondents for the pretest are similar to those who will be included in the actual survey (Martin and Polivka, 1995). Respondents commented that the questions were easily understood with an average completion time of five minutes.

4. Findings

The majority of the respondents were female (57.1 %) in the age group of 16 to 25 years old (64.7 %). Most of the respondents are Chinese (66.7 %) followed by Malay and Iban with 17.8 % and 6.0 % respectively. Majority of the respondents are SPM (Sijil Pelajaran Malaysia, a Malaysian Secondary School certificate) holders (32.5 %). Most of the respondents are with a monthly income of RM1000 below (34.9 %). A profile of the respondents is provided in Table 3.

Table 3
Respondents' Profile

Variables	Characteristics	Percentage
Gender	Male	42.9
	Female	57.1
Age	16-25	64.8
	26-35	25.0
	36-45	5.1
	46-55	5.1
Race	Chinese	66.7
	Malay	17.8
	Iban	6.0
	Others	9.5
Education Level	Primary	0.8
	PMR	7.5
	SPM	32.5
	STPM/Diploma	21.0
	Undergraduate	15.9
	Degree	16.7
	Master	1.2
	Not Informed	4.4
Income Level	0-1000	34.9
	1001-2000	9.5
	2001-3000	3.2
	>3001	1.2
	Not Informed	51.2

Alpha value for section B is 0.951, which is good (Schumacher and McMillan, 1993). Table 4 depicts the probability means for the service recovery strategies that respondents believe will probably be carried out by the franchise fast food restaurants in case of service failure. The means indicate only one strategy that has a good possibility of being carried out, apologizing. There is only some possibility that free food will be offered.

Table 5 depicts the findings for the factor analysis. A principle components extraction through SPSS on 17 items for a sample of 252 fast food restaurant customers was used to estimate the number of factors with forced eigen values that exceed one. The KMO was 0.925, indicating that the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed was acceptable (Anonymous, 2006a, 2006b). Total variance explained was 73.139% out of 3 components where two components had a variance value of more than 10%.

Table 6 depicts the means for the service recovery strategies by the findings of the factor analysis. It is apparent that there is a good possibility that 'Words' based recovery strategies will be employed as it scores the highest mean. Both 'Immediate' and 'Works' recovery strategies score lower, at a fair possibility.

Table 4
Probability Mean of Service Recovery Strategies

Service Recovery Strategies	Mean	Std. Deviation
Apologizing	6.47	2.40
Acknowledgement	5.97	2.34
Assistance	5.82	2.33
Urgent reinstatement	5.48	2.49
Explanation	5.09	2.61
Replacement	5.08	2.87
Empathy	4.83	2.41
A comprehensive recovery system	4.62	2.63
Correction plus	4.51	2.55
Managerial intervention	4.36	2.44
Discount	4.33	3.08
Coupon	4.32	2.87
Refund	4.13	3.07
Follow up	4.10	2.76
Symbolic atonement	4.08	2.52
Empowerment	4.07	2.67
Free food	3.82	2.98

Table 5
Varimax Factor Analysis for Service Recovery Strategies

| Variables | Component | | |
	Immediate	Works	Words
A comprehensive recovery system	0.796		
Follow up	0.776		
Explanation	0.711		
Correction plus	0.683		
Managerial intervention	0.676		
Symbolic atonement	0.659		
Empathy	0.638		
Refund		0.825	
Free food		0.804	
Discount		0.791	
Coupon		0.750	
Replacement		0.677	
Empowerment		0.580	
Apologizing			0.907
Acknowledgement			0.866
Assistance			0.715
Urgent reinstatement	.570		0.651
Eigenvalue	*9.689*	*1.734*	*1.011*
% of Variance	*56.993*	*10.201*	*5.945*
Cumulative % of Variance	*56.993*	*67.194*	*73.139*
Alpha	*0.933*	*0.914*	*0.900*

Notes: Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. A rotation converged in 6 iterations.

Table 6
Mean of Service Recovery Strategies

Factor	Service Recovery Strategies	Mean	Std. Dev.	Mean	Std. Dev.
Immediate	A comprehensive recovery system	4.62	2.63		
	Follow up	4.10	2.76		
	Explanation	5.09	2.61		
	Correction plus	4.51	2.55	4.63	2.10
	Managerial intervention	4.36	2.44		
	Symbolic atonement	4.08	2.52		
	Empathy	4.83	2.41		
	Urgent reinstatement	5.48	2.49		
Works	Refund	4.13	3.07		
	Free food	3.82	2.98		
	Discount	4.33	3.08		
	Coupon	4.32	2.87		
	Replacement	5.08	2.87	4.29	2.45
	Empowerment	4.07	2.67		
Words	Apologizing	6.47	2.40		
	Acknowledgement	5.97	2.34	5.94	2.10
	Assistance	5.82	2.33		
	Urgent reinstatement	5.48	2.49		

5. Discussion and Implications

It is clear from the findings that there is a low probability (fair possibility) that much of the service recovery activities will be done by FFFR. The most customers expect to be done by FFFR front liners are Apology, Acknowledgement, and Assistance (good possibility). This is in line with the literature that states that the most common and frequently used recovery strategies are apology or assistance (Bitner *et al.*, 1990; Hart *et al.*, 1990; Hoffman *et al.*, 1995; Kelley *et al.*, 1993; Smith *et al.*, 1999). It may also be that Sarawakians do not expect much from service providers (de Run, 2002).

For most of the other service recovery strategies, customers believe that there is less than a 50/50 chance that it will be employed (Refer Table 4). This contradicts most of the literature findings that indicate service recovery is important (Bitner *et al.*, 1990; Boshoff, 1997; Hoffman *et al.*, 1995; Kelley *et al.*, 1993). Empowerment of employees that is strongly suggested in the literature is also not seen here (Boshoff and Leong, 1998; Hart *et al.*, 1990). Unfortunately, front-line service staffs are often not permitted to participate in problem solving because in most FFFRs in Malaysia, they are trained as production-line workers (Bowen and Lawler III, 1992; Bowen and Lawler III, 1995).

Nevertheless, when seen as a whole, there is a good possibility for any one of the '*Words*' service recovery activity, fairly good possibility of any one of the '*Immediate*' service recovery action and fair possibility of any one of the '*Work*'

service recovery activity to be carried out; refer to Table 6. This finding is interesting as it highlights the skeptical views of consumers as to the service recovery done by front liners (de Run, 2002). It also highlights the consumer's view that the most probable service recovery that they will encounter is just a spoken word.

Interestingly, past studies have indicated that this spoken word, an apology, is enough (Bitner *et al.*, 1990; Hart *et al.*, 1990; Hoffman *et al.*, 1995; Kelley *et al.*, 1993; Smith *et al.*, 1999). Management must realize that this is the minimum requirement in order to keep customers happy. In order to delight them, further action (either Immediate or Work) is required.

Studies have indicated that when service failure occurs, the best recovery is by front liners (Hart *et al.*, 1990). However the response by customers indicate that empowerment is minimal. Customers of FFFR also seem to believe that service recovery is not sure. Management in FFFR must seriously look into empowering their front liners to act if they wish to continue to keep their customers happy. Management must also take steps to indicate to customers that the probability of service recovery strategies to be enacted is good.

The use of other various forms of service recovery strategies (Works) such as Refund, Free food, Discount, Coupon, Replacement, and Empowerment should be seriously looked into. Past studies have shown that this is what customers wanted (Hoffman *et al.*, 1995). This study found that customers believed that such activities would most probably not be done. It is common for some FFFRs to offer a small glass of soft drink while customers wait. Management should look into the possibilities of other minor actions that will placate the customer and at the same time place the company's action as beyond the norm, thus pleasing the customer.

6. Conclusions

This research contributes to the literature by creating awareness of the views of customers towards what service recovery actions are carried out by FFFRs in Kuching, Sarawak. Customers indicated that they did not expect front liners to offer free food and empowerment of staff as a service recovery. Instead they indicated that it was very probable that they would receive an apology. Factor analysis indicated three views of customers termed as 'Words', 'Immediate' and 'Works' service recovery strategies. Findings also indicate that customers believe that there is a good possibility for 'Words' service recovery activity, fairly good possibility of 'Immediate' service recovery action and fair possibility of 'Works' service recovery activity. This indicates that customers expect very little from FFFRs at the moment.

Management must be aware of their customer's views and utilize it. Effort must be taken to increase customers' perception that the company is serious of their satisfaction and will take every effort to correct any service failure. Management can take action to empower their staff to delight customers by providing 'Works' based service recovery, based on certain criteria predetermined by management. At the same time, 'Words' action must not diminish, in fact it should be further elaborated by 'Immediate' and 'Works'. to show to the customer that they are special. Training of staff must take this into account.

Biases from experience of respondents could have affected the reliability of the findings. All of the respondents in this research are Western fast food based restaurant customers who may not have sufficient experience in a wide variety of situations relating to service recovery and this could lead to biases in providing feedback. Another limitation is that some respondents had doubts about the confidentiality of the research even after assurance. They felt uncomfortable to respond honestly about their perceptions. This posed difficulties in getting their full co-operation and involvement.

Future research may study perceptions of customers at large on what they believe are the service recovery strategies of front liners. At the same time, a similar study can be done from the perspective of front liners. Other studies may look at different sectors and employ a larger set of respondents. Perceptions of customers from a variety of sectors can be studied separately and then compared. This would allow researchers to note if the perceptions are similar or different. Other studies can be done to note if this difference in perception translates towards a significant difference in behavior by front liners and the moderating impact of management rules and regulations.

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