

THE EFFECTS OF CAUSAL ATTRIBUTIONS ON THE EFFECTIVENESS OF ORGANIZATIONAL RESPONSES AFTER A SERVICE FAILURE

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RESUMEN

The main aim of this paper is to study the role of attributions and service recovery strategies in customer defection following a service failure. To obtain a greater understanding of this customer behavior could help managers reduce their customers' defection rate and increase the company's profits. The empirical investigation is carried out in the banking services industry with a sample of 565 customers. The results of the study not only confirm the impact of attributions and service recovery on customer defection, but also show the effects of some attributional dimensions on the effectiveness of the different recovery strategies applied by the company to avoid post-failure customer defection.

Palabras clave:

Service recovery, attributions, customer defection

1. Introduction

In the service context mistakes are hardly avoidable, as the service delivery process is complicated by changing customer expectations, simultaneous production and consumption, and high human involvement in the manufacture and distribution of the service (Duffy et al. 2006; Patterson et al. 2006). These failures may have very negative consequences to the company, as they may have a substantial effect on its image and market share. Therefore, it is very important to study the consequences of service failures, which explains the growing literature on the topic (Gelbrich 2010; Grewal et al. 2008; Karande et al. 2007; Matos et al. 2007). In this line of research, the analysis of the process relating a service failure with the customer's defection is an especially relevant aspect. Relationship marketing –approach followed by many service companies– emphasizes customer loyalty (Berry 1995) and, thus, the fight against customer defection is an essential element of this type of strategies.

When does a service failure lead to customer defection? Previous literature shows that, among other factors, the attributions made by the customer regarding the service failure have an outstanding influence on the customer's response to this failure (e.g., Smith and Bolton 1998; Hess et al. 2003; Grewal et al. 2008). Thus, it is important to deepen into the existing relationship between service failure attributions and customer defection, taking into consideration those attributions that may have an effect on the loyalty-defection decision. Apart from the traditional dimensions of attribution (locus, stability and controllability) we consider intentionality attributions. Although this dimension has been frequently studied in the psychology field (e.g., Anderson 1983; Weiner 2006; Struthers et al., 2008), surprisingly it has not been considered in the service failure field. However, this dimension can be very important in this field, as the customer's response may vary substantially from an intentional failure to a non-intentional failure. Faced with a similar failure, in terms of type and magnitude (e.g., long waiting time or inappropriate commission charge), a customer who perceives high intentionality will probably have a different response than a customer who does not perceive intentionality. It is foreseeable that this attribution will have effects on the customer's subsequent attitude toward the company and, hence, on his/her loyalty.

Our research has several objectives. First, we try to extend existing research on services failures by examining customer defection following a service failure. Few studies have focused on understanding how, why and when customers defect (Tähtinen and Havila 2004) and the majority of the investigations are centered on customers' intentions and not on their behavior (Baumann et al. 2005). To obtain a greater understanding of the behavior (exit or loyalty) of the customers could help managers reduce their customers' defection rate and increase the company's profits (Fornell and Wernerfelt 1987; Reichheld and Sasser 1990).

Second, although it is acknowledged that attribution (or cause inferred for a service failure) is a service encounter factor or antecedent that explains customer behavior following a service failure, its theoretical boundaries, content analysis and dimensions needs for a greater number of empirical investigations in the marketing field (Weiner 2000). The concept of intentionality –the extent to which the cause reflects an intention (Anderson 1983)– has been overlooked in a marketing context. We analyze if intentionality attributions provide an additional explanatory power for the customer's behavior following a service failure, after accounting for the effects of the most frequent dimensions of attribution (stability and controllability).

Third, after a service failure, the customer may file a complaint and the company may respond carrying out a recovery strategy. Several strategies, as well as their effects on post-failure customer behavior (see Gelbrich and Roschk 2011, for a review), have been analyzed in the literature; however, the efficacy of these strategies may vary depending on the customer's perceptions of how and why the failure happened (Davidow 2003; Grewal et al. 2008). When the customer perceives that the failure was intentional an appropriate recovery strategy may become more important to avoid customer defection than when this perception does not exist. Thus, a third objective of this investigation is to analyze the efficacy of several recovery strategies and whether this efficacy varies depending on the levels of attributional dimensions.

2. Literature review and hypotheses

The main objective of this paper is to analyze the effect of the attributions of intentionality on customer defection after a service failure. In the following sections we will analyze the role of customer attributions in a service failure encounter and what can an additional dimension, such as intentionality, provide in addition to the two most analyzed dimensions (stability and controllability).

2.1. Attribution following a service failure

The concept of attribution and its causal explanation recognizes that individuals formulate logical and well-reasoned accounts of events that they wish to understand. In a service failure context, this means that customers try to know why the service failed (Bougie et al. 2003) and, hence, attributions shall be defined as the causes inferred for service failures (Folkes 1984).

The most widespread classification system of attributions was developed by Weiner (1986), who identifies three independent dimensions: locus of causality, stability and controllability. Locus of causality is related to whom or what is to blame for the service failure. The customer may attribute the origin of the failure to him/herself (internal attribution), to the company or to environmental factors. In line with Bitner (1990) and Hess et al. (2003) we focus on service failures where the customer blames the firm for the failure. The aim of this study is to analyze customer defection as a result of a shortcoming in the company's performance. Moreover, we want to study if the presence of intentionality attributions increases the probability of defection opposite to other failures that originate within the organization but are not perceived as intentional. Therefore, our interest is focused on stability, controllability and intentionality attributions, and the hypotheses proposed are related to these attributional dimensions.

Attribution of stability indicates whether the causes, internal or external, are perceived as relatively permanent and stable or as temporal and variable (Folkes 1988). As a result, the stability dimension indicates whether the same problem can be expected in the future or the event is perceived as a random coincidence and, hence, as something with a low probability of happening again (Weiner 2000). Therefore, an outcome ascribed to an unstable cause leads to uncertainty about the future and increases the feasible margin of future outcomes. Thus, the customer will be more certain that the service will fail again if the service failure is ascribed to stable causes than if inferred instable (Folkes 1984; Hess et al. 2003). In short, when stability is attributed to a service failure greater likelihood of a future dissatisfaction will be inferred. Consequently, a negative relationship between expectations of relationship continuity and stability attributions exists (Hess et al. 2003).

To sum up, it can be expected that the behavior intentions of customers who expect service failures to happen again will differ from those of customers who believe the service failure was a mere coincidence. Therefore, it is possible that a customer who attributes a failure to a stable cause will expect more problems in the future and, thus, decide to not repurchase the service again. On the other hand, when the cause of the failure is perceived as unstable, customers can still believe in the service quality and keep on purchasing this service.

Controllability refers to whether the cause of the failure is under the control of the service provider (Taylor 1994), i.e. this dimension reflects the power available to the provider to alter the result of the service delivery and, thus, prevent the cause of the failure (Laufer 2002). Hence, attribution of controllability shows the customer's belief that the service provider can influence or prevent a failure, or that the situation forces or constrains the company or customer to follow a certain course of action (Weiner 2000).

When the customer attributes a disappointing service experience to an uncontrollable cause, he or she will not associate the failure to a voluntary act or negligence, but to something outside the company's control. On the other hand, when there is controllability, the customer will believe that the failure could be avoided and that the company has behaved inappropriately. In this case, the image the customer has of the company will suffer greatly. Hence, when customers make attributions of controllability, they try to penalize the company for not

preventing a controllable failure (Folkes et al. 1987). Moreover, the company's bad image after the failure will lead customers to consider more attractive the possibility of changing service providers (Mattila, 2004). Thus, we can expect that attributions of controllability following a service failure will have a positive impact on customers' defection following the service failure.

2.2. Attribution following a service failure: intentionality

So far, to analyze the attributions carried out by the customer we have used the Weiner (1986) multidimensional framework –locus, stability and controllability– as it is the most employed in the service failure and recovery literature. The dimensions contained in this framework refer to attributions made by the customer regarding the nature of the service failure. These dimensions have a fundamental character and are related to other more specific attributions made by the customer (e.g., luck, ability, effort, difficulty of the task) (Oliver 1997).

However, other dimensions of attribution have been suggested in the literature, including globality (i.e. the extent to which the cause is relevant to many different situations rather than being specific to a few situations), changeability (i.e. the extent to which the cause implies that the person can change the factors that caused the outcome), and intentionality (Anderson 1983). Attributions of intentionality refer to “whether the actor intended the outcome to occur” (Oliver 1997, p. 273). In our study, this dimension of attributions involves the extent to which customers consider the cause of a service failure to be the outcome of the provider's intention, i.e. not wanting to meet their expectations.

Although, in general, the company's objective is to satisfy the customer, there are certain circumstances that may lead the company to prioritize other objectives (e.g., cost reduction, to serve a greater number of customers per time unit...), which may give rise to the customer perceiving certain level of intentionality in the service failure. Moreover, the company's and the employees' interests are not always perfectly aligned, so that, even if the company has the objective of satisfying its customers, some employees may, in specific circumstances, offer a dissatisfactory service. Intentional failures do not only happen in B2C markets, but also B2B markets. For example, there is extensive literature regarding manifest conflicts among companies in the distribution channels (e.g., Gaski 1984; Brown et al. 1991). In these conflict episodes it is not unusual for a company to make intentional mistakes (e.g., delays) in its services to client companies with the aim of damaging them.

Although attribution of intentionality and attribution of controllability are related (Oliver 1997), they are distinct concepts (not equivalent) and can be incorporated within the same conceptual framework (Weiner 2006). The main difference can be found in the nature of the attribution: whereas in attributions of controllability causes need not involve goals and beliefs about the likelihood of goal attainment (Malle et al. 2000), attributions of intentionality involve awareness of purpose (Malle and Knobe 1997). For example, negligence entails that the service provider does not intend to fail, but nonetheless the cause of the failure is controllable. Therefore, attribution of controllability refers to a causal property whereas attribution of intentionality refers to the motives or goals of the service provider and the reason for the service failure (Weiner 2006). Similarly, Shaver (1985) indicates that individuals distinguish between attributions of responsibility and attributions of blame, and affirms that the latter involve malevolence on the part of the actor.

We focus on attributions of intentionality because they may be critical to service failures. Although the three traditional dimensions accurately collect the attributions made by the customer regarding the *characteristics* of the cause of the failure (its location, its controllability and its stability), often customer do not stop here but they may also use aspects of the offer to make inferences about the *motives* of the service provider (Ellen et al. 2000). Following a problem, the customer seeks to determine responsibility for the failure and the motives and intentions of the perceived wrongdoer (McColl-Kennedy and Sparks 2003). In fact, Elangovan et al. (2007) pose that following a service failure or a violation of trust situation, customers wonder: why did this particular situation happen? who was responsible for it? did the situation play a role? could it have been prevented? was it intentional? and will it only happen once?

Thus, it is important to propose dimensions of attribution related to the *service provider's behavior*, in particular to his/her intentions. Specifically, it may be especially useful for studying the antecedents of customer defection following a service failure to include their beliefs regarding the influence of the company's behavior (e.g., intentions and wants) on the failure generation, as this may provoke a strong enough reaction to boost their intentions to change providers. However, empirical information about intentionality attributions is scarce in the marketing literature.

Thus, customers not only make attributions regarding the failure characteristics (locus, stability and controllability), but also infer whether the origin of the failure is related to the providers' intentionality. A service failure considered deliberate may have different consequences than a failure perceived as caused by negligence. Elangovan et al. (2007) state that a violation of trust, in our case a service failure, which is considered the outcome of the provider not wanting to meet the customer's expectations, suggests callousness and/or malevolence. On the other hand, negligence does not presuppose intentionality, although it could and should have been controlled. Frequently, individuals believing others acted with malicious intent feel justified in endorsing aggressive retaliation, in fact, their response frequently depends on the other's intentions more than on the magnitude of the initial aggression (Weiner 2006). One of the customers' responses that can damage service providers the most is their defection of the relationship; thus, it can be expected that when the customers perceive that the failure is due to an intentional behavior on the part of the service providers, they may decide to penalize them abandoning their relationship.

Additionally, there is one other argument that relates intentionality to customer defection: If the customer detects that the failure has been intentional he/she will have poor expectations of the company wanting to avoid this type of failure in the future; hence, to change service providers may be the most logical behavior when faced with this situation. The arguments exposed lead us to propose the following hypothesis:

H1: Attribution of intentionality following a service failure has a positive impact on customers' defection following the service failure beyond (independent of) the effects of stability and controllability attributions.

2.3. Service failure recovery

Frequently, after a service failure, companies have the possibility of beginning a recovery process that may reduce the bad service's negative consequences. There are many studies in the marketing literature that have analyzed these processes and their efficacy (see Davidow 2003, for a review). Therefore, when analyzing the relationship between service failures and customer defections it is convenient to see whether or not there has been a service recovery process and its characteristics.

Based on an analysis of previous studies (e.g., Davidow 2003; Estelami 2000), Gelbrich and Roschk (2011) propose a classification of organizational responses that groups them in three categories: compensation (monetary, cash equivalent, or psychological benefit or response outcomes a customer receives from the company), favorable employee behavior (interpersonal communication of the employee with the complainant), and organizational procedures (policies, procedures, and structures a company has in place to provide a complaint-handling process). As our interest focuses on what the company gives to the customer and not on how this contribution is made, we will focus on Gelbrich and Roschk's first dimension (compensation). However, we will also incorporate explanations to the analysis. Although this organizational response may be placed in the category "favorable employee behavior", it will be of interest to our study as it is also a contribution provided by the firm to a customer. However, the other dimensions will not be analyzed as they refer to the company and its employees' procedures and performance, that is, they do not define the type of response but rather how it is implemented (attentiveness, facilitation, timeliness).

Thus, in this study we focus on 3 types of recovery: apology, explanation and redress. Each one of them implies some kind of contribution. The first one is a psychological contribution, the

second one is a cognitive contribution and the third one is an economic (monetary or not monetary) contribution. These types of recovery can be offered individually or together with others. Literature shows that all of them may affect postcomplain customer behavior and intentions (satisfaction, repurchase, WOM); although the nature and strength of their effects may vary (see Davidow 2003, for a meta-analysis). Moreover, the failure's causal attributions may differently affect the effectiveness of each one of them. An objective of this investigation is to propose and test several hypotheses along this line.

Apology should be thought of as psychological compensation (Davidow 2000). Although this action does not solve the customer's problem by itself, it implies that the organization acknowledges the customer's complain and the admission that a mistake was made. This admission is the action most desired by customers to improve the organizational response (Mack et al. 2000). Some authors have found a positive relationship between apology and customer repurchase behavior and/or satisfaction (e.g. Kelley et al. 1993; Smith et al. 1999), whereas several others reported no relationship at all (e.g. Martin and Smart 1994). Davidow (2000) reported a negative relationship between apology and repurchase. This author explains this result as "a misunderstanding of the role of apology as an admission of guilt" (Davidow 2003). The introduction of attributions of controllability and intentionality may untangle the effect of apology from that of attributions of blame.

Explanation refers to post-failure information provided by the company regarding the failure's reasons. This information enables the customer, on the one hand, to feel that the company acknowledges that he/she deserves an explanation after the service failure, and, on the other hand, to have more information of the failure and what is being done to prevent future recurrences (Morris 1988). All this may significantly affect the customer's post-complain behavior. For example, Martin and Smart (1994) and Sparks and Callan (1995) found that explanations have a significant impact on satisfaction and repurchase.

Frequently, after a service failure, customers wish for the service firm to carry out an appropriate *redress* so that they do not end up harmed due to the company's behavior. However, the company may offer several types of redress (Estelami, 2000; Davidow, 2003) that we can group in four categories: *refund* (the company gives back the money given by the customer, returning this way to a situation equivalent to a pre-failure point), *replace* (the item sold to the customer is replaced with another similar item), *solution* (the company carries out additional actions to solve the problem), and *extras* (the company gives the customer a monetary or non monetary something -e.g., an additional product or service – to totally or partially compensate for the inconveniences caused by the service failure). By carrying out these actions, whether individually or in group, the company can satisfy the customer and can try to avoid the negative consequences of the service failure. In a review of previous empirical studies Davidow (2003) found that most studies show a significant relationship between redress and repurchase.

Based on the previous arguments, we propose the following hypothesis:

H2: (a) Apology, (b) explanation, and (c) redress recovery strategies have a negative impact on customers' defection following the service failure.

2.4. Attributions and the effectiveness of the recovery strategies

So far we have analyzed the possible effect of attributions (particularly that of intentionality attributions) on customer defection after a service failure and the opposite impact of recovery strategies. However, it is possible that attributions could make the customer more or less demanding with the company regarding the expected response to the failure. A company's mistake that the customer considers non-intentional, non-stable and non-controllable may be easily excused; hence, the need for an appropriate recovery strategy would diminish. On the other hand, if the customer perceives high failure intentionality, controllability or stability, his/her expectations regarding the company's response will be, in general, higher (Hess et al. 2003). Attributions may then have a moderating effect in the relationship between recovery strategies and post-recovery customer behavior. However, the attributions' moderating effect may vary from one dimension to another. The dimensions of attribution have different

implications with regards to justice perceptions, moral outrage feelings, and perceptions about the real attitude of the company toward the customer. These differences lead us to expect different moderating effects among the dimensions of attribution. In the following paragraphs we will present the nature of these differences by analyzing the moderating effects associated with each dimension.

Controllability. If attributions of controllability are low, the company's responsibility for the failure will be low. There is harm made to the customer but he/she understands that the cause of the failure could not have been controlled by the company. The belief that the failure was due to the company's lack of interest toward the customer will not exist. No emotions that capture moral outrage (moral indignation) will arise. On the other hand, if attributions of controllability are high, the failure will provoke more anger toward the service supplier (Folkes 1984; Folkes et al. 1987). Thus, the need for a strategy such as *apologies* –which is particularly appropriate when the customer's outrage due to the other party's behavior appears (Schoefer and Ennew 2005)– will increase in high controllability situations. On the other hand, with low controllability, the customer will not relate the failure to the company's incompetence. In these circumstances, the need for explanations or redress may be smaller than in high controllability situations. Therefore, the effect of the recovery strategies on avoiding customer defection will be greater the higher the attributions of controllability.

H3: The higher the attributions of controllability (a) the greater the effect of the apology strategy on customer retention, (b) the greater the effect of the explanation strategy on customer retention, and (c) the greater the effect of the redress strategy on customer retention.

Stability. If attributions of stability are high, customers foresee that the failure may easily happen again in the future (Weiner 1986). If customers perceive that the cause of the failure is stable they are usually more dissatisfied than if they perceive the failure as rare (Bitner 1990). They expect the firm to be aware of the potential recurrence of such failures and, therefore, to have policies and procedures in place to compensate the affected customers (Hess et al. 2003). This may cause that the harmful effect on the company of not carrying out a service recovery will be greater than in case the failure is not stable. Esto puede hacer que no realizar una service recovery sea más perjudicial para la empresa que en casos en que el fallo no es estable. There is some empirical evidence in this regard. Thus, Grewal et al. (2008) in several experimental designs found that, when the failure is attributed to the company, the effect of a compensation strategy on repurchase intention is greater for cases of high stability than for cases of low stability. The compensation strategy is effective when the customer perceives the failure as common. However, these authors did not analyse the potential effects of stability on the effectiveness of other recovery strategies (explanation, apology...). When the failure happens repeatedly both apologies and explanations may be more necessary than when the customer perceives the failure as rare. On the one hand, explanations will be highly needed to make the customer comprehend the reason why the failure can happen recurrently and the difficulty of preventing this type of failure. On the other hand, not to offer apologies after failures perceived as stable may give rise to abandonment sentiments from the customer and to the perception that the company does not care much about the economic and emotional effects on the customer of the failure. On the contrary, when the company apologizes it explicitly communicates to the customer its involvement, responsibility, understanding of the impact, how sorry it is, and that the offense was not due to the customer or the situation, but instead, due to itself. Doing this, the company gets to appear more responsible and empathic before the customer (Weiner 2006; Struthers et al. 2008).

H4: The higher the attributions of stability (a) the greater the effect of the apology strategy on customer retention, (b) the greater the effect of the explanation strategy on customer retention, and (c) the greater the effect of the redress strategy on customer retention.

Intentionality. In situations where the customer perceives high intentionality, just like in situations of high controllability, the perception that the failure was, to some extent, intentional, may give rise to feelings of moral outrage that in non-intentional failures would not exist. The

customer may feel underestimated by the company. However, there is a difference with regards to situations where controllability (without intentionality) is high: the customer's level of trust toward the company (in its benevolence) will be much lower. This difference has made some authors (Struthers et al. 2008) think that apologies may be an inappropriate strategy in situations of high intentionality attributions.

Intentional transgressions can make victims of an offense cautious and self-protective. Transgressors who apologize after an intentional harmful action may be perceived, suspiciously, as self-interested, untrustworthy, and as having an ulterior motive (Schul et al. 2004). In these circumstances, an apology might limit the possibility of forgiveness even further, because the victim fails to adjust his or her initial harsh impression of the transgressor to a more favorable one and instead adjusts to a pejorative one (Struthers et al. 2008).

Following this line of thinking we can also assume that offering explanations to customers might not be appropriate in situations of high intentionality. The customers' distrust toward the company may provoke them to unwelcome any recovery strategy based on words instead of actions. Only the implementation of specific actions that materially compensate the customer for the previous failure can lead him/her to believe that the company has carried out an authentic recovery and not an additional act of hypocrisy and disdain. However, apology and explanation strategies have an effect on the reparation of interactional justice, but not on the reparation of distributive justice (Mattila 2006), and this may not be enough to retain the customer, due to the distrust in high intentionality situations. On the contrary, an agile redress policy for complainers may make them feel compensated for the failure and maintain their relationship with the company. The company, with this strategy, appears before the customer as an entity that, although it deliberately acted incorrectly (e.g., to save costs), it does not desire to harm the customer and that, when him/her communicates the harm done, it is willing to offer some kind of compensation to minimize the harm finally made. In situations of high perceived intentionality this type of strategies may be irreplaceable to avoid customer loss.

Therefore, in situations of high perceived intentionality the effect of a redress strategy on customer retention will be greater than when intentionality is low. On the contrary, in situations of high perceived intentionality an apology or explanation strategy will be less effective than in situations of low intentionality.

H5: The higher the attributions of intentionality (a) the lower the effect of the apology strategy on customer retention, (b) the lower the effect of the explanation strategy on customer retention, and (c) the greater the effect of the redress strategy on customer retention.

3. Research design and methodology

3.1. Research design

The population studied consisted of users of financial services who had experienced a service failure over the previous six months. We chose the banking industry as this sector tends to suffer from frequent failures in service delivery (Chebat and Slusarczyk, 2005). Moreover, financial services are delivered continuously to customers that maintain long-term contractual relationship with service providers; thus, customers' defection in this industry is particularly serious (Keaveney and Parthasarathy 2001; Ranaweera and Prabhu 2003).

Pre-tests of the initial questionnaire were carried out with 174 financial services users who had experience a service failure. The initial questionnaire was also submitted to 20 marketing academics (specialized in market research and service marketing) and 4 bank managers for an in-depth analysis of its content.

Data were collected in Spain through personal interviews using a structured survey, in line with several recent investigations that recommend the use of real service failure situations in order to complement experimental settings (Harris et al. 2006). Several interviewers were recruited and informed on how to appropriately gather the required information. Interviewers had to question financial services customers that had experienced a service failure, whilst taking the following

restrictions into account: (1) they could not interview more than one individual from the same family unit, (2) interviewees could not work for a financial entity, and (3) age quotas had to be observed. Respondents were requested to recall the last service failure they had experienced over the preceding six months in a financial services encounter and were then asked to complete the questionnaire. The final sample consists of 1023 subjects who have experienced over the last six months a failure in the service delivery. Only on 565 of these 1023 service encounters did the customer complain after a failure with locus attribution in the service provider. These 565 service encounters make up the final sample of this study.

3.2. Measures

The majority of constructs considered in the study were measured using Likert scales, adapted from prior investigations to the specifics of financial services (see Appendix). To measure defection we asked the following question “Are you still a customer of this Bank?” (this is a reverse-coded scale: yes = 0, no = 1).

On the other hand, one of the causal antecedents of defection proposed in the hypotheses is the type of recovery that the company offers to the customer when he/she complains. Respondents had to indicate whether or not they had complained after the service failure (yes/no) and what response did the company offer. As we are interested in the effects of attributions on the effectiveness of the recovery strategies, cases where the customer did not complain were discarded. In these cases the recovery strategies are uncommon and they present a different starting point (the customer does not take the initiative after the failure) from situations where the service recovery started after the customer’s complaint; thus, the results would not be comparable with complaint situations. The questionnaire gathered 3 potential non-recovery responses: they ignored my complaint and did nothing, they denied the problem and did nothing, and they denied their responsibility and did nothing. Furthermore, the questionnaire gathered 4 potential responses for those cases where the company implemented one or several post-failure recovery strategies: apology, solution, explanations and compensation. The company may carry out more than one recovery strategy with a customer (e.g., apologies and solution); thus, the respondent can give a multiple response to the post-failure recovery strategies question, but he/she cannot combine recovery strategies with non-recovery responses (e.g., they ignored my complaint).

To sum up, we have considered 5 possibilities: (1) that, after the customer’s complaint, the company did not recover the failure (ignored the complaint, denied the problem or denied responsibility), (2) apology, (3) solution (the company redid the service or carried out an action aimed to achieve that the customer received a service with an equivalent value to that of the initially demanded service), (4) explanation, and (5) compensation. The possibility (1) will be taken as a reference category in the subsequent analyses as it is incompatible with any other response and as it will enable us to compare the effects of the post-failure service recovery strategies to the most unfavorable situation for the customer: to not obtain any recovery after the complaint.

Several control variables have been incorporated in the model. As the investigation was carried out in a real context, it is normal for some heterogeneity regarding the types of failures collected and the characteristics of the customer-provider relationships to exist. Thus, on the one hand, failure magnitude, and type of failure (process vs. outcome) are variables that will enable us to control, to some extent, the effect that service failure’s heterogeneity might have on post-failure behavior.

On the other hand, relationship age (Chandrashekar et al. 2007; Liang and Wang 2007) has also been included as a control variable since it may have a negative effect on customer defection. To measure relationship age we asked the following question “For how long (years) have you been a customer of this Bank?”

Regarding service recovery, we are interested in the effect of the type of recovery on customer defection, but it is necessary to consider that there might be some heterogeneity regarding the

quality of the recovery, even among the same type of recovery. Therefore, we have incorporated a three-item scale that measures this quality from a customer's perspective (see Appendix).

To assure the correct employment of the scales a measurement model with all the reflective constructs was subjected to confirmatory factor analysis using EQS to confirm their reliability and validity. The overall fit indexes are indicative of a good fit of the model to the data (see Appendix). Regarding reliability, all constructs manifest a composite reliability (CR) and average variance extracted (AVE) greater than the recommended threshold values of 0.6 and 0.5, respectively (Bagozzi and Yi 1988). With respect to validity, convergent validity is supported as all lambda parameters are significant and greater than 0.5. Discriminant validity is supported as correlations among all the variables show confidence intervals that do not include the unit value and their squared value does not exceed the AVE of the corresponding constructs (Fornell and Larcker 1981).

4. Results

To test the hypotheses, due to the categorical nature of defection, probabilistic regressions were carried out using STATA/SE 8.0. To examine if intentionality adds explanatory power to the most frequent dimensions of attribution (stability and controllability) the following analyses were carried out (see Table 1): (1) we estimated a model where the traditional dimensions of attribution along with the control variables and those interaction terms not related to intentionality influence the dependent variable (defection=1; not defection=0); (2) we estimated the model again incorporating intentionality and its corresponding interaction terms; and (3) we carried out a likelihood ratio test (Greene 1997) to examine whether the model that incorporates the effect of intentionality is significantly better. The results of the likelihood ratio test support that the model which includes the effects of intentionality is significantly superior to the model which does not include these effects ($D = 29.548$, sig. < 0.001). Therefore, H1 is supported and the model that incorporates intentionality attributions is the one employed to test the other posed hypotheses.

With respect to the control variables, type of failure (0=outcome, 1= process) does not influence customer defection, however, both failure magnitude and relationship age have an impact (positive and negative respectively) on customer defection. The quality of the recovery strategy also substantially reduces the probability of customer loss.

As expected, attributions of controllability show a significant positive influence on customer defection; however, attributions of stability do not substantially affect this variable.

Not all recovery strategies are able to restrain after-failure customer defection. Apology and solution have positive effects on customer retention (i.e., negative effects on defection) but the coefficients for explanation and compensation do not reach significance. Thus, H2b has to be rejected whereas H2a is supported and H2c receives partial support from the data.

We have also obtained mixed results regarding the effect of attributions on the effectiveness of recovery strategies on defection. To test these effects we incorporated in the model interaction terms that combined each dimension of attribution (controllability, stability and intentionality) with each recovery strategy (apology, solution, explanation, and compensation). The results show that controllability attributions have no significant effect on the effectiveness of any recovery strategy. The effectiveness of the strategies does not vary depending on the failure's controllability; H3 must be rejected. However, stability attributions have an effect on the effectiveness of the apology strategy. When the failure is perceived as more stable an apology is more necessary and it has a greater ability to reduce defection than when the failure is perceived as occasional. However, the moderating effects of stability attributions on the relationships between the other recovery strategies and defection do not reach significance. Thus, H3a is supported, but H3a and H3c have to be rejected.

Finally, intentionality attributions have a moderating effect on the relationship between redress strategy, in particular the solution strategy, and defection. The solution strategy has a greater

influence on customer retention in high intentionality situations. However, the effect of other recovery strategies on customer defection does not vary depending on the level of intentionality. Therefore, H4c is partially supported, but H3a and H3b have to be rejected.

TABLE 1
Logistic regression analysis results

| | Model without intentionality | | Model with intentionality | |
|------------------------------|------------------------------|------|-----------------------------|------|
| | Coef. | Sig. | Coef. | Sig. |
| (Constant) | -,408 | ,597 | -1,075 | ,196 |
| Failure magnitude | ,395 | ,000 | ,408 | ,000 |
| Type of failure | -,311 | ,172 | -,314 | ,180 |
| Intentionality attribution | | | ,257 | ,008 |
| Stability attribution | -,120 | ,188 | -,133 | ,156 |
| Controllability attribution | ,300 | ,014 | ,250 | ,044 |
| Relationship age | -,071 | ,000 | -,074 | ,000 |
| Apology | -,704 | ,023 | -,757 | ,020 |
| Explanations | -,168 | ,651 | -,169 | ,664 |
| Solution | -1,297 | ,000 | -1,300 | ,000 |
| Compensation | -,127 | ,848 | ,044 | ,950 |
| Quality of recovery | -,379 | ,000 | -,373 | ,000 |
| Intentionality*apology | | | -,258 | ,214 |
| Intentionality*explanation | | | ,386 | ,107 |
| Intentionality*solution | | | -,572 | ,008 |
| Intentionality*compensation | | | ,115 | ,755 |
| Stability*apology | -,414 | ,018 | -,464 | ,012 |
| Stability*explanation | ,186 | ,364 | ,207 | ,335 |
| Stability*solution | ,074 | ,680 | ,117 | ,545 |
| Stability*compensation | ,836 | ,041 | ,604 | ,182 |
| Controllability*apology | ,076 | ,764 | ,229 | ,412 |
| Controllability*explanation | -,139 | ,577 | -,289 | ,296 |
| Controllability*solution | -,078 | ,740 | ,064 | ,804 |
| Controllability*compensation | -,462 | ,312 | -,381 | ,428 |
| | -2 Log likelihood = 513,109 | | -2 Log likelihood = 498,335 | |

NOTE: Dependent variable: Customer defection (1 = defection; 0 = retention)

5. Discussion

This research investigates the effects of attributions of intentionality on customer defection. Our aim is not only to confirm if intentionality adds explanatory power to the most frequent dimensions of attribution (stability and controllability), but also to prove whether or not attributions influence the effectiveness of the different recovery strategies applied by the companies to avoid post-failure customer defection. In this section, we discuss the most striking findings and their implications for marketing theory and practice.

Regarding the effects of attributions on customer defection, the results show that customers' causal attributions about the service failure are essential to explain their subsequent defection or retention behavior. First, this study shows that intentionality attributions about a service failure are a determinant of customer defection, thus making this concept a relevant addition to the study of service failure. Specifically, attributions of intentionality add explanatory power to the most frequent dimensions of attribution –stability and controllability– in the explanation of defection following a service failure. In short, although no empirical investigation in the service failure literature, as far as we know, has analyzed the additional effects of attributions of intentionality in a service failure context, our research reveals the interest of including this dimension as a relevant factor to explain customer defection.

In the Weiner (1986) framework the dimensions of stability and controllability have an essential role, as they depict the causes inferred by the customer (ability, luck...); hence their importance and the possibility of developing a full theory from them. However, in the service context, customers perceive several aspects of the behavior of the company and its employees and, consequently, they may make attributions regarding the intentionality of the service failure. The interaction –typical of services– between the company and the customer causes that the

provider's attitudes and behaviors have a decisive influence in the final evaluation of the service. If the customer detects inadequate behaviors on the part of the company and associates them to a service failure, it is reasonable to expect that he /she will more likely abandon the relationship with this company than if the failure is not related to inadequate behaviors. Therefore, there is a source of dispersion in attributions beyond the one included in the most traditional dimensions de Weiner (1986). This is in line with Hess et al.'s (2007) research, as these authors have shown the importance of taking into account other dimensions of attribution, besides controllability, stability and locus of causality, when studying a service failure encounter. Whereas they analyzed attributions of globality in pseudorelationships, we focus on attributions of intentionality as antecedents of customer defection.

When customers perceive intentionality, they believe that the service provider acted with callousness and/or malevolence and, thus, they feel justified to endorse in aggressive retaliation, i.e. to defect the relationship. On the other hand, when customers infer that the cause of the service failure could have been controlled but they do not infer intentionality, e.g. the failure was due to negligence; their reaction would not be large enough to cause their defection. Hence, to incorporate intentionality attributions helps clarify the effect of controllability attributions. These intentionality attributions incorporate relevant information about the failure that helps differentiate between negligent and malevolent situations which have different consequences on post-failure behavior.

As expected, controllability attributions also have a significant effect on customer defection. However, stability attributions do not seem to have an impact on this variable. This result may be explained by the fact that, in a real failure situation, customers may associate stable failures with the particular company which made the mistake as well as with all companies in the sector. "Temporal" stability may be correlated to "Spatial" stability. Those failures that the customers believe the company can easily repeat may be also the failures that they believe the company's competitors can easily make. If that is the case, it is unlikely that the customer will decide to switch providers after this type of failure. This would explain the non-significance of this variable. The incorporation of a new attribution regarding the "typicality of the service failure" (i.e., to what level the failure is common among companies of the sector; Hess et al., 2007) could help untangle the effect of stability from that of this attribution. This would be an interesting avenue for further research.

Another contribution of the present investigation is that it analyzes the effects of recovery strategies on customer retention in a retail banking context. The obtained results show that not only the level of quality of the response but also the type of response affects customer retention. Certain types of recovery strategies (apology and solution) have significant effects on customer retention, whereas other strategies (explanations and compensation) are not effective when retaining the customer. This finding is in line with that obtained by Kelley et al. (1993) who, by analyzing retail recoveries and retention rates, found that retention ratings varied considerably depending on the type of recovery employed by the company. In our context (retail banking), to offer explanations or compensation after the service failure is apparently not an effective. However, it is important to acknowledge that the number of cases in the sample where compensation was offered as compensation to the failure was very small. This may explain the lack of significance of this action.

However, the analysis of the main effects was not the only analysis made regarding the effects of recovery strategies on customer retention. We proposed that the existence of certain causal attributions could, to a certain extent, condition the effect of the organizational response on the customer post-recovery behavior. Therefore, we incorporated interaction effects between attributions and recovery strategies in our model. In a previous experimental study Grewal et al. (2008) analyzed the moderating effect of locus and stability attributions on the relationship between a recovery strategy (compensation) and the customer repurchase intention. The present investigation aims to follow this research by examining other dimensions of attribution (controllability and intentionality), other types of recovery (apology, explanation, and solution), and real defection/retention behavior (not intentions) as the dependent variable. The findings

obtained are as follows. On the one hand, in the presence of intentionality attributions, the strategy of fixing the customer's problem is more necessary (the effect of this strategy on customer retention is considerably greater in the presence of failure intentionality); however, the effectiveness of the other strategies does not vary. In line with Struthers et al. (2008), we proposed that this attribution could have a negative effect on the effectiveness of the apology and explanation strategies. However, we cannot demonstrate the existence of this effect: an apology manages to reduce customer defection similarly independently of the level of the intentionality attributions. The reason may be found in that, in a context of commercial provider-customer relationships to apologize after a failure believed to be intentional may not be seen so self-interested and as having an ulterior motive as in interpersonal relationships (the context of Struthers et al.'s study). The customer may see the apology as the implementation of a standard protocol, through which the company shows its involvement, and its understanding of the failure's impact. Finally, the apology may even provide some moral reparation.

On the other hand, in the presence of stability attributions, the effectiveness of the apology strategy in reducing customer defection increases. Stability attributions imply that the customer believes that the cause of the failure is likely to reoccur. If this perception exists and the company does not offer an apology after the failure, the customer may get the impression that the company has not assumed responsibility for the failure and, therefore, that it will not devote the necessary means to avoid the repetition of the same failure in the future. The apology strategy seems then as an essential response to avoid customer loss after a service failure in situations of high stability attributions.

5.1. Managerial Implications

Several managerial implications can be drawn from our results. As failures are unavoidable, to understand why customers decide to abandon their relationships with service providers can help managers increase the company's profits by reducing the defection rate. To sum up, service organizations must learn which factors influence customers' defection following service failure to reduce the harm caused by the failure.

Our results show that attributions regarding the service provider's behavior and attitudes are relevant. Service organizations must avoid that customers consider the failure as a consequence of the provider's intention. When employees interact badly with customers making them feel the failure was not due to error or negligence but to their callousness and/or malevolence, the probability of the customer defecting increases. However, when those customers perceive that the failure is not intentional the effect on defection is lessened. Therefore, managers should try to learn which behaviors or attitudes give rise to this kind of attributions and train their employees to avoid giving this type of impression to their customers. It may be a good strategy to assure that the customer feels important to the company, as it may deter the customer from attributing intentionality when failures occur.

On the other hand, when the company makes a mistake and it is not possible to reduce the customer's perceptions of intentionality, it is essential that the company gives an appropriate response to the customer's complaints. In this sense, the solution strategy is the most effective one when it comes to avoid potential customer defection. An apology strategy will also have some effect toward this goal, but its effectiveness as a response to a complaint will increase when the customer perceives that the failure was due to stability more than when it was due to intentionality.

Anyway, results show that fixing the problem arises as a more efficient strategy than other redress types (compensations) and that apologies are also efficient in customer retention. However, providing explanations may be useful to improve customer satisfaction, but it is not effective enough in avoiding customer defection after a relevant service failure.

5.2. Limitations and Avenues for Further Research

Finally, it is necessary to present both the aspects which restrict the generalization of our empirical results and the opportunities for future research.

First, one limitation lies in the retrospective nature of the interview procedure. Although this procedure may have more ecological validity than using a hypothetical scenario (Weiner 2000) it is not free of limitations. The respondents had to recall a negative service encounter that they had recently experienced and then answer questions concerning their perceptions. Although this has allowed us to collect a large sample of service encounters with real failures, problems associated with memory lapses, rationalization tendencies or consistency factors could have biased the results (Smith et al. 1999). Thus, other alternative techniques may be used in future research in order to complement the results obtained here.

Second, this study examines only one service context, which was intended to maintain the similarity of failures. Nevertheless, as a consequence, results may not be generalizable to other services. Intentionality may be especially relevant in the service sector where each customer involves a small percentage of business for the service provider (e.g., retail banking, tourism) and the customer could feel scorned by the supplier, but it may be less important in other sectors (e.g., industrial services). In these sectors the greater dependence of service providers on customers may make intentionality attributions to be less likely, and may cause failures to be attributed to negligence or incompetence more often. However, we believe that even in these sectors this type of attribution could emerge. For example, in a latent conflict situation between companies in a distribution channel, a delay in the supplier's delivery could be interpreted as an intentional delay, which could cause the termination of the relationship or the apparition of a manifest conflict.

On the other hand, there are several possibilities regarding the variables to consider in future research. First, to analyze if failures due to a service provider's specific policy, to the contact employee's behavior or to the technology employed, produce different responses in the customer. Second, to examine the impact of attribution of intention on emotions to contrast whether this dimension of attribution follows the traditional sequence "attributions – affect – behavior" (Weiner 1986). Emotions may then play a mediator role in the attributions-defection relationship. Third, the recovery strategies implemented may vary a lot depending on the type of service offered to the customer. Therefore, strategies such as explanations and compensation (non-significant in our investigation) could play an important role in other contexts. Finally, we have studied separately the effects of each organizational response; however, many companies offered several responses after the customer's complaint (e.g., apology and redress) and it is possible that interaction effects between these multiple responses exist. The literature presents mixed results with regards to the existence of these interactions (see Davidow 2003 for a review); hence, it would be advisable to study them more deeply. The present investigation focused on potential interactions between attributions and recovery strategies, hence, to include interactions among recovery strategies would have complicated the model too much. Thus, it would be an interesting avenue for further research.

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APPENDIX

Measurement scales used and properties

| REFLECTIVE CONSTRUCTS | Standard loadings (λ)* |
|---|----------------------------------|
| Indicate your level of agreement with the following statements (Likert: 1=total disagreement, 7=total agreement) | |
| Traditional dimensions of attribution. Adapted from: Hess et al. (2003); Poon et al. (2004); and Wirtz and Mattila (2004) | |
| <i>Attribution of stability</i> ($AVE = 0.655$; $CR = 0.883$; $\alpha = 0.828$). | |
| It is very likely that the cause of the problem will come up again in a near future | 0,798 |
| It is very likely that the cause which originated the problem is permanent (it cannot be eliminated) | 0,743 |
| It is very likely that the cause which originated the problem has been solved temporally (it will happen again) | 0,815 |
| It is very likely that the cause which originated the problem will occur frequently | 0,876 |
| <i>Attribution of controllability</i> ($AVE = 0.696$; $CR = 0.873$; $\alpha = 0.872$). | |
| The cause which originated the problem is controllable by the Bank | 0,758 |
| The cause which originated the problem can be prevented by the Bank | 0,881 |
| The Bank could have done something to avoid the problem | 0,859 |
| Intentionality ($AVE = 0.642$; $CR = 0.843$; $\alpha = 0.851$). Based on: Anderson (1983); Elangovan et al. (2007); and Oliver (1997) | |
| The failure was not entirely involuntary | 0,808 |
| There was certain intentionality in the service failure | 0,862 |
| They did not really try to satisfy my expectations | 0,728 |
| Quality of the recovery ($AVE = 0.886$; $CR = 0.959$; $\alpha = 0.958$). Adapted from: Hess et al. (2003) | |
| What is your opinion of the Bank's response to your complaint? It was (1 - 7) | |
| Extremely bad – Extremely good | 0,938 |
| Poor – Excellent | 0,960 |
| Inadequate – Adequate | 0,925 |
| Magnitude of the failure ($AVE = 0.798$; $CR = 0.922$; $\alpha = 0.918$). Adapted from: Maxham and Netemeyer (2002) In your opinion the service failure was (1 - 7) | |
| A minor-major problem | 0,939 |
| A little-big inconvenience | 0,897 |
| A mild-serious failure | 0,841 |
| MEASUREMENT MODEL (FIT INDEXES): Satorra-Bentler χ^2 (94) = 173.17 $p < 0,001$ | |
| BBNFI=0.971 BBNFI=0.983 CFI=0.986 IFI=0.986 RMSEA=0.039 SRMR=0.040 | |

NOTE: BBNFI = Bentler Bonnet Normed Fit Index; BBNFI = Bentler Bonnet NONNormed Fit Index; CFI = Comparative Fit Index; IFI = Bollen's Incremental Fit Index; RMSEA = Root Mean Squared Error of Approximation; SRMR = Standardized Root Mean Square Residual

(*) All standardized loadings are significant ($p < 0.01$)