

**SERVICE SUPPLY CHAIN APPROACH FOR SERVICE FAILURE AND  
RECOVERY**

CANSU YILDIRIM

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**SERVICE SUPPLY CHAIN APPROACH FOR SERVICE FAILURE AND  
RECOVERY**

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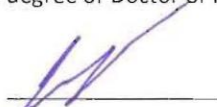
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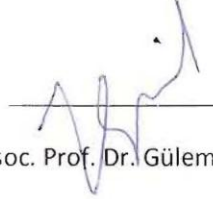
Assoc. Prof. Dr. Melike Demirbağ KAPLAN  
Head of Department

This is to certify that we have read this thesis and that in our  
opinion it is fully adequate, in scope and quality, as a thesis for  
the degree of Doctor of Philosophy.



Asst. Prof. Dr. Bengü OFLAÇ

Co-Supervisor



Assoc. Prof. Dr. Gülem ATABAY

Supervisor

Examining Committee Members

Assoc. Prof. Dr. Gülem ATABAY



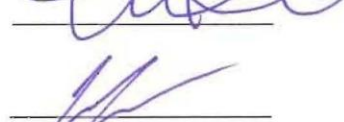
Prof. Dr. Ayla DEDEOĞLU



Prof. Dr. D. Ali DEVECİ



Asst. Prof. Dr. Nilgün GÜRKAYNAK



Asst. Prof. Dr. Bengü OFLAÇ



Asst. Prof. Dr. Işık Özge YUMURTACI



## **ABSTRACT**

### **SERVICE SUPPLY CHAIN APPROACH FOR SERVICE FAILURE AND RECOVERY**

YILDIRIM, Cansu

Ph.D., Department of Business Administration

Graduate School of Business

Supervisor: Assoc. Prof. Dr. Gülem ATABAY

Co-Supervisor: Asst. Prof. Dr. Bengü OFLAÇ

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The primary goal of the study is to explore the effect of the doer of service failure and recovery in tourism service supply chain on overall customer satisfaction and repurchase intention of diverse partners in the chain. Tourism service supply chain has been selected as the setting of this study as service failures are inevitable and also common. These failures, if not remedied, may produce negative outcomes such as customer dissatisfaction, negative word-of-mouth, and decreased customer loyalty; all of which leads to decreased profits. In that sense, developing effective service recovery policies has become another important focus for both

academicians and practitioners since these policies are the way of reversing the negative outcomes caused by a failure.

Prior experiences, furthermore, by forming expectations could influence responses of customers such as satisfaction and repurchase intention.

By applying scenario-based experiments, this study shows the dynamics by which service failure, good prior experience, and service recovery affect overall customer satisfaction and repurchase intention.

The results demonstrate that presence of good prior experience with a company does not act as a buffer, and does not guarantee positive outcomes for partners in the supply chain when a customer experiences a service failure. Furthermore, results indicate that if the criticality of an event is high, customers perceive differences between doers of the failure. Their level of overall customer satisfaction and repurchase intention for a party (i.e.travel agency) decreases if failure is executed by the same party. Similarly, their overall customer satisfaction and repurchase intention for a party increases when service recovery is provided by the same party. Additionally, there is an interaction effect between service failure and recovery on overall customer satisfaction and repurchase intention for travel agency.

**Keywords:** Service Failure, Service Recovery, Agency Theory, Tourism Service Supply Chain, Good Prior Experience, Travel Agency, Hotel, Justice Theory

## ÖZET

### HİZMET HATALARI VE HATALARIN TELAFİLERİ İÇİN HİZMET TEDARİK ZİNCİRİ YAKLAŞIMI

YILDIRIM, Cansu

İşletme Doktora Programı

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Bu çalışmanın temel amacı hizmet hataları ve hataların telafilerini gerçekleştiren tarafların genel müşteri memnuniyetleri ve müşterilerin yeniden satın alma niyetleri üzerindeki etkisini araştırmaktır. Turizm hizmet tedarik zinciri çalışmanın, düzenlendiği çevre olarak seçilmiştir çünkü bu alanda hizmet hataları hem kaçınılmaz hem de sıkça karşılaşılan durumlardır. Hizmet hataları, eğer düzeltilmezlerse, müşteri memnuniyetsizliği, negatif ağızdan ağza pazarlama ve müşteri sadakatinin azalması gibi kârın düşmesine neden olan negatif sonuçlar doğurabilir. Bu bağlamda, etkili hizmet telafileri bu gibi olumsuz sonuçları tersine çevirmenin bir yolu olduğundan, hem akademisyenler hem de uygulayıcılar için önemli bir odak noktası haline gelmiştir. Ayrıca, önceki deneyimler, beklenti oluşumunu sağlayarak müşteri memnuniyeti ve yeniden satın alma niyetleri gibi müşteri tepkilerini etkileyebilirler.

Bu çalışma hizmet hataları, önceki iyi deneyimler ve hizmet telafileri gibi dinamiklerin genel müşteri memnuniyetleri ve yeniden satın alma niyetlerine etkilerini senaryo bazlı deneyler ile göstermektedir.

Sonuçlar bir şirket ile önceki iyi deneyimlerin varlığının, hizmet hataları oluşması durumunda tampon işlevi görmediğini ve tedarik zincirinin tarafları için pozitif sonuçları garantilemediğini göstermektedir. Ayrıca sonuçlar, bahsi geçen durumun kritik bir olay olması halinde, müşterilerin hizmet hatasının sorumluları arasındaki farkı algıladığını göstermektedir. Hatayı yapan taraf için müşterilerin genel memnuniyet düzeyi ve yeniden satın alma niyeti azalmaktadır. Benzer şekilde, telafiyi yapan taraf için müşterilerin genel memnuniyet düzeyi ve yeniden satın alma niyeti yükselmektedir. Ek olarak, hizmet hatası ve hatanın telafisi arasında, seyahat acentelerinin genel müşteri memnuniyeti ve müşterilerin yeniden satın alma niyetleri üzerine bir etkileşim gözlenmiştir.

Anahtar Kelimeler: Hizmet Hatası, Hizmet Hatasının Telafisi, Vekalet Teorisi, Turizm Hizmet Tedarik Zinciri, Önceki İyi Deneyimler, Seyahat Acentesi, Otel, Adalet Teorisi

*To my parents and my grandmother*

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“There is a theory which states that if ever anyone discovers exactly what the Universe is for and why it is here, it will instantly disappear and be replaced by something even more bizarre and inexplicable.

There is another theory which states that this has already happened.”

*Douglas Adams, The Restaurant at the end of the Universe*

“İnsanların bir gün büyüüp düşlerini unuttukları ve artık onları çocuklara ait şeyler sandığı bir dünya hiç de yaşanmaya değer bir yer değil.

Evet, bazen en büyük düşler gerçekleşir.”

*Kürşat Başar, Başucumda Müzik*

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Cansu YILDIRIM  
September, 2015  
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## **List of Abbreviations**

CSCMP: Council of Supply Chain Management Professionals

GDP: Gross Domestic Product

GPE: Good Prior Experience

IHIP: Intangibility, Heterogeneity, Inseparability, Perishability

IT: Information Technology

SCM: Supply Chain Management

SF: Service Failure

SGK: Social Security Institute

SR: Service Recovery

SSC: Service Supply Chain

SSCM: Service Supply Chain Management

TA: Travel Agency

TCE: Transaction Cost Economics

TSSC: Tourism Service Supply Chain

TSSCM: Tourism Service Supply Chain Management

UK: United Kingdom

UNWTO: United Nations World Tourism Organisation

WTTC: World Travel and Tourism Council

## Chapter 1. Introduction

### 1.1 Introduction of the Main Concept and General Aims of the Study

*“No organization is an island...”*

(Christopher & Peck, 2004)

In today's global world, in order to compete and survive in severe market conditions, organizations come to realize the importance of designing and coordinating their supply and distribution networks for delivering their goods and services effectively. To accomplish that the concept of supply chain management becomes essential and the concept could be defined as:

the systematic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole (Mentzer, et al., 2001, p.18).

Although the benefits and importance of the concept have been acknowledged, studies on supply chain management began to be criticized because they heavily focused on manufacturing sector and consumer goods industry. Simultaneously, services have begun to gain importance by becoming a leading player in economic development not only globally but also domestically (Ellram, et al., 2004), and leading the development of *service-dominant logic* which declares intangibles (i.e. know-how, skills and relationships) as the dominant factor in exchange relationships for creating value for customers (Vargo & Lusch, 2004). However, the terminology and principles of supply chain management, which are created for manufacturing industry, are neither sufficient nor applicable to services industry (Baltacioglu, et al.,

2007) due to its unique nature. Thus, because of the differences between products and services, service supply chain management, further, described as *“the management of information, processes, capacity, service performance and funds from the earliest supplier to the ultimate customer”* (Ellram, et al., 2004, p.25). Service supply chain could be seen as a network which includes different entities and reorganizes these entities for creating value. Since diverse entities are present in a chain, supply chain literature studies agency theory which is firstly developed in information economics. Theory states that one party (principal) grants the authority or delegates the work to another party (agent) and agent acts on his/her behalf (Eisenhardt, 1988). However, although these entities are engaged in cooperative behaviour, this may cause some problems since these entities could have different goals and attitudes towards risk (Eisenhardt, 1989). Although supply chain literature frequently uses agency theory, service supply chain literature, due to being its infancy phase, overlooks the theory which could be beneficial for understanding the relationships between a principal (i.e. customer) and an agent (i.e. service provider).

Tourism industry, which is a typical example of service supply chain, has become one of the fastest-growing economic sectors in the world (UNWTO, 2014). As being one of the top tourist destinations, tourism industry is also prominent for Turkey due to its contribution to economy; therefore tourism service supply chain is selected as the underlying context for this study.

Due to specific characteristics of services such as being intangible or simultaneous production and consumption, failures, described as any service related problem, are inevitable for service industry. Before the experience with the company, customers

form expectations from several sources such as prior experiences, commercials, word-of-mouth or social media. These expectations could have an impact on behavioural attitudes of customers. For instance, if their expectations are met, they are satisfied and tend to purchase services again. If their expectations are not met, on the other hand, the consequences are more severe. However, it is believed that, if there is a good prior experience with service provider, this may increase favourable attitudes even if there is a failure.

Failures produce severe consequences for companies such as customer dissatisfaction, spread of negative word-of-mouth regarding the company/brand, decreased loyalty, or even losing customer(s), that's why they are undesirable. Nevertheless, every service company faces failures at some point and despite the fact that they cannot be eliminated; companies could learn how to respond them. This means in order to reverse these negative effects, they try to take corrective actions for sustaining both their performance and their relationship with customers (Schoefer & Ennew, 2005). Service recovery aims to provide a remedy for a failure. By utilizing justice theory, previous literature offers remedies in forms of providing, for example, compensation or an explanation for returning the customer to a state of satisfaction (Sparks & McColl-Kennedy, 2001). By doing so, companies seek to restore satisfaction, increase future purchases, create positive word-of-mouth and increase loyalty.

Diverse failures or recovery options are studied in tourism service supply chains by addressing only one entity. However, the question of *"How customers' reactions differ when failure and recovery are done by different entities in service supply*

*chain?*” has never been addressed. This study investigates the effect of the doer of failure and recovery in the context of theoretical frameworks.

## **1.2 Research Questions**

Research questions are as follows:

- Is there a difference in overall customer satisfaction scores of a party (a-travel agency/b-hotel) when service failure is done by travel agency or hotel?
- Is there a difference in repurchase intention scores of a party (a-travel agency/b-hotel) when service failure is done by travel agency or hotel?
- After experiencing a failure, are the scores of overall customer satisfaction (a-travel agency/b-hotel) demonstrate differences when good prior experience is with travel agency or hotel?
- After experiencing a failure, are the scores of repurchase intention (a-travel agency/b-hotel) demonstrate differences when good prior experience is with travel agency or hotel?
- After experiencing a failure, is there a difference between the scores of overall customer satisfaction (a-travel agency/b-hotel) when service recovery is done by travel agency or hotel or when service recovery is not performed at all?
- After experiencing a failure, is there a difference between the scores of repurchase intention (a-travel agency/b-hotel) when service recovery is done by travel agency or hotel or when service recovery is not performed at all?

- What happens to customers' reactions (both overall customer satisfaction and repurchase intention for either parties) if there is an interaction between service failure and good prior experience?
- What happens to customers' reactions (both overall customer satisfaction and repurchase intention for either parties) if there is an interaction between service recovery and good prior experience?
- What happens to customers' reactions (both overall customer satisfaction and repurchase intention for either parties) if there is an interaction between service failure and recovery?

### **1.3 Significance of the Study**

Both failures and recovery attempts are widely studied in service literature. Previous literature includes examples of different forms of failures and service recovery, and their effects on, for instance, satisfaction, word-of-mouth and repurchases intentions. Although service literature cover studies of service failure and recovery in diverse contexts such as passenger transportation services (i.e. airline), hospitality services (i.e. restaurants), and tourism industry (i.e. hotels), the concepts are rarely studied in the context of service supply chain. Although the relationship between, for example, a travel agency and a customer or a hotel and a customer is frequently studied in the previous literature, a holistic view is not taken into consideration despite the presence of unsatisfactory relationship between travel agencies and hotels (Zhang, et al., 2009b). Thus, studying service failure and recovery from a tourism service supply chain perspective will contribute this research gap.

This research gap leads to another one. Regardless of frequent usage of Agency Theory in supply chain management studies, the theory is neglected in service supply chain literature which, in fact, could provide a new perspective for understanding the relationship between a principal (i.e. travel agency) and an agent (i.e. customer). Furthermore, tourism service supply chain presents an example for multi-agent and multi-principal situations. Despite Agency Theory assumes that the principal is perfect and the agent is imperfect, a failure could be made by either party and in a multi-principal case, this eliminates the assumption of principal being perfect (i.e. if the failure is done by travel agency). Furthermore, it is important to understand customers' reactions to failures and recovery, and get reflections from them (tourists) in order to reshape the relationship between entities in the chain. Therefore, trying to understand the different behaviours of customers towards scenarios, in which service failure and recovery is performed by different parties, may shed further light to our understanding of the relationships between a principal (travel agency) and an agent (hotel) in tourism service supply chain.

#### **1.4 Structure of the Thesis**

This study is structured as follows. The next chapter (Chapter 2) begins with a presentation of the broad literature on supply chain management, specifically introducing the concepts of service supply chain and tourism service supply chain, and specifying the importance of tourism for both the globe and Turkey.

Chapter 3 presents the theoretical background for this study. Agency Theory is introduced by defining the basic concepts and the roles of principals and agents and, by presenting the research gap, the parties in the tourism service supply chain are associated with the theory. Additionally, related with service recovery concept,

the details of justice theory are presented. Although the way the service recovery done is not manipulated in this study, in order to create a scenario presenting service recovery, it is essential to specify how service recovery is done. With the light of the results of the previous studies, the factors of justice theory used in this study is justified.

In Chapter 4, the concepts of service failure, good prior experience and service recovery are discussed respectively. Within service failure, the costs of service failure explained in detail, by taking criticality factor into account. While good prior experience is examined in the context of a theoretical framework, Expectancy Disconfirmation Paradigm, service recovery part focus on the effects of successful recoveries by pointing out the importance of providing justice.

Chapter 5 includes hypotheses, methodology, and scenario generation through an initial qualitative study, operationalization of dependent variables, manipulation checks, and reliability as well as the results of the hypotheses.

Finally, Chapter 6 covers the discussion of the results and the contribution of these results to theory and practice. Furthermore, the limitations of the study are detailed, and recommendations for further research are presented.

## Chapter 2. Supply Chain Management

During 1990s, there occurred a number of developments, such as economics downturns, competitive pressures (Walters, 2004), globalization and empowered customers (Caridi, et al., 2010), which have driven organisations to make dramatic changes. For instance, the effect of globalization brought severe condition to both national and international markets through commoditization of products (Matthyssens & Vandenbempt, 1998) and through producing several choices for customers to satisfy their demand. This gives consumers the power to impose their own conditions on the marketplace (Power, 2005), such as the demand for increased service levels (Giunipero & Brand, 1996). As a result, accessibility to customer with a minimum cost, and winning and keeping their loyalty have become significant for organizations (Lummus & Vokurka, 1999; Power, 2005). In order to accomplish these aims, the coordination of material flow both into and out of the company is required (Mentzer, et al., 2001). This cannot be accomplished without the cooperation of other parties in the upstream or downstream channels. As organizations began to understand the true meaning of Christopher and Peck's (2004) statement "*No organization is an island...*", they began to create closer and more sustained relationships with suppliers and customers in order to create cooperation and integration throughout the chain (Mentzer, et al., 2001). Moreover, since performance maximization of a single function is not enough to optimize overall performance of an individual company, companies started to look across all elements in the entire supply chain (Lummus & Vokurka, 1999). Therefore, in order to compete in today's global markets and survive through severe market conditions, organizations made efforts to design and coordinate both

the supply and distribution networks for delivering their products and/or services in an effective and efficient way, and an important element of this effort is known as supply chain management (SCM) (Sengupta, et al., 2006).

Due to these reasons, along with rapidly changing conditions of economy and technology (Mentzer, et al., 2001), a growing body of interest has been canalized towards supply chain management both from practitioners and researchers through academic publications or conferences. While managers' interest is due to their belief that supply chain management aids them in surviving in today's intense competitive environment (Fawcett, et al., 2008), in general, the researchers' objective is to understand the concept of supply chain management with the help of diverse fields such as purchasing and supply, logistics and transportation, operations management or marketing (i.e. Chen & Paulraj, 2004; Giunipero, et al., 2008).

The concept of supply chain management was first mentioned by Forrester (1961), who claims that the success of a company depends on the information, materials, manpower and capital equipment flows' interaction. However, full conceptualization did not occur until the early 1980s (Oliver & Webber, 1982), and especially in the late 1990s, the amount of theoretical and empirical research in this area began to increase (Lambert, et al., 1998).

Although the number of studies demonstrate an upward trend, there seems to be little consensus on the definition of "supply chain management" (Mentzer, et al., 2001; Lummus, et al., 2001; Kathawala & Abdou, 2003). Monczka and Morgan (1997) state that key people in the same organization may be talking at cross-purposes when discussing the concept of supply chain management. Similarly, a

considerable confusion regarding the meaning of supply chain management still exists in academia, even to the extent that researchers describe SCM differently in the same article (Cooper & Ellram 1993), possibly due to the multidisciplinary origin and evolution of the concept (Croom, et al., 2000). For instance, until recently, both practitioners and academics considered SCM as synonymous with logistics management (Lambert, et al., 1998). The reason for this understanding may be the way logistics management is defined: as the management of the physical distribution or flow of materials and information (Lambert, et al., 1998). Especially, during the Second World War, a greater movement of supplies were required, which increased the importance of logistics (Lummus, et al., 2001) and eventually led the evolution of logistics management. For instance, during Persian Gulf War (1990-1991), the key factors were the efficient and effective distribution of both supplies and personnel (Lambert, et al., 1998b, p.5). In terms of military, logistics is defined as *“the science of planning and carrying out the movement and maintenance of forces”* (NATO, 1997). Over time, however, logistics has moved into the business landscape (Lummus, et al., 2001) and led the physical distribution to be acknowledged as a separate function in organizations (Heskett, et al., 1964).

Naturally, logistics management demonstrates some differences when described in a business context. It is simply explained as the flow of goods, services and information from a point of origin to consumption point (Murphy Jr. & Wood, 2011, p.22). van Weele (2010, p.253) expands this definition by stating that logistics is related with all materials coming into a company, going through the manufacturing process and reaching to the customer. Similarly, Cavinato (1982) defines logistics as the management of both inbound and outbound movement of materials, parts,

supplies and finished goods, meaning it is concerned with organisation's pre-production, production and post-production processes. While Cavinato's view of logistics clarifies the differences between physical distribution and logistics, Council of Supply Chain Management Professionals' (CSCMP) description helps us to understand divergences between logistics and supply chain management. According to the Council, logistics is:

A part of supply chain management which plans, implements and controls the efficient, effective, forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customer's requirements (CSCMP, 2015).

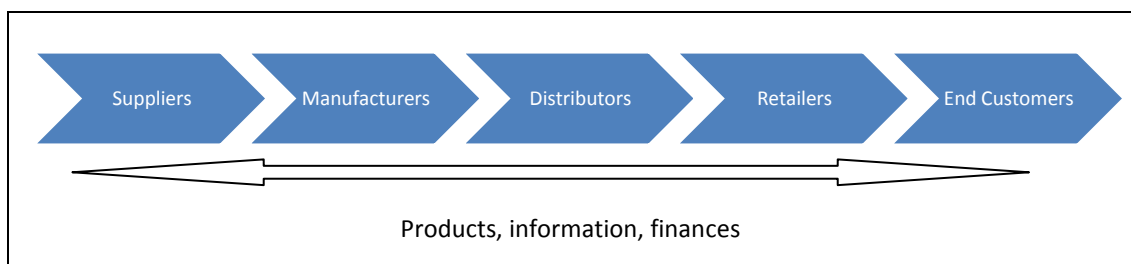
This definition suggests that logistics management is a part of supply chain management, and applies to a much broader area of activities than simply the physical distribution via covering activities from short-term materials planning or internal transportation to storage or customer service (van Weele, 2010).

As the definitions demonstrate, although both the development and evolution of supply chain management concept is derived mostly from transportation, physical distribution and, logistics literature (Tan, 2001; Habib, 2010), the concepts of SCM and logistics management are different from each other. Logistics manages the product flow only within the firm (Ballou, 2006), whereas SCM goes beyond logistics, by including functions that operate across firms (Giunipero & Brand, 1996; Cooper, et al., 1997).

There is considerable confusion regarding the definition of supply chain management, therefore the previous literature offers various definitions (i.e. Lambert, et al., 1998b; Lummus & Vokurka, 1999; Mentzer, et al., 2001). Since many independent companies are involved in the process of manufacturing a product and

delivering it to the ultimate customer (Mentzer, et al., 2001), some of the early definitions of the concept (i.e. Stevens, 1989) focus on the flow of goods from supplier to final customer (Giunipero, et al., 2008). For instance, according to Cavinato (1992), a supply chain includes a group of firms which aims to add value along the product flow from raw materials to the ultimate customer. Similarly, La Londe and Masters (1994) point out that the supply chain, through which materials flow forward, consists of several firms. While some of the earlier definitions emphasise the material flow, others consider it as a network, from suppliers to the ultimate customer, whose objective is to obtain the best result for the entire system (Cooper & Ellram, 1993). Although Chen and Paulraj (2004) publish their study almost a decade later, they also explain a typical supply chain as materials, services and information network associated with supply, transportation and demand characteristics. Lambert et al. (1998) use a similar wording, but these authors highlight that supply chain is both a network of multiple businesses and also relationships. Generally, earlier definitions provide definitions of a regular supply chain and a forward flow (See Figure 1). However, later definitions provide a broader view by incorporating the term “*integration*” which is considered as a key element for SCM (Alvarado & Kotzab, 2001), and also consider flow in both directions (Baltacioglu, et al., 2007).

Figure 1. Flows in Supply Chain



Chen (2009) considers SCM as one of the most advantageous management principles in order to integrate and coordinate appropriate suppliers with an aim of delivering goods and services to the ultimate consumer. Unlike Chen, Lummus et al. (2001) mention the integration of all activities, ranging from the sourcing raw materials, to delivering products to the customer, and all chain partners, such as suppliers, to create a seamless process while describing SCM. Similarly, Simchi-Levi et al. (2000) consider SCM as a set of approaches for integrating suppliers, manufacturers, warehouses and stores in order to produce goods and distribute them at the right quantities, at the right time, and to the right locations in order to minimize system-wide costs, while simultaneously reaching service level requirements. Apart from the above mentioned definitions, Mentzer et al. (2001) provide one of the most cited definitions (i.e. Burgess, et al., 2006, p.4), claiming that supply chain is *“a set of three or more entities (organizations or individuals) directly involved in the upstream and downstream flows of products, services, finances, and/or information from a source to a customer”*. Unlike previous literature, this description emphasizes both the upstream and downstream flows (Giunipero, et al., 2008). Moreover, the authors make a clear distinction between supply chain and supply chain management by highlighting the existence of a supply chain, whether managed or not, therefore, SCM can be explained as:

The systematic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purposes of improving the long-term performance of the individual companies and the supply chain as a whole (Mentzer, et al., 2001, p.18).

Although earlier studies did not make a clear distinction between the concepts, Stevens (1989), for example, states that synchronising customer requirements with

suppliers' material flow is the overall objective of supply chain management. Similarly, according to Xinyue and Yongli (2008), the aim of SCM is to increase the connectivity of different supply chain members and to streamline the flows of inter-organisational information, material and money in order for the supply chain to operate as a coordinated holistic system. This means, as Mentzer et al.'s (2001) definition also suggest, the objective of SCM is the integration and coordination of all organizations and activities, starting from sourcing of raw materials to the delivery of the products to the ultimate customer, in order to benefit from the improvement of performance of the whole channel, rather than only one company in the chain (Alvarado & Kotzab, 2001). Only the development of an integrated supply chain can provide companies with competitive advantage, by aiding them to react to dynamic market conditions (Stevens, 1989). As mentioned by several studies (i.e. Lambert, et al., 1998a; Alvarado and Kotzab, 2001; Power, 2005; Giunipero, et al., 2008), this competitive advantage may come from the performance improvements in communication, partnership and cooperation achieved by providing more efficient and effective processes or flows of physical goods. Besides competitive advantage, studies demonstrate that the management of supply chain presents a desired level of customer service level for organizations through, for example, the fulfilment of orders or pre- and post-sales services (Stevens, 1989). These improvements in performances in general are due to the following (Alvarado & Kotzab, 2001): (1) avoiding duplications via focusing on core competencies; (2) using inter-organizational standards such as electronic data interchange (EDI) by the reductions in complexity levels (Power, 2005); (3) eliminating unnecessary inventory through using postponement. Tan (2001) also

provides a list of justifications for the performance improvements in supply chains, including the development of waste elimination, and better use of either internal or external supplier capabilities.

From an economic point of view, Chen and Paulraj (2004) point out the impact of suppliers on cost, through presenting examples of the cost created by poor quality materials, which require inspection, cause rework and returns, or overproduction. Similarly, Tan (2001) claims that involvement of suppliers in the earlier stages of product design or engineering is important for obtaining the components at the required quality, as well as helping to decrease design-to-production cycle time. Therefore, it may be concluded that supply chain management creates reductions in both cost and cycle time, since it gives organizations a chance to compete on the basis of speed and flexibility (Power, 2005). However, these cost reductions or profit improvements are not achieved at the expense of other partners in the supply chain (Croom, et al., 2000). On the contrary, since it is considered that the competition is between supply chains (Bowersox, 1997; Christopher, 2010), the objective is to maximize the performance of the entire chain, with the perception that the whole may be greater than the sum of its parts (Christopher, 2010). This also means focusing on the single element of the supply chain cannot guarantee the effective performance of the entire supply chain (Croom, et al., 2000), because the performance of each member has an impact on the overall performance of the chain (Lummus, et al., 2001). Thus, by taking a systems approach, the aim of SCM here is to manage the whole supply chain as a single entity (Lummus, et al., 2001) in order to meet market needs with the help of appropriate tools and techniques (Stevens, 1989).

In order to become a single entity, there is a need to develop trust and collaboration between the different partners in the supply chain (Burgess, et al., 2006). For instance, according to CSCMP, collaboration with suppliers and customers ought to be mentioned within any definition of SCM (Gibson, et al., 2005) since it both helps partners in the chain to decrease one another's cost, and also increases the speed of inventory cycle through to the end customer (Fawcett, et al., 2008). Moreover, trust is seen as a key element for managing and monitoring multiple members of supply chain that need to have long-term and mutually beneficial relationships (Power, 2005; Lee and Fernando, 2015). Both trust and collaboration within supply chain enable organizations to share on-time and open information, which reduces alignment problems (Croom, et al., 2000). Although information sharing improves operational performance -speed, delivery and quality- (Sengupta, et al., 2006), it is not always desirable since it may cause loss of power, and in such a case information distortion may occur (Croom, et al., 2000). However, sharing information is a necessity for obtaining competitive advantage over rivals through supply chain (Lummus & Vokurka, 1999), because by monitoring market data efficiently (Baltacioglu, et al., 2007), it enables the delivery of *'the right products or services, in the right quantity, to the right place, at the right time and with the maximum benefits'* (Habib, 2010). This augments overall customer satisfaction and value, which in turn provides organizations with profitability and competitive advantage (Giunipero & Brand, 1996; Mentzer, et al., 2001; Baltacioglu, et al., 2007).

The aim of any business is to satisfy customer needs in order to survive in a competitive environment. In that sense, a supply chain must consider both internal

and external customers. As supply chain includes several entities, it requires the engagement of people with diverse backgrounds from different geographical locations and cultures (Burgess, et al., 2006). These diverse backgrounds require a change in corporate cultures of companies (Farley, 1997), and at a macro level, if the cultures of diverse organisations in supply chain do not fit, the transaction cost between them has a tendency to increase (Hua, et al., 2011). As a result, diverse human natures can be the primary barrier to collaboration, therefore the success of a supply chain (Fawcett, et al., 2008). The results of Fawcett et al.'s (2008) study highlight the importance of top management's vision in terms of what SCM means. For instance, if the vision regarding supply chain integration is absent, or top management is not successful in passing this vision to employees, the result may show itself as resistance (Fawcett, et al., 2008) in the form of, for example, negative employee behaviour (Waddell & Sohal, 1998). Top management has an important role for shaping the organizational values which constitute organizational culture (Mentzer, et al., 2001; Chen & Paulraj, 2004) and thus, the lack of support from top management may jeopardize the development of a successful supply chain (Loforte, 1991). Therefore, taking a holistic view while implementing SCM becomes essential (Power, 2005).

Despite being limited to traditional areas such as distribution, due to the importance of developing a holistic view similar to the one recently developed for marketing (Kotler & Keller, 2012), SCM, in time, has expanded to include several new areas such as supply network structure (Sengupta, et al., 2006). Furthermore, researchers (i.e. Stevens, 1989; Sampson, 2000; Ellram, et al., 2004; Sengupta, et al., 2006; Fawcett et al., 2008; Bo, et al., 2010) state that majority of the studies

depend on the manufacturing sector and consumer goods industries in order to investigate SCM both empirically and analytically (Burgess, et al., 2006). Even giving a description of SCM, some researchers highlight the presence of manufacturers and physical goods in the process: “...primary focus is the efficient physical distribution of final products from the manufacturers to the end users in an attempt to replace inventories with information” (Tan, 2001, p.40). Similarly, while trying to explain the scope of the supply chain, Stevens (1989) repeats the importance of controlling the flow of materials in manufacturing companies or industry. As Habib (2010) claims, defining supply chains becomes easier in manufacturing industries because every participant receives inputs from their suppliers, which after processing, they deliver to the final customer. However, the growth of service sector over the last five decades has forced organizations to consider not only the flow of physical goods, but also of services, which presents a challenge because it is not possible to transform, transport or keep inventory of services (Giannakis, 2011). This reveals the need to transfer the SCM principles, which mostly focus on manufacturing companies, to the service sector organizations (Sengupta, et al., 2006) and these attempts have created a new research stream, called *service supply chain* (SSC), which is discussed in the following sub-chapter.

## **2.1 Service Supply Chain**

While the research on supply chains and on the management of these chains continues simultaneously, the service sector has begun to be recognised as a leading player in economic development (Ellram, et al., 2004; Baltacioglu, et al., 2007). The sector constitutes more than 60% of global gross domestic product (GDP) and more than 70% of developed economies’ (Wu & Yang, 2009). For

instance, this sector accounts for 79% of United Kingdom's (UK) GDP in 2013 (Monaghan, 2014) and this number is 80% for Greece and 64% for Turkey (WorldBank, 2015b). Moreover, the percentage of employment in the service industry is increasing rapidly (Lee, et al., 2008). For example, according to 2012 data, the percentages of service sector employment are 79%, 70%, 50%, respectively in the UK, Greece and Turkey (WorldBank, 2015b). This demonstrates that the service economy, which constitutes both the service sector and service activities performed in manufacturing sectors (Giannakis, 2011), is replacing the industrial economy, which is governed by manufacturing organizations (He, et al., 2010).

Furthermore, the abovementioned forces, such as competitive pressures and globalization, have also affected the business marketplace. The manufacturing industry was the driving force of economies, and while increasing production and reducing costs, manufacturers did not realize that their products are becoming similar. This product commoditization has altered the perception of value for customers, which also changed the nature of competition from a price-based to a non-price driven category (Vandermerve, 1990). The result of this was the rise of service-dominant logic which declares intangibles, such as know-how, skills and relationships, as the dominant factor in exchange while creating value for customers (Vargo & Lusch, 2004). Nevertheless, although the importance of services has been growing over the last fifty years in the marketing field with the publication of several textbooks (i.e. *Services Marketing* by Zeithaml, Bitner and Gremler) and academic journals (i.e. *Journal of Services Marketing*, *Journal of Service Science*), the research on supply chain management of services is scarce

(Ellram, et al., 2007). Furthermore, the nature of the supply chain demonstrates variations among industries and even among products. Thus, the terminology and principles of SCM created for manufacturing industry is neither sufficient, nor applicable to the services industry (Baltacioglu, et al., 2007), as the current terminology and principles neglect the specific and intrinsic nature of services (Wu & Yang, 2009). Therefore, research needs to be directed to exploring the ways to apply the traditional supply chain thinking to the service industry (Bo, et al., 2010), in addition to the issues and complexities of 'service supply chain' (Sengupta, et al., 2006).

As a starting point, before the research on service supply chain could be directed to the issues and complexities of the concept, researchers try to understand the nature of services. Although it is easy to define a product, services are generally being described in terms of what they are not, especially, of not being a product (Baines, et al., 2009). In order to present a definition, researchers firstly list the characteristics of services, such as intangibility, variability, simultaneous production and consumption, and high customer interaction (Heizer & Render, 2005, p.9-10). Following this, these characteristics are grouped into four "IHIP characteristics", intangibility, heterogeneity, inseparability and perishability (i.e. Fisk, et al., 1993; Lovelock & Gummesson, 2004). Intangibility of services is actually related with its definition. As mentioned before, services are not products meaning tangible commodities (Goedkoop, et al., 1999). To clarify this, it is not possible to feel services with our five senses, rather, they are performances which can be experienced (Baltacioglu, et al., 2007). While heterogeneity of services demonstrates the concern regarding the difficulty of standardization of services

(Edgett & Parkinson, 1993), inseparability highlights the fact that the production and consumption of services happen simultaneously, which requires the presence of both service provider and customer. This means that a service needs to be consumed when it is at hand, demonstrating that services are perishable because it is not possible to put them in inventory with the expectation of future use (Baltacioglu, et al., 2007).

Through analyzing these unique characteristics, researchers in services supply chain field (i.e. Lu et al., 2008; Wu and Yang, 2009; He et al., 2010) have compared service supply chain with manufacturing supply chain, in order to better understand their issues and complexities. Due to the specific characteristics and nature of services, the differences may occur in terms of, for example, supply chain structure and operations (Bo, et al., 2010). For instance, the intangibility and perishability characteristics reveal the problem of the impossibility of storing or transferring them, which produces a difficulty regarding the visualization and measurement of services (Ellram, et al., 2004). Moreover, since services cannot be stored, it is not possible to decrease the unstable demand through keeping inventories (Wu & Yang, 2009); thus, services requires a pull production system rather than a push one (Lu, et al., 2008; Drzymalski, 2012). As a result, the type of flows and the directions of flows may demonstrate differences in a SSC. For example, there is product, information and cash flow in a manufacturing supply chain. However, with information flow and cash flow being constant, the product flow becomes the services and customer flow, since there is no material in SSC (Wu & Yang, 2009). Moreover, service supply chain is bidirectional, so production flow is two sided, which means it is not only from suppliers to customers but also from customers to

suppliers (Sampson, 2000). Most importantly, in service supply chains, the majority of the value delivered is generated by human labour (Ellram, et al., 2004; Sengupta, et al., 2006). Due to the uniqueness of human performance, it is hard to develop standard models for services (Sampson & Froehle, 2006). For example, standard and centralized procedures, which are used during the physical handling of a product, are not entirely achievable for services because of the variations and uncertainties caused by human involvement (Sengupta, et al., 2006). Similarly, Zhang et al. (2009a) claim that due to the human factor, the performance indicators are both subjective and inconsistent, which make services management and control more difficult (Ellram, et al., 2004). Moreover, as it is difficult to standardize the human labour involved in services, service quality is also not easy to measure, and it is mostly user dependent (Ellram, et al., 2007), which has, in turn, a direct impact on customer satisfaction (Lee, et al., 2008). Drzymalski (2012) summarized the differences between manufacturing and service supply chains:

Table 1. Differences between Manufacturing and Service Supply Chains

Area	Manufacturing Systems Supply Chain	Service Industry Supply Chain
Production System	Push (sell from inventory)	Pull (initiated by customer demand)
Logistics System	Uniform, mass approach	Customized to customer need
Finished Goods Inventory	Tightly Controlled	Kept at low level
Suppliers	Responsiveness not critical	Must be responsive
Customer relations	Often at a low level	Critical to overall success
<b>Source:</b> Drzymalski (2012)		

Despite the fact that services have certain differences, manufacturing supply chains and service supply chains also have similarities. For instance, the importance of demand management, customer and supplier relationship management are equally important in service supply chain (Sengupta, et al., 2006). Therefore, in order to coordinate these processes and improve both performance and customer interface;

the integration, coordination and collaboration of diverse operations is required, and this can only be accomplished by taking a service supply chain perspective (Sakhuja & Jain, 2012).

However, despite all efforts, similar to SCM, researchers have not been able to agree on a uniformed definition of SSC or service supply chain management (SSCM).

Early research on service supply chain (i.e. Ellram, et al., 2004) is focused on the management of value-added services in manufacturing supply chains (Wu & Yang, 2009). For instance, one of the earliest and most cited definitions of service supply chain is provided by Ellram et al. (2004) through modifying the definition of supply chain management. By taking the specific nature of services into consideration, Ellram et al. (2004, p.25) define SSCM as *“the management of information, processes, capacity, service performance and funds from the earliest supplier to the ultimate customer”*. Similarly, Baltacioglu et al. (2007, p.112) explain SSCM as *“the management of information, processes, resources and service performances from the earliest supplier to the ultimate customer”* (See Table 2 for a summary of definitions).

Besides defining the management of service supply chain, several authors define service supply chain in order to specify the structure of the chain. For instance, according to Wu & Yang (2009), SSC occurs when series of entities, such as organisations or individuals, are integrated in order to provide customized service, either directly or indirectly. Similarly, Li, et al. (2008) consider SSC as a service network in which diverse service entities are reorganized for customer satisfaction. Regarding a more specific explanation of structure or clarification of different parties in a services supply chain, Baltacioglu et al. (2007) consider the chain as a

network including suppliers, service providers, consumers and other supporting units in which the functions of processing resources, transformation of resources are performed to produce services, and the delivery of these services are made to the ultimate customer.

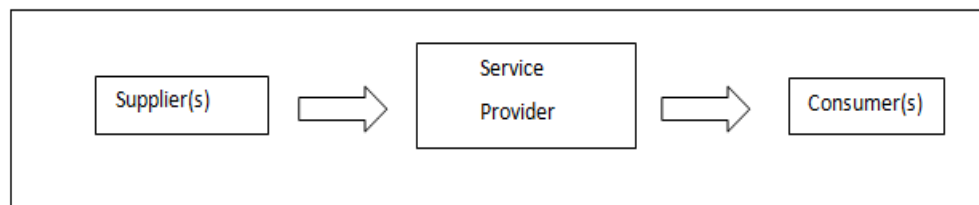
Table 2. Service Supply Chain Definitions

<b>Author(s)</b>	<b>Definition</b>
Ellram et al. (2004)	Supply chain management is the management of information, processes, capacity, service performance and funds from the earliest supplier to the ultimate customer.
Baltacioglu et al. (2007)	Service supply chain management is the management of information, processes, resources and service performances from the earliest supplier to the ultimate customer. Service supply chain is the network of suppliers, service providers, consumers and other supporting units that performs the functions of transaction of resources required to produce services; transformation of these resources into supporting and core services; and the delivery of these services to customers.
Li et al. (2008)	Service Supply Chain (SSC) is a service-network that reorganizes different service entities in order to satisfy customers' require by using modem management technology to break down and rebuild a system which considers customers' demands as starting point and takes a complex service or an Integrated Service Package as a series of process in service when the service-industries are developed to some extent.
Wu & Yang (2009)	Service supply chain is an integration of a series of entities (individual person, organization, enterprise) to provide personalized service directly or indirectly.
Bo et al. (2010)	Service supply chain management is a service-oriented integrated supply chain. This definition breaks the concept of the integration service providers and service providers in the traditional supply chain. Service supply chain is based on a service component for the smallest unit and the service components can be combined as a service process module to form corresponding service process by information and logistics service platform to integrate service components and service process modules when a customer raises demand for service.
He et al. (2010)	SSC refers to the supply and demand chain of service which integrates the service resources using new technologies and management models.
Li & Gao (2010)	Through information flow, process flow and capital flow management in supply chain, different service suppliers try to establish partnership, integrate resource and service, and they join in process management in order to response customer's demand.
<b>Adapted from Sakhuja and Jain (2012)</b>	

Later, other authors have similarly defined SSC as networks, however, the parties involved have been identified differently. For instance, several researchers (i.e. He, et al., 2010; Song & Xu, 2011; Sakhuja & Jain, 2012) name the parties as service

integrator(s), service provider(s) and, customer(s), while Baltacioglu et al., (2007) describe the parties as supplier(s), service provider(s) and customer(s). Although the researchers label the members of the SSC differently, the responsibilities of the parties are the same. For instance, according to Baltacioglu et al. (2007) the focal company is service provider, and it performs its role in the same way as the manufacturer in a manufacturing supply chain. However, when the parties are named as service provider, service integrator and customer, the focal company becomes service integrator, and service providers are the suppliers in a SSC (See a typical service supply chain in Figure 2).

Figure 2. An Example of a Service Supply Chain



In a service economy environment, SSC balances the supply and demand chain of services through integrating resources with the help of, for example, new technologies or management models, and as a result; value is created for customers via planning, organization, implementation and control of several flows (capacity, information, value and service) (He, et al., 2010). The service provider (supplier) produces services for the SSC and in this way, contributes to the value created by the core product (Baltacioglu, et al., 2007), whereas service integrators have the ability to organize and coordinate service providers' resources and capabilities in order to develop customized services (Zhang, et al., 2009a). Since customers contribute their minds, selves, belongings and information as an input in the

process, they also become suppliers (customer-supplier duality), which makes the production flow two sided (Sampson, 2000).

According to the literature, there are different service supply chain types. For instance, while Li et al. (2008) identify three forms of SSCs, serial, parallel and hybrid, according to the delivery of different forms of services, other researchers (i.e. Wu & Yang, 2009) use a typology regarding the industries the service supply chains serve. Service supply chains frequently studied in previous literature are the tourism service supply chain (i.e. Zhang, et al., 2009b), the humanitarian supply chain (i.e. Wu & Yang, 2009), the telecommunication supply chain (i.e. Lu, et al., 2008), the health care supply chains (i.e. Belien & Force, 2012), and the logistics supply chains (i.e. Fei & Yun-Fei, 2009; Liu, et al., 2013). As the present study focuses on the tourism service supply chain, the next chapter will provide detailed information regarding the subject.

## **2.2. Tourism Service Supply Chain**

As the previous part explains, the services sector is important, not only globally, but also domestically (Ellram, et al., 2004). As the role of service sector becomes more important, the research has altered perspective from the traditional product supply chain to the applications of a supply chain perspective over the service industry (Bo, et al., 2010). For instance, the previous foreign research on service supply chain concept is mostly applied to certain industries, in particular, logistics (i.e. Yu, 2003; Choy, et al., 2006), retail (i.e. Ellram, et al., 1989; Kaemaeraeinen & Pinakivi, 2002) and tourism (i.e. Schulz, 1994; Medina-Munoz, et al., 2002; Vladimirov, 2012). The aim is to create value by integrating and coordinating every segment of the service in order to help the development of the particular industry, for example, the

tourism service industry (Zhang, et al., 2010). However, although Turkey is one of the most visited destinations in the world, the research on tourism service supply chain is limited (i.e. Öztüren & Sevil, 2009; Buyukkeklik, et al., 2014).

Similar to the services sector, the tourism industry has been experiencing a continuous growth and diversification, becoming one of the fastest-growing economic sectors in the world (UNWTO, 2014). Governments and industry are putting more resources and efforts into tourist development and management, due to increasing awareness of tourism contribution on several values such as economic growth, higher export returns, and higher levels of employment (Qin & Zhang, 2013). According to the 2014 highlights of United Nations World Tourism Organisation (UNWTO), the tourism industry grew 5% in 2013, and it constitutes 9% of the world's GDP, 6% of world's exports and provides one in eleven jobs (UNWTO, 2014). This increasing trend has occurred, for instance, due to the increase in international tourist arrivals (from 25 million in 1950 to 1087 million in 2013) (UNWTO, 2014). Thus, as a result of this trend, tourism sector has become more important globally, and as well as domestically for Turkey, one of the top tourist destinations (See Table 3 for top tourist destinations).

Table 3. Top 10 Tourist Destinations

<b>Rank</b>	<b>Million (arrivals)</b>		<b>Change (%)</b>	
	<b>2012</b>	<b>2013</b>	<b>11/12</b>	<b>12/13</b>
1.France	83.0	..	1.8	..
2.United States	66.7	69.8	6.3	4.7
3.Spain	57.5	60.7	2.3	5.6
4.China	57.7	55.7	0.3	-3.5
5.Italy	46.4	47.7	0.5	2.9
6.Turkey	35.7	37.8	3.0	5.9
7.Germany	30.4	31.5	7.3	3.7
8.United Kingdom	29.3	31.2	-0.1	6.4
9.Russian Federation	25.7	28.4	13.5	10.2
10.Thailand	22.4	26.5	16.2	18.8
<b>Source: UNWTO (2014)</b>				

From a global perspective, France, United States and United Kingdom -holding the first, second and eighth places, respectively in Table 3- can be considered as examples of how tourism affects economies of countries. According to the 2013 data coming from World Travel and Tourism Council (WTTC), tourism generates 9.8% of France's GDP and 11% of employment (either directly or indirectly) (WTTC, 2013). The contribution to GDP is 8.7% in United States (WTTC, 2013), and 9 % in United Kingdom (Deloitte, 2013).

As the table demonstrates, the tourism industry is prominent for Turkey. Turkey has been rising in the top tourist destinations rankings (See Figure 3), from 20<sup>th</sup> place in 2000, to 6<sup>th</sup> place currently, with 37,8 million visitors (UNWTO, 2014). In terms of revenue obtained through tourism, Turkey also demonstrates an increasing trend (See Figure 4). For instance, in 2013, the tourism revenue (See Table 4 for the rate of increase in tourism income) increased by 11.4% in comparison with the previous year (SGB, 2014) and the tourism sector contributed 10.7% of Turkey's GDP in 2013 (WTTC, 2013). Tourism makes an important contribution to Turkey's export rates. Between 2000 and 2013, travel and tourism exports expanded by 256% (WTTC, 2013).

Table 4. Rate of Increase in Tourism Income (%)

Thailand	28
Japan	23
Hong Kong	21
UK	18
Greece	15
Turkey	13
India	13
Taiwan	12
USA	11
China	10
<b>Source:</b> Türofed (2014)	

In terms of employment generated by tourism, the increasing trend continues. According to the data of Social Security Institute (SGK), the number of insured employees in general has risen to 12.6 million (from 12 million) and tourism sector is responsible for 16% of this increase, by providing employment for 610,000 (Türofed, 2014). The number of insured employees in tourism sector has also risen to 919,302 (by 12%), and the ratio of this number has increased from 6.8% to 7.3% across Turkey (Türofed, 2014).

Figure 3. Turkey's Place in Top Tourist Destinations

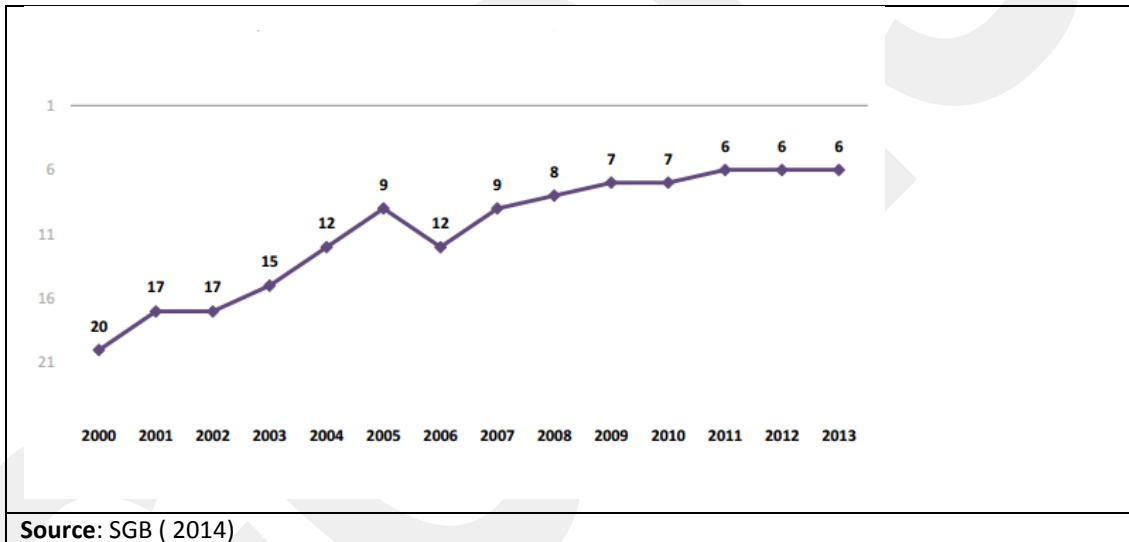
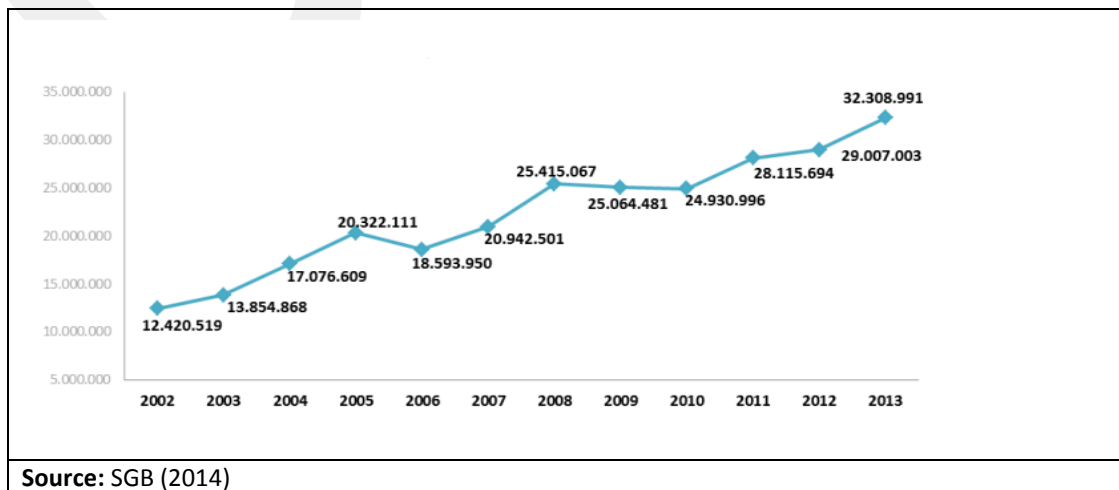


Figure 4. Trend of Tourism Revenue-Turkey (thousand \$)



Izmir region generates 5 percent of the total number of tourists visiting Turkey (ETIK, 2013), and is one of the most important and popular destination. Reasons for this include several historical places such as Smyrna, Agora, and several churches in central Izmir, and in nearby towns such as Pergamon and Ephesus. Besides history, Izmir's climate makes it a popular summer holiday destination. In recent years, medical tourism has increased its importance. Especially thermal springs are attractive for tourists from Northern Europe (i.e. Norway, Sweden and Denmark). Due to these reasons, the number of tourists visiting Izmir has increased from 1,368.929 million in 2012 to 1,407.240 million in 2013, showing a 2.8% increase (Türofed, 2014). When local/domestic tourists are included, this increase is 4.2% (ETIK, 2013) (See Figure 5 for Izmir's share within Turkey). Domestic travel is also important for Izmir's tourism. Recently, 71 percent of the check-ins to recreation areas and 59 percent of hotel stays are by domestic travellers, who prefer the following districts: Gümüldür, Özdere, Konak, Çeşme, Foça, Selçuk (ETIK, 2013)<sup>1</sup>. This means that citizens of Turkey are also increasing their frequency of travels for several reasons, such as business or sightseeing. As the number of visitors increase, the supply of rooms is also rising. Within Turkey, the number of available rooms is currently 610 thousand (See the distribution of rooms in Table 5) (Türofed, 2014). As well as available rooms, the number of travel agents has experienced a boost, reaching 7950 in 2014 (See Table 6), 384 located in Izmir (IIKTM, 2014). These figures show that tourism has become one of the five sectors with highest production share (7.4%) in Izmir district.

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<sup>1</sup> After this part to the end of this sub-chapter, the data used is taken from ETIK if not indicated otherwise (2013).

The employment rate of tourism is also increasing in Izmir. Similar to the general trend in Turkey, Izmir region employs 7% of the total tourism workers in Turkey. With this share, Izmir holds the fourth place after İstanbul (32,8%), Antalya (11.3%), and Ankara (7.9%).

Table 5. Distribution of Room Capacity of Turkey by Stars (%)

5 * Otel	49.26
4 * Otel	30.53
3 * Otel	16.08
2 * Otel	3.72
1 * Otel	0.41
Room-thousand	610
<b>Source:</b> Türofed (2014)	

Table 6. The Number of Travel Agencies in Turkey

Year	Number	Year	Number
2002	4.465	2008	5.672
2003	4.495	2009	5.751
2004	4.493	2010	6.035
2005	4.878	2011	6.399
2006	5.165	2012	6.912
2007	5.184	2013	7.283
		2014	7.950
<b>Source :</b> Tursab (2014)			

Although Turkey is ranked 6th place in terms of the number of tourist visits, the Government aims to reach the top 5 with the 2023 targets<sup>2</sup>. In regard to this aim, Turkish tourism sector needs to be improved in order to attract more tourists (both domestic and foreign). Izmir, as being one of the most popular destinations for both foreign and domestic tourists, needs to increase its share within Turkey, which currently has a decreasing tendency (See Figure 5). The reasons for this decreasing trend may, for example, be due to the inadequate number of flights both to and

<sup>2</sup> For further reading of 2023 targets, please see the documents: Kültür ve Turizm Bakanlığı (2007). Türkiye Turizm Stratejisi (2023) [online] Available at: [http://www.izka.org.tr/files/planlama/1\\_Ust\\_Olcekli\\_Plan\\_Programlar/Turkiye\\_Turizm\\_Strateji.pdf](http://www.izka.org.tr/files/planlama/1_Ust_Olcekli_Plan_Programlar/Turkiye_Turizm_Strateji.pdf) [Accessed: 04.08.2015]

from Izmir. On a macro level, a boycott named Gezi in June 2013, and the war on Turkey's southern borders may have a negative impact. On a micro level, customer dissatisfaction may be a factor. One of the leading reasons for dissatisfaction in the services industry is service failures by the parties in tourism service supply chain, or the failure to provide a service recovery after a service failure. Therefore, although the macro reasons for the decrease in Izmir's share could not be ignored, on a micro level, the parties in the tourism services supply chain may have the opportunity to reverse this situation by decreasing the number of failures and thus, increasing the chance of tourist satisfaction leading to revisits. When these are taken into consideration, studying tourism will enlighten our knowledge about the sector and help to achieve the long-term aim.

Figure 5. Izmir's Share within Turkey \*

	1970-1980	1980-1990	1990-2000	2000-2013
Antalya	2-5	15-17	28-29	30-32
İstanbul	40-42	30-32	22-23	25-26
İzmir	8-10	6-7	4-5	4-5
Muğla	8-10	9-11	12-14	8-10
<b>Source</b> : ETİK, 2013				
* the percentage in regard to total number of tourists				

Tourism industry is facing several challenges, both internally and externally. On one hand, due to the lack of resources regarding customer demands, the members of tourism industry need, for example, to shorten the service time, improve quality and enhance the flexibility (Chen, 2009). Moreover, every tourism organisation has relationships on some level with other entities, such as suppliers and governments (Medina-Munoz & Garcia-Falcon, 2000), but they compete independently, which makes them more complex than other sectors (Lee & Fernando, 2015). However, although competing independently, any action of a member has an impact on the

profits and the survival of other members of the tourism chain (Chen, 2009), and in order to improve the system, the development of an effective tourism service supply chain (TSSC) may be a solution. On the other hand, as a result of rapid economic development, living standards have increased and travel has become no longer a luxury. Tourists need for relaxation and peace of mind lead to increased and diversified demands (Zhang, et al., 2010). These challenges and the severe conditions of competition have forced tourism organisations to search for ways to increase their competitive advantage (Zhang, et al., 2009b). One strategy is to develop an effective tourism service supply chain management (TSSCM), since it helps multiple tourism stakeholders, all of which have diverse objectives and operating systems, integrate with each other and organise supply through forecasting demand (Chen, 2009; Zhang, et al., 2009b). Under the complex structure of the tourism industry, and extensive and widening markets, it is difficult to satisfy tourists' demands solely through strength at the level of individual organization (Chen, 2009); thus, by forming a tourism service supply chain, they all become a part of an overall system in which all organisations work effectively with the aim of providing tourists with a pleasant overall experience (Medina-Munoz & Garcia-Falcon, 2000).

Before explaining TSSC, to avoid confusion, the related terminologies are going to be defined. Tourism is considered *“as a human activity that defines the demand for and supply of its products and the usage of resources that may result in either positive or negative socioeconomic consequences at both national and international level”* (Song, et al., 2012, p.1653). UNWTO defines tourism, in a simpler way:

as the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited. The use of this broad concept makes it possible to identify tourism between countries as well as tourism within a country. 'Tourism' refers to all activities of visitors, including both 'tourists (overnight visitors)' and 'same-day visitors'.

The term tourism is often confused with 'hospitality'. While hospitality industry includes services such as lodging, event planning, clubs and restaurants (Hong & Zailani, 2011), tourism industry consists of functional service suppliers (i.e. hotels, governmental enterprises), integrated service suppliers (i.e. travel agencies) and customers (i.e. tourists) (Zhang, et al., 2010). Tourism supply chain includes several diverse members, such as companies organising sightseeing and entertainment, catering and accommodation organisations, and logistics (i.e.: transportation of tourists), these diverse members (suppliers) are linked by travel agencies with the objective of providing various products in order to meet the demands of tourists (Chengcheng, 2011). Similarly, Wu and Yang (2009) state that travel agencies integrate the services of suppliers to create tourism products according to both the features of tourist attractions and the demands of consumers. Although several researchers provide similar definitions (i.e. Xinyue & Yongli, 2008; Hong & Zailani, 2011), Zhang et al. (2009b) highlight the involvement of wide range of members in the supply chain from both private and public sectors. However, despite slight differences, most definitions (i.e. Chen, 2009; Ji & Guo, 2009; Chengcheng, 2011) give a central role to travel agents (as intermediary members) who integrate all the products and services, and arrange schedules with relevant other members to satisfy customers (Chen, 2009). This means travel agencies are the core members in tourism supply chain (like manufacturing companies in a supply chain) due to their

role in developing tourism products through mutual cooperation and shared responsibility with upstream suppliers (i.e. accommodation, restaurants) in order to provide customers (tourists) with added-value (Zhang, et al., 2010). Travel agents, acting as consultants, spend their time researching travel products and discussing them with clients, influencing, for instance, hotel choice and thus, becoming a part of travellers' decision process (Schulz, 1994). This emphasizes the importance of travel agencies, and their role in the process which is expected to grow due to their proximity to consumers (Medina-Munoz & Garcia-Falcon, 2000). For instance, travel agencies are responsible for more than 95%, 90% of cruises and airline tickets, respectively. However, merely 20-25% of hotel rooms are booked through travel agencies (Schulz, 1994). This demonstrates hotels and travel agencies actually have not developed a completely satisfactory relationship (Medina-Munoz & Garcia-Falcon, 2000). This may be because of a misunderstanding of the way travel agencies operate, for instance, some hoteliers believe that travel agencies are their competitors (Schulz, 1994). They refuse to share information and resources or, may even consider the agent responsible for lost reservations or inaccurate bookings (Schulz, 1994); thus, they operate independently and miss opportunities in the market (Xinyue & Yongli, 2008). However, hoteliers may improve their customers' experience as travel agencies provide timely indications of their needs and wants (Zhang, et al., 2010). Thus, hoteliers should acknowledge that having travel agencies as partners has a positive impact for them (Schulz, 1994).

From an opposite point of view, travel agencies are at risk due to (1) delays in payments of commissions, (2) changes in the bookings so that the transaction cannot be credited to the agent, (3) misleading or missing information regarding,

for example, the rates available for the rooms, and (4) being held accountable if the experience fails to meet expectations (Schulz, 1994). The negative results of these risks are severe. For example, due to this lack of trust in relationship, and unclear policies between travel agencies and hotels, controlling the quality of travel products becomes more difficult (Chen, 2009). Providing inadequate travel products for tourists not only results in loss for customers, but also in complaints, which need some form of compensation (Chengcheng, 2011) in order to turn a dissatisfied tourist to a satisfied one. This, in turn, creates an increase in costs for travel agents/hotels and also a decrease in credibility (Chengcheng, 2011), which can have negative results for long-term sustainability.

In order to achieve a profitable and healthy relationship, and resolve the problems mentioned above, organisations may benefit from some management issues. First of all, information sharing plays a crucial role for such a relationship as it leads to cost reduction and increases in organisations' performance through providing value for consumers (i.e. Lee & Fernando, 2015). Secondly, collaboration and coordination need to be developed, since the former is a way to minimize conflicts, and the latter enables supply chains to become more responsive to the demands of customers, thus increasing competitiveness in the global market (Ji and Guo, 2009; Zhang, et al., 2010; Qin & Zhang, 2013) through higher efficiency, lower costs and higher quality (Xinyue & Yongli, 2008). Another reason for the requirement for coordination in the tourism industry is that being a part of service industry causes tourism industry to show some differences from manufacturing industry. Most of the differences are similar to the ones described in service supply chain sub-chapter. For instance, tourism products (i.e. experience) are intangible, perishable,

and cannot be examined/experienced before the purchase (Qin & Zhang, 2013). However, the most basic difference is, in tourism, consumers (tourists) are mobile while the elements of supply are fixed geographically (Page, 2011). This means the main flow in the tourism supply chain is the flow of people, and with the increased and diversified demands of consumers, tourism supply chain becomes more unstable (Chen, 2009), and thus needs greater coordination. Trust, a third issue to consider, promotes cooperation, as well as enhancing responsiveness and increasing competitiveness (Chen, 2009). These present other challenges for TSSCs, which are the selection process of functional enterprises (Zhang, et al., 2010), and also effective performance evaluation (Chengcheng, 2011). In order to select functional enterprises as partners, organisations need to understand both the operations and inadequacies of these enterprises before the decision to integrate resources is made (Zhang, et al., 2010). After selecting the partners, they need to be evaluated regularly in terms of their performances. Customer/tourist satisfaction is one of the most significant performance measures for TSSC (Zhang, et al., 2009b) because tourist evaluation is vital in order to improve management (Ji & Guo, 2009). Therefore, it is considered as the ultimate goal for TSSC (Zhang, et al., 2010). Tourist satisfaction is simply the satisfaction degree of a tourist with the tourism products and services s/he receives (Zhang, et al., 2009b), which means it is caused by the interaction between the tourists' experience at the destination area and their expectations of the destination (Pizam, et al., 1978). Tourist satisfaction is important, as satisfaction with a travel product increases the tendency to purchase the product again, and the product is likely to be recommended to others (Zhang, et al., 2009b). This in turn will have a positive impact on the image of both the travel

agency and the partners in the chain, improving the profits gained and creating a mutual benefit for partners of the TSSC (Zhang, et al., 2010). Moreover, the authors state that, in a macro way, this may increase the image of the city visited, which affects the ability of governments to attract more tourism consumption, and thus, investing more in the tourism industry, and providing the industry with encouraging policies in order to stimulate the development of tourism.

When the benefits of TSSCM, and the unsatisfactory relationship between travel agents and hotels have been taken into consideration, it may be seen that the attention towards tourism service supply chain by the academia has not kept pace with the rapid development of tourism industry (Zhang, et al., 2009b). Although several studies discuss tourism industry from either travel agencies' or hotels' point of view, there are a limited number of studies (i.e. Schulz, 1994; Medina-Munoz & Garcia-Falcon, 2000; Medina-Munoz, et al., 2002) which discuss the relationship between travel agencies and hotels from a TSSC point of view. Therefore, this study aims to shed further light on the relationship between travel agencies and hotels by analyzing reflections from consumers (tourists) actions regarding service failures caused by travel agencies or hotels.

## **Chapter 3. Theoretical Foundation**

### **3.1. Agency Theory**

The institutional approach (i.e. transaction-cost economics and agency theories) to the existence of the firm considers the firm as a governing formation instead of a production entity (Jensen & Meckling, 1976). While Transaction-Cost Economics (TCE) originated from the make or buy decision, Agency Theory is developed through the problem regarding the separation of ownership and control (Hornibrook, 2007). Agency Theory was first developed in the field of information economics in order to model a relationship between two parties, one (the principal) delegating work to another (the agent) who performs that work (Eisenhardt, 1988). The earlier studies (i.e. Wilson, 1968) focused on risk-sharing which is a problem resulting when cooperating parties have diverse attitudes towards risk and both the technical style and formal modelling structures made the essence of the theory more obscure (Bergen, et al., 1992). Agency Theory, however, later extended to include agency problem which is a result of cooperating parties having diverse goals (Ross, 1973; Eisenhardt, 1989) and has become an underlying doctrine in many fields of study such as finance (i.e. Fama, 1980), organisational behaviour (i.e. Eisenhardt, 1988; Eisenhardt, 1989), marketing (i.e. Basu, et al., 1985; Bergen et al., 1992), and supply chain management (i.e. Zsidisin & Ellram, 2003; Fayezi et al., 2012) in order to study, for instance, conflicts of interest or incentive problems (Guilding, et al., 2005).

In general, Agency Theory is concentrated on exchanges in which one party (the principal- represented by, for example, the owner of the business) grants the authority or delegates the work to another (the agent- represented by, for example,

a manager or employee of the business) to act on his/her behalf and thus; the welfare of the former party depends on the agent's decisions (Jensen & Meckling, 1976; Wright, et al., 2001). Eisenhardt (1989, p.59) explains the fundamental principle of Agency Theory as *"...relationships that mirror the basic agency structure of a principal and an agent who are engaged in cooperative behaviour, but have different goals and attitudes toward risk"*. While Guilding, et al. (2005) emphasize the same underlying principle as identification of a situation in which there is potential for conflicting interests of two or more parties, Lambert (2001) lists four reasons for conflicts between the principal and agent: (1) agent may be reluctant to show effort, (2) agent may behave opportunistically by using resources for his own benefit, (3) the principal and the agent may have different time horizons regarding the length of their relationship, (4) principal and agent may have diverse attitudes towards risk.

As mentioned above, Agency Theory takes a dyadic approach to the relationship between the principal and the agent and in order to describe this relationship, a metaphor of a contract is being used (Jensen & Meckling, 1976; Eisenhardt, 1988). The theory aims to design and form an efficient/optimal contract which ensures that the agent will behave in the best interest of the principal, and although not eliminated, the overall costs related with this behaviour are minimised (Bergen et al., 1992; Hornibrook, 2007) given the assumptions about people (i.e. self-interest, risk aversion), organisations (i.e. goal conflict), and information (Eisenhardt, 1988). These contracts may be based on either outcome or behaviour (Eisenhardt, 1989), therefore the main question becomes when it is more efficient to develop a contract based on behaviour (i.e. salary) or on outcome (i.e. commission)

(Eisenhardt, 1988). This question makes Agency Theory context specific (Demski & Feltham, 1978; Bergen, et al., 1992) and thus, it usually depends on cases in order to answer this question because the environmental conditions, such as information or organizations may cause uncertainties and in turn, impact the context of the relationship.

For instance, since principal is assumed to be the dominant party in the relationship (Bergen, et al., 1992), the concern here is that the principals' welfare may not be maximized since the principal and the agent may have diverse goals and attitudes towards risk (Wright, et al., 1996). Given the diverse goals and risk preferences, the requirements of the principal may be costly for the agent to undertake and this may influence the agent to shirk or behave opportunistically (Bergen, et al., 1992). Opportunism is considered as pursuing self-interest, however, with guile (Arrow, 1971). Therefore, agents may mislead, disguise, cheat or shirk to the best interest of him/her which increases agency costs (Wright, et al., 2001), and this in turn reduces the competitiveness in terms of price and the benefits for a principal or agent (Wright & Mukherji, 1999).

These negative behaviours (opportunism) may predominate with the existence of adverse selection or moral hazard (Wright, et al., 2001). Adverse selection occurs when a principal is unable to verify the agent's skills or activities (Mills, 1990); as a result agent may misrepresent his/her ability (Eisenhardt, 1989). Moral hazard, on the other hand, emerges when the agent is not putting the agreed-upon effort (Eisenhardt, 1989) and since it is hard to measure the effort, the agent may have a temptation to shirk (Mills, 1990). Information asymmetry between a principal and an agent, which means one party in the relationship has better or more information

than the other, may be the reason for both moral hazard and adverse selection (Wright & Mukherji, 1999).

Agency Theory, however, provides some mechanisms in order to reduce the effect of adverse selection and moral hazard. When principal faces such an unobservable behaviour (because of adverse selection or moral hazard), monitoring activities (i.e. information systems such as budgeting systems and reporting procedures) could be a solution for motivating the agent to do the required action (Bergen, et al., 1992). This emphasizes the importance of information as a commodity which has a cost and thus, can be purchased for controlling opportunism (Eisenhardt, 1988). As the principals' knowledge regarding agents' actions for the job is not precise or complete and the agent, on the contrary, has information which principal wants to get, information asymmetries occur (Bergen, et al., 1992), and as mentioned before, this may set the ground for moral hazard or adverse selection (Wright & Mukherji, 1999). However, when principal uses monitoring activities and systems, agent realizes that principal has the information regarding agents' actions and thus, s/he cannot deceive the principal (Eisenhardt, 1989). In such a case, it is better for principal to develop a contract based on the behaviour and to reward agent on the basis of information regarding his/her behaviour (Bergen, et al., 1992). However, as always, there is a downside of using monitoring activities or systems. They are costly and they require time and effort to review the behaviour of agent (Mills, 1990). If the monitoring methods become more extensive and costly, principals use another solution to motivate agents to engage in the required action: metering the outcomes of agents' actions (Guilding, et al., 2005). This means developing an outcome-based contract which co-aligns the preferences of the principal and the

agent (Eisenhardt, 1989). However, again, this solution provides the opportunity of reducing opportunism through transferring risk to the agent (Eisenhardt, 1988) which is not always preferable. In general, for instance, principals are assumed to be risk neutral since they are able to diversify their investments, whereas agents are risk averse because their possibility of diversifying their employment is less (Bergen, et al., 1992). However, when the agent become more risk averse, passing risk to the agent is more expensive and thus, using behaviour-based contracts is more suitable and on the contrary, principal may become more risk averse and in such a case transferring risk to the agent (outcome-based contracts) may be more attractive (Eisenhardt, 1989). Therefore, as Bergen, et al. (1992, p.6) state the main problem becomes *“to design a contract that provides an efficient trade-off between the costs associated with shifting risk to the agent and the agent's potential shirking”*. For example, if monitoring behaviour is inexpensive or transferring risk to the agent is expensive, it is better to place a behaviour based contract (Eisenhardt, 1988).

At this point, it is better to mention that the theory has been developed along two-sides, Positivist Agency Theory and Principal-Agent Research, respectively (Jensen, 1983). Positivist Agency Theory, as mentioned above, identifies and explains the relationship between principal and agent in which there are conflict of interests (Guilding, et al., 2005), and provides governance mechanisms which aim to solve the agency problem (Eisenhardt, 1989) with a non-mathematical and empirical orientation (Jensen, 1983). Principal-Agent Research, on the other hand, is more concerned with providing a common theory for the relationship between the principal and agent through a theoretical deduction and mathematical proof (Guilding, et al., 2005). Although Jensen (1983) states the two streams are different

in several aspects; they, indeed, are complementary because while Principal-Agent Research searches for the most efficient contract, Positivist Agency Theory classifies diverse alternatives for contract (Eisenhardt, 1989) by contributing *“to our understanding of real world behaviours in terms of agency logic”* (Fayezi, et al., 2012, p.557). Agency Theory, in general, contributes to the literature by providing logical assumptions about how rational individuals may behave within a principal-agent relationship with an agreed-upon set of predictions (Wright, et al., 2001). Through such a standpoint, agency theory provides a more definite statement of concepts and theory and a clearer differentiation between behaviours and outcomes (Eisenhardt, 1988). Although the theory’s foundation comes from economic utilitarianism (Ross, 1973), several researchers have made some extensions to the theory in terms of their professions. For instance, in order to extend the theory to organisational literature, Eisenhardt (1989) relaxes the assumptions of Agency Theory such as risk-averse agent and goal conflict. According to the author, theory contributes to the organisational literature from two aspects (1) by treating information as a commodity and, (2) by providing risk implications. Bergen, et al. (1992), on the other hand, provide applications of the theory in the field of marketing by providing examples from studies examining several marketing issues such as sales-force management, coordination and control of the channel, and marketing signalling decisions like promotion. After realizing that Agency Theory has been used to extend our understanding in several areas such as procurement and logistics, Fayezi, et al. (2012) strengthen the idea that Agency Theory may be helpful for understanding the supply chain behaviour through

providing examples from previous literature and also stating the scarcity of the studies in this field.

Despite the contributions, Agency Theory has been criticized as being too narrow due to its overemphasis on economic drivers (Heracleous & Lan, 2012). The assumptions of the theory are more representative realities of economic relationships and these restricted set of assumptions may result with a partial and an inaccurate view of interpersonal relationships (Wright, et al., 2001). Moreover, although there have been extensions, the criticism regarding the narrowness of the theory continues as it highlights a contract only between a principal and an agent, and as it searches for a contract which is more efficient from principal's perspective (Eisenhardt, 1989). For instance, the assumption of the theory states that the principal is the dominant party in the principal-agent relationship (Bergen, et al., 1992), this may be the case when, for instance, investigating a relationship between an employer and an employee is considered. However, if the parties in a supply chain are considered as principals and agents, the power may shift from principal to agent when, for example, principal requires agent's expertise (Shapiro, 2005). Another criticism is related with the assumption of the theory on imperfect agent and perfect principal (Fayezi, et al., 2012). However, as it can be perceived, agency problems such as adverse selection or moral hazard may be produced not only by the agent, but also by the principal (Perrow, 1986). Furthermore, as mentioned above, the theory mostly takes a dyadic approach to the relationship between one agent and one principal and it is context specific. This means Agency Theory can be applied to implicit social relationships such as the one between a seller and final consumer (Hornibrook, 2007). In such a relationship, final consumer acts as a

principal by demanding accurate information and benefits regarding the product from a supplier who becomes an agent (Bergen, et al., 1992). When a company's final consumers is considered, the assumption of having only one principal becomes unrealistic. On the other hand, the assumption of having only one agent becomes impractical, when a supply chain is considered. Supply chains consist of multiple parties, and within a supply chain perspective, members in the chain may act as both principal(s) and agent(s). For example, a manufacturer is a principal for a supplier however, an agent for a retailer. These issues raise further questions as, for instance, multiple agents and multiple principals may increase information asymmetries and may make it harder to monitor the behaviours of agents and thus, making the theory more complex and interesting (Shapiro, 2005). Although previous literature has largely dealt with dyadic relationships (Zhang, et al., 2015), since multiple agents and principals may exist in diverse contexts, studying the agency relationships with a triadic or even tetradic approach is required. However, there is still a gap in understanding the relationship between supply chain and Agency Theory (Fayezi, et al., 2012), and the number of triadic or tetradic studies are even more limited. According to Fayezi, et al.'s (2012) literature review, only five of the papers (i.e. Cheng & Kam, 2008) within nine-teen are examining triadic or tetradic relationships, and most of operations management-supply chain management research on triads is concerned about the relationship between the buyer and two upstream suppliers within a manufacturing context (Wynstra, et al., 2014). Similarly, Agency Theory has also been applied to marketing in a lesser extent (i.e. Bergen, et al., 1992), yet a few studies follow a triadic approach. For instance, a study by Tate, et al. (2010) uses Agency Theory as a lens in order to understand the relationship

between supply management, marketing and suppliers by calling it '*agency triad*'. Although customer is not considered as a part of these studies, '*service triads*' (i.e. Van der Valk & van Iwaarden, 2011) include consumers and examine a triadic relationship between buyer, supplier and the (buyer company's) customer (Wynstra, et al., 2014). This becomes an increasingly essential subject for both manufacturing and services contexts due to its effect on both operational and financial performance (Zhang, et al., 2015) but, despite the fact that the literature regarding triadic relationships has begun to grow within manufacturing context, studies in services context is limited to few subjects such as business process outsourcing (i.e. Choi & Wu, 2009). Moreover, service failure(s) done by service provider, which literature has not paid much attention, can be considered as one of the most prominent risks for buyer firm in such triads since these failures create costs, either relational or operational (Modi, et al., 2015). Therefore, this study aims to shed further light to this gap by focusing on the relationships between the agents (hotel and travel agency) and the principal (customer) within a tourism services supply chain through a focus on the effects of service failure and recovery attempts on principal's (customer's) overall satisfaction and repurchase intention.

### **3.2. Equity and Justice Theory**

Consumers find services hard to evaluate both prior to purchase and, in some instances, after the purchase (Seiders & Berry, 1998). Furthermore, incidents sometimes cannot be prevented (Nikbin, et al., 2010) and result with fairness breakdowns (Seiders & Berry, 1998). After experiencing such a fairness breakdown, customers expect companies to offer a recovery which would compensate the unfair experience (Chebat & Slusarczyk, 2005). In other words, for recovering their

satisfaction and loyalty, customers expect a fair/just service recovery (Nikbin, et al., 2010). Therefore, although fairness is a tacit promise for any transaction, it becomes especially important for transactions in service industry (Seiders & Berry, 1998).

From managerial perspective, perceived justice/fairness is critical because customers' responses to unjust/unfair experiences, varying from emotional responses such as displaying anger and surprise (Seiders & Berry, 1998) or behavioural reactions such as engaging in negative word of mouth (Blodgett, et al., 1993), are stronger than those perceived as just/fair (Schneider & Bowen, 1999). This means, treating justly and fairly is not just an ethical question but it is also a way of having profitable businesses (Chebat & Slusarczyk, 2005). From consumers' point of view, on the other hand, *"(t)he intangibility of services heightens customers' sensitivity to fairness issues"* (Berry, et al., 1994, p.40) so, the unfair/unjust exchanges do not only have economic costs for consumers but they also have emotional costs (Chebat & Slusarczyk, 2005). Therefore, both the complexity and interplay of factors need to be acknowledged since both have an effect on customers' perception of recovery process (Sparks & McColl-Kennedy, 2001) and a useful theoretical framework for doing so are justice theories (McColl-Kennedy & Sparks, 2003).

Justice theory is derived from Adam's Equity Theory which is based upon Festinger's (1957) theory of cognitive dissonance (Adams, 1963). Adam's research was primarily undertaken in the organisational behaviour field and focused on the perceived inequalities within employee and employer relationships. Equity theory primarily concentrates on both the motivational and cognitive process of comparing

investments (inputs) with rewards (outputs) (Maxham III, 2001) which may occur either (1) when a person (any individual for whom equity or inequity exists) and other (any individual with whom the person has an exchange relationship, or with whom the person compares himself/herself when both of them are in an exchange relationship with a third party) are in a direct exchange relationship, or (2) when both are in an exchange relationship with a third party and the person compares himself/herself to other (Adams, 1965, p. 280). In this exchange relationship, inputs can be considered as contributions of the person to the job such as education or physical effort while outputs can be considered as rewards such as payment or job status (Goodman & Friedman, 1971). In other words, theory states that people weigh the inputs such as economic costs, time and energy against the outcomes and compare them with those of others for every exchange that takes place (Adams, 1963). At the end of the comparison if there is an equal balance between inputs and outputs, the exchange is considered fair or just; however, if the opposite is true, there is inequity and the exchange is not fair or just. This demonstrates that *"...equity is not merely a matter of getting 'a fair day's pay for a fair day's work,' nor is inequity simply a matter of being underpaid"* (Adams, 1963, p. 422). The author further suggests that outputs are evaluated in terms of its perceived equity or justice and, for instance, if the outcome is perceived as too high or too different from those of others get, the exchange may also be considered as unequal and unfair (Adams, 1965). Customers' perceptions of equity may depend on diverse factors which are listed as distributive justice (Homans, 1961), procedural justice (Thibaut & Walker, 1975; Lind & Tyler, 1988) and interactional justice (Bies & Moag, 1986; Bies & Shapiro, 1987) all of which will be discussed shortly.

Building upon the studies of Adams (1963, 1965), researchers in social psychology and organisational behaviour have widely employed the theory to understand the reactions of individuals to several diverse conflict situations (Blodgett, et al., 1997). For example, organisational behaviour researchers studied equity theory in terms of motivation (i.e. Zapata-Phelan, et al., 2009; Mitchell, et al., 2012), organisational performance (i.e. Flint, 1999) and compensation systems (i.e. Folger & Konovsky, 1989). However, as mentioned before, Equity Theory's concept of 'fairness' is applicable to any field consisting exchange in which the probability of perception of inequality by one or both parties is high (Adams, 1963; Maxham III, 2001). Thus, Equity Theory has also been applied to marketing as the underlying assumption of the theory is appropriate to the reciprocity concept in exchange relationships in the field (Bagozzi, 1975; Olsen & Johnson, 2003). More specifically, Equity Theory presents a beneficial theoretical perspective for studying the relationship between service failure and recovery (Goodwin & Ross, 1992) because, for example, service failure can be perceived as the reason for inequalities and service recovery is considered as the compensation (Weun, et al., 2004). Building upon this perspective, researchers in marketing has widely used Equity Theory to investigate the issues in service failure and recovery context (i.e. Blodgett, et al., 1993; Maxham III, 2001; Weun, et al., 2004).

Similar to Equity Theory, previous research (i.e. Tax, et al., 1998; Rio-Lanza, et al., 2009; Lin, et al., 2011) has showed remarkable evidence of applicability of justice theory to service failure and recovery issues. Since service failure presents a typical conflict situation, consumers' perceived justice is considered applicable while trying to interpret consumers' response to service recovery (Blodgett, et al., 1997). As

stated before, consumers usually perceive some inequity in response to failures (Maxham III, 2001) and thus, service recovery efforts are evaluated as just or unjust (Nikbin, et al., 2012). Service recovery justice is the fairness assessment of how service failures are handled (Seiders & Berry, 1998; Lin, et al., 2011). This means consumers expect fair/just behaviour from service providers and they evaluate the performance of these service providers based on their perceived justice (Nikbin, et al., 2010). Perceptions of justice, in fact, is a broad and multi-dimensional construct, covering several diverse levels all of which have an impact on post-recovery attitudes and behaviours of consumers (Lin, et al., 2011) such as levels of satisfaction and future loyalty (McColl-Kennedy & Sparks, 2003); and are consistent with studies in social and organizational psychology (Maxham III & Netemeyer, 2002). These levels are, similarly, listed as distributive justice, procedural and interactional justice (Blodgett, et al., 1993) and through these levels/factors, researchers applied justice theory to several constructs such as customer satisfaction (i.e. Karatepe, 2006; Kim, et al., 2009), repurchase intention (i.e. Blodgett, et al., 1993; Lin, et al., 2011; ), word-of mouth (i.e. Lin, et al., 2011; Kim, et al., 2009), and emotions (i.e. McColl-Kennedy & Sparks, 2003; Chebat & Slusarczyk, 2005).

The discussion above emphasizes that both equity and justice theories present a theoretical bases for explaining perceptions of justice regarding recovery attempts. Despite using the same factors (i.e. distributive and procedural justice), they demonstrate a slight difference. Justice theory measures perceptions of fairness regarding a recovery effort in the transaction (Kwon & Jang, 2012). Thus, the perceptions of fairness have usually been assessed with a transaction-specific

manner (Olsen & Johnson, 2003). However, the quality of a consumer's entire history is significant in order to interpret their levels of satisfaction and future behaviour (Andreassen & Lervik, 1999). Therefore, equity theory highlights cumulative perspective for addressing fairness perceptions by indicating that unless consumer's entire history with a company is considered, the effectiveness of recovery efforts cannot be comprehended (Kwon & Jang, 2012).

### **3.2.1 Distributive Justice**

*"Distributive justice is concerned with the distribution of the conditions and goods which affect individual well-being."* (Deutsch, 1975, p.137)

Distributive justice is the first factor of both justice and equity theories which is broadly considered as the fairness in terms of resource allocation (Deutsch, 1975). However, it can be simply defined as *"the perceived fairness of the tangible outcome, or decision"* (Blodgett, et al., 1993, p. 404) or *"the allocation of costs and benefits in achieving equitable exchange relationships"* (Smith, et al., 1999, p.358).

The definitions may alter regarding in which field the explanation is made. For instance, according to organisational behaviour researchers Folger & Konovsky (1989), distributive justice is the perceived fairness of compensation that employees get while Rio-Lanza, et al. (2009) explains it as assigning tangible resources in order to compensate and repair from a service failure. This shows distributive justice refers to the fairness of outcomes (Bradley & Sparks, 2002) and thus, it is generally associated with the term 'atonement' that takes forms of replacements, refund, discounts, free gifts or coupons in several studies (i.e. Karatepe, 2006; Kim, et al., 2009; Wang, et al., 2011). Although distributive justice is

considered as the most tangible factor of justice (Chebat & Slusarczyk, 2005), it may also include nonmonetary or intangible outcomes (McCollough, et al., 2000). Accordingly, Tax, et al. (1998) justify that individuals experience both economic and emotional costs (i.e. anger and embarrassment) after experiencing failure and thus, they also require an apology as compensation. However, several studies (i.e. McCollough et al., 2000; Karatepe, 2006; Kim et al., 2009) consider an apology as a part of interactional justice thus, it can be concluded that previous literature do not yet come to a consensus whether an apology is placed under distributive justice or interactional justice. Either way, if an individual believes that the outcome is not adequate given the input s/he puts, the inequity arises in the eyes of customers (McCollough, 2000).

Besides being the most tangible factor amongst justice dimensions, distributive justice is also considered as the easiest to assess (Chebat & Slusarczyk, 2005). For measuring distributive justice, previous literature (i.e. Smith et al., 1999; Chebat & Slusarczyk, 2005) have used 'justice', 'fairness', 'need', 'value' and 'reward' of outcomes with items such as '*Given the circumstances, I feel the retailer offered adequate compensation*' and '*Taking everything into consideration, the manager's offer was quite fair*' (Blodgett, et al., 1997). By employing these items, majority of researchers search for the effects of perceived justice, in this case distributive justice, on, for instance, complaint/recovery/customer or overall satisfaction (i.e. Smith et al., 1999; Sparks & McColl-Kennedy, 2001; Maxham III & Netemeyer, 2002; Karatepe, 2006; Nikbin et al., 2012), repurchase intention (i.e. Blodgett et al., 1993; Lin et al., 2011) and word-of-mouth (i.e. Kim et al., 2009) within different settings such as hotel (i.e. Smith et al., 1999; Karatepe, 2006) and airline (Nikbin, et al.,

2012). These studies demonstrate that perceptions of distributive justice have an effect on repurchase intention and satisfaction. For instance, Blodgett et al. (1993; 1997) reveal if higher levels of distributive justice is perceived, the repatronage intentions of customers will also be higher while Sparks & McColl-Kennedy (2001) find out that providing discounts leads a higher likelihood of re-using the service in a hotel setting. Goodwin and Ross (1992), on the other hand, discover that distributive justice has an influence on satisfaction regarding complaint handling whereas other researchers (i.e. Rio-Lanza et al., 2009) find out that distributive justice throughout recovery process has notable impact on overall satisfaction. Similarly, Maxham III and Netemeyer (2002) reveal that providing refunds or discounts increases recovery satisfaction. Several researchers (i.e. Tax, et al., 1998), in fact, highlight the relatively high importance of compensation in distributive justice. For example, Smith et al. (1999) explore higher levels of compensation leads to higher levels of perceptions of distributive justice, especially in hotel and restaurant settings. Furthermore, amongst the three justice dimensions, distributive justice is reported to be the most important dimension of perceived justice affecting satisfaction (Mattila, 2001; Davidow, 2003; Kim et al., 2009). Therefore, since the dependent variables of the present study is selected as overall satisfaction and repurchase intention, providing distributive justice through compensation (providing the right room with sea view) is fictionalized as a recovery attempt for this study.

### **3.2.2. Procedural Justice**

*“Procedural justice refers to the perceived fairness of the policies, procedures, and criteria used by decision makers in arriving at the outcome of a dispute or negotiation.”(Blodgett et al., 1997, p.189)*

The second factor of justice theories is procedural justice which can be briefly explained as the perceived justice regarding the procedures used during the process (Blodgett, et al., 1993). Legal and political research propose that procedural justice is more closely associated with system evaluation or institutional characteristics evaluation (Folger & Konovsky, 1989), whereas in a service recovery context, customer’s perception of justice regarding the procedures and processes, which are required to recover from a service failure, constitutes procedural justice (Mattila, 2001). Similarly, Smith et al. (1999) highlight procedural justice includes policies and disciplines of companies and thus, customer’s assessment of these systematic and appropriate processes for dealing with service problems leads to customer’s perception of procedural justice. Besides, procedural justice consists of tools for supporting communication with customers and especially, the time required to process complaints and decide on a recovery strategy (Davidow, 2003). Therefore as this type of justice concentrates on the way that outcome is attained (Nikbin, et al., 2010), and as customers expect service failures to be corrected by providers as quickly as possible, it is considered as one of the fundamental requirements for reaching perceived justice (Rio-Lanza, et al., 2009).

Some studies (i.e. Greenberg, 1997; Cropanzano & Greenberg, 1997) divide procedural justice into two: (a) structural determinants which are explained as

formal/environmental aspects of the context in which exchange occurs, and (b) interactional determinants that include the treatment of customers during an exchange.

(a) *Structural determinants* refers to the methods used by companies in order to deal with the problems caused during service delivery through facets such as accessibility, timing/speed, process control, delay and flexibility for meeting customer's recovery needs (Rio-Lanza, et al., 2009). Similarly, many researchers (McColl-Kennedy & Sparks, 2003; Chebat & Slusarczyk, 2005; Lin, et al., 2011) mention that procedural justice constitutes formal policies and structural considerations such as responsiveness and flexibility demonstrated throughout the recovery, and the length of time need to obtain a refund. Thus, for measuring procedural justice, previous literature (Blodgett et al., 1997; Smith et al., 1999; Maxham III & Netemeyer, 2002; Chebat & Slusarczyk, 2005; Kim et al., 2009) have used 'timeliness', 'promptness', 'approach', 'procedure control', 'outcome control', 'right policy and execution', 'appropriate method', and 'flexibility' of outcomes with items such as '*The customer's complaint was handled in a very timely manner*' and '*The customer had to make too many trips to the store in order to resolve the problem*' (Blodgett, et al., 1997). These measurements, indeed, highlight the fact that being treated fairly is not just getting a fair outcome (McColl-Kennedy & Sparks, 2003).

(b) *Interactional determinants* are also named as interactional justice and considered as a separate, entirely independent dimension of justice (Collie, et al., 2002) thus, it will be discussed in detail in the following paragraph.

*Interactional justice* is the perceived fairness of the manners presented by the other party in the exchange process (Blodgett, et al., 1993). In service recovery context, it refers to customers' perception of justice in human interactions with the employees of service companies throughout the recovery process (Sparks & McColl-Kennedy, 2001), and it can also be explained as the way service failures are handled via communication between service provider and customer (McColl-Kennedy & Sparks, 2003). Briefly, if procedural justice focuses on the perceived fairness of recovery policies, interactional justice concentrates on how these policies are executed (McCollough, et al., 2000). Therefore, the conceptualization of interactional justice involves interpersonal sensitivity, treatment of people with dignity and respect and presenting suitable explanations of service failure (Ha & Jang, 2009) whereas Nikbin, et al., (2010) list six dimensions as courtesy, honesty, offering explanations, empathy, endeavour and offering apologies. Other studies (Tax, et al., 1998; Smith, et al., 1999) mention providing an apology, explanation, attentiveness, and effort as dimensions of interactional justice. A more general conceptualization consists of 'courtesy', 'respect', 'interest', 'careful listening', 'effort', 'trust', 'explanation', 'empathy', 'apology', and 'communication' (Kim, et al., 2009). Previous literature uses phrases such as '*The customer was treated with courtesy and respect*' (Blodgett, et al., 1997) and '*I was given a reasonable account as to why the original problem occurred*' (Tax, et al., 1998) for measuring perception regarding interactional justice.

Studies in management field (Tyler, 1994; Korsgaard, et al., 1995) find out that employees are more prone to accept a decision as fair and thus, acceptable if their managers respect their input. Studies in services recovery field (Sparks & McColl-Kennedy, 2001; Maxham III & Netemeyer, 2002) also state that customers' perception of service recovery is affected by the interaction between representative of a company and customer. This means if an employee treats customer with empathy and in a friendly manner, the customer's feeling regarding the recovery process would be more positive (Lee, et al., 2013). A study in a hotel setting, in fact, find out that one of the most common service failures is the unfriendly and unhelpful receptionist (Lewis & McCann, 2004). Thus, researchers look for the relationship between interactional justice and complaint/recovery/customer or overall satisfaction (i.e. Tax, et al., 1998; Maxham III & Netemeyer, 2002; Davidow, 2003), repurchase intention (i.e. Blodgett, et al., 1993; 1997) and word-of-mouth (i.e. Lin, et al., 2011) within different settings such as hotel (i.e. Karatepe, 2006) and airline (i.e. Nikbin, et al., 2010). For instance, several studies (Tax, et al., 1998; Davidow, 2003; Karatepe, 2006) demonstrate that perceptions of fair interpersonal treatment have a positive relationship with complaint satisfaction. Similarly, Bitner et al. (1990) and Rio-Lanza et al. (2009) reveal interactional justice's significant impact on overall satisfaction whereas Blodgett et al. (1993; 1997) find out that providing interactional justice leads to higher repurchase intention and lower levels of negative word-of-mouth.

People, in general, tend to accept decisions which are produced by fair procedures than those which are results of unfair procedures (Cropanzano & Greenberg, 1997). As process is an integral part of the offering, companies can enhance recovery satisfaction through activities which augment procedural justice perceptions (Seiders & Berry, 1998). Thus, similar to distributive justice, researchers also look for the relationship between procedural justice and complaint/recovery/customer or overall satisfaction (i.e. Tax, et al., 1998; Smith, et al., 1999; Maxham III & Netemeyer, 2002; Rio-Lanza, et al., 2009), repurchase intention (i.e. Blodgett, et al., 1993; Lin, et al., 2011) and word-of-mouth (i.e. Blodgett, et al., 1993; 1997) within different settings such as hotel (i.e. Sparks & McColl-Kennedy, 2001; Kim, et al., 2009) and online retailing (i.e. Lin, et al., 2011). These studies show that procedural justice perceptions have an impact on satisfaction and repurchase intention. For instance, according to Tax et al. (1998) and Maxham III and Netemeyer (2002), customers who have experienced high levels of procedural justice demonstrate higher levels of satisfaction with complaint handling and recovery thus, Kim et al. (2009) advice hotel managers to monitor existing recovery policies and processes to reverse the effect of service failures. Unlike satisfaction, findings regarding repurchase intention show differences. For example, Blodgett, et al., (1997) find out that procedural justice, specifically timeliness aspect, has no effect on repurchase intention in a retail context. Lewis (1983), on the other hand, points out that the way complaint is handled has an effect on repurchase intention. Similarly, Conlon & Murray (1996) discover that the speed of a response to failure increases the likelihood of revisiting a company. These diverse results may be explained with the interactions between three dimensions of justice. For instance, distributive justice

and procedural justice are not independent constructs. Distributive justice, per se, is a necessary, but not adequate, requirement for procedural justice (McFarlin & Sweeney, 1992). Thus, since the absence of a truly fair outcome affects the perceptions regarding procedures (McCollough, et al., 2000), companies, which aim to reach higher levels of satisfaction and repurchase intention, should be offering both distributive and procedural justice. Therefore, while constructing the scenario for this study, procedural justice (speed) has also been fictionalized as a recovery attempt.

## **Chapter 4. Service Failure and Service Recovery**

### **4.1. Service Failure**

With the rise of service orientation and increased customer awareness, preserving good customer relationships become essential both for practitioners and academics (Lin, et al., 2011). For academicians, since service quality is significant for both marketing strategy and competitive advantage, it receives increased attention in the literature (Komunda & Osarenkhoe, 2012). Practitioners, on the other hand, are forced to focus on quality and excellence of services in order to obtain and maintain a set of loyal and profitable customers due to severe global competition (Karatepe, 2006). Repeated customers are considered as key assets for service organizations (Miller, et al., 2000) and since the cost of gaining a new customer is five times that of maintaining an old one (Tax & Brown, 1998), companies try to provide a service or a product which meets or exceeds expectations of customers every time (Miller, et al., 2000; Kim, et al., 2009). Unfortunately, due to many factors, such as varying customer expectations, achieving this objective may become difficult, especially for service companies.

As mentioned before, services have diverse characteristics, IHIP characteristics which make failures inevitable (Goodwin & Ross, 1992; Wang, et al., 2011). For instance, since the production and consumption is happening simultaneously in service industries, the performance of the delivery of service depends on several factors such as employee attitudes (Michel, 2001). Moreover, in service encounters, customers usually participate the production process and become a part of operating systems, practices and policies (Seiders & Berry, 1998) which increases human involvement and this, in turn, complicates the service delivery process

(Miller, et al., 2000). Due to these factors mentioned above, service failures are going to happen at some point for any firm in service industry (Maxham III, 2001). In fact, Fisk et al. (1993) claim because of these unique characteristics of services, it is not possible to provide 100% error-free service.

Service failure is, thus, defined as any real and/or perceived service related problem which appears during the experience of a consumer with a company (Maxham III, 2001). Similarly, Shostack (1984) states that service failures are fail points during service delivery process. While Shostack's definition explains a real service related problem, other researchers define failure as a perceived service related mistake. For instance, Palmer, et al. (2000) claim if customer considers the service is flawed or careless then, a service failure occurs. Similarly, according to Zeithaml et al. (1993) service failure takes place when perceptions of customer regarding the delivery of a service are lower than his/her expectations regarding the service. While some researchers define a service related problem either as real or perceived, others consider both of the perspectives while defining service failure. For example, Bitner et al. (1990) claim that a service failure occurs if service is delayed or is not fully delivered or fails to meet customer's expectations. Accordingly, in another study, Bitner et al., (1994) classify failures as unavailable service, unreasonably slow service, and core service failures. Following the footsteps of Bitner et al. (1994), McColl-Kennedy & Sparks (2003) categorizes service failures into four:

- (1) Failures related with *service product*: problems such as unavailability of product/service (i.e. having an overcooked dinner, not getting things that were booked, etc.)

- (2) Failures related with *service providers*: problems such as unprompted or unsolicited employee responses to failures (i.e. speaking rudely, etc.)
- (3) Failures which are *outside the service provider's control*: problems that service provider cannot control such as the weather or power cut.
- (4) *Customer-related* failures: problems which occur due to customers such as being sick or feeling tired.

Regarding the type of failure, several studies (i.e. Smith et al., 1999; Weun et al., 2004) highlight the influence of severity of service on the evaluations of service provider after a failure is experienced. Service failure severity is considered as customers' perception regarding the intensity of a service problem (Weun et al., 2004; Wang et al., 2011). If customers feel dissatisfied with the products/services that are important for them, they would feel higher levels of stress and frustration (Blodgett, et al., 1993). Therefore, it is reasonable to think that the more intense or severe the failure is, the more dissatisfied the customer is (Wang, et al., 2011) which will have impact post-recovery trust, commitment, negative word-of-mouth, satisfaction (Weun, et al., 2004), and customer loyalty (Wang, et al., 2011). Consistent with these previous studies, in order to increase the severity of the failure, the scenarios used in this study mention saving money for two years before having the vacation.

Regardless of being real or perceived, or regardless of the category, the end result of service failures are the same, intensive, immediate and emotional reactions (Seiders & Berry, 1998). Lewis & McCann (2004) provide a list of these reactions which include a decline in customer confidence, negative word-of-mouth, customer

defection, loss of revenue and increased costs, a decrease in employee morale and performance, and dissatisfaction.

The influence of failures on satisfaction/dissatisfaction, which is vital for companies success since it affects profits (Sparks & McColl-Kennedy, 2001), is high (Nikbin, et al., 2012). When customers experience dissatisfaction, they may demonstrate several different attitudes. These attitudes may be directed against the service provider (Sparks & McColl-Kennedy, 2001). For instance, service failures are considered the dominant cause of losing existing customers (Lin, et al., 2011) and they may be the reason for switching providers (Maxham III, 2001). Moreover, customers may also engage in negative word-of-mouth after experiencing failures (Tax, et al., 1998; Kim, et al., 2009). According to TARP (1980), while dissatisfied customers share their experience with eight to ten people on average, one fifth of disturbed customers show their anger to nearly 20 individual. Furthermore, some of the dissatisfied customers are prone to complain about the failures directly to the company (Sparks & McColl-Kennedy, 2001). Accordingly, customers may prone to complain to third parties (McColl-Kennedy & Sparks, 2003) which become easier with the developments in information technologies. Therefore, due to a service failure, a company may not only lose a customer but also potential customers and, their loyalty (Miller, et al., 2000; Nikbin, et al., 2012). To categorize these customer responses to failures, Hirschman (1970) lists exit, voice and loyalty behaviours. As mentioned above, exit means leaving the company silently and never purchasing from them again. Voice provides customers an opportunity to express their dissatisfaction to the company, whereas loyalty refers staying with the company even though being dissatisfied because the person believes things will be better

soon. Although companies have no control over the first category, exit, if customers have chance to voice their complaints to companies, they may have an opportunity to turn a dissatisfied customer to a satisfied one (Sparks & McColl-Kennedy, 2001) which will be discussed in service recovery part of this chapter.

Since the results of service failures make them extremely costly for firms (Maxham III, 2001) and since as occasional service failures are inevitable during service delivery (Webster & Sundaram, 1998), they are at the heart of research, especially in operations management, marketing, tourism and hospitality fields (Lee, et al., 2013). For instance, Miller, et al. (2000) provide practitioners with a framework which clarifies service recovery strategies after a failure from an operations perspective, whereas Goodwin and Ross (1992) examine consumer responses to service failures in different settings such as airline and auto-mechanic. In a different context, a qualitative study (Colgate & Norris, 2001) has been conducted with business banking customers in order to understand why some customers exit after a failure while others stay loyal. Lee, et al. (2013), on the other hand, analyze the impact of several aspects, such as social exposure or interpersonal treatment, of a failure event in a hospitality service. Accordingly, previous literature also provides studies in restaurant settings (i.e. Hoffman, et al., 1995; Hess, et al., 2003) and tourism settings (i.e. McColl-Kennedy & Sparks, 2003). Consistent with the aim of this study, previous studies also state that flawless service may not be achieved since hotel businesses have certain characteristics such as being intangible (Collie, et al., 2000). Dissatisfied hotel customers could also demonstrate the following reactions: exit silently, complain directly to the service provider, spread negative word-of-mouth or stay loyal to the provider (Kim, et al., 2009), therefore previous

studies aim to understand the types of service failures experienced by hotel customers and determine the magnitude to service failures (Lewis & McCann, 2004), the impact of failure on customer satisfaction and loyalty (Sparks & Fredline, 2007) and the application of fairness theory to service failures and recovery (McColl-Kennedy & Sparks, 2003). Although these studies sometimes provide examples of diverse settings within a study (i.e. Goodwin & Ross, 1992), they neglect to study the impact of service failures done by different partners in a services supply chain. Therefore, this study aims to find out the impact of a service failure in TSSC done by diverse partners (i.e. hotel or travel agency) on customer satisfaction and repurchase intention, and with this objective Hypotheses 1 and 2 have been proposed:

**H1a:** Following a service failure by travel agency, overall customer satisfaction for travel agency is likely to be lower.

**H1b:** Following a service failure by travel agency, repurchase intention for travel agency are likely to be lower.

**H2a:** Following a service failure by hotel, overall customer satisfaction for hotel is likely to be lower.

**H2b:** Following a service failure by hotel, repurchase intention for hotel are likely to be lower.

#### **4.2. Good Prior Experience**

While trying to understand customer satisfaction and their future behaviour, customer's entire history of relations with a company becomes critical (Kwon & Jang, 2012). As Tax, et al. (1998) point out customer's decision processes evolve over time as well as their evaluations regarding products/services and subsequent

purchase decisions are based on this revisions of existing knowledge of products/services.

Customers are satisfied and intend to purchase services in the future when their expectations are met and expectations, in turn, are affected by prior experience, personal needs, word-of-mouth and image of service provider (Michel, 2001). This demonstrates for reducing both risk and uncertainty of their future experiences, customers are also looking for information from several sources such as advertisements, as well as tangible cues like equipment (del Bosque, et al., 2006). Similarly, from fairness perspective, customers form fairness expectations through past experiences with company, word-of-mouth or marketing communications efforts of companies and a failure to meet these expectations results with an unfairness perception (Seiders & Berry, 1998). Therefore, it is believed that both customers' prior experience and knowledge have an influence on the perceptions of a product or a service (Holloway, et al., 2005) and thus on behavioural intentions (Taylor & Todd, 1995).

Consistent with past research (i.e. Parasuraman, et al., 1985), this study indicates *"expectations create a frame of reference for comparative judgments"* (Moore & Shuptrine, 1984, p.299). The effect of past transactions is also supported by the expectancy disconfirmation (or confirmation/disconfirmation) paradigm. This theory states that customer satisfaction is a result of an evaluation process in which expectations are judged against the actual experience (Oliver, 1989) and expectations serve as a reference point while evaluating, for instance, satisfaction (Zeithaml, et al., 1993). According to the theory, confirmation occurs if the product or service performs as expected and causes no change in satisfaction levels.

Disconfirmation, on the other hand, occurs if there is a difference between expectations and outcomes. When performance exceeds expectations, positive disconfirmation appears and this lead to satisfaction. Negative disconfirmation, on the other hand, occurs when actual performance of a product or service falls behind the expectations, which in turn cause dissatisfaction (Blodgett, et al., 1993). For instance, when a customer has several past transactions with a company, customer becomes accustomed to a regular level of service which she or he expects for future transactions, and if this regular level is not performed, customer experiences a negative disconfirmation (Hess, et al., 2003). Therefore, if the negative disconfirmation increases so is the dissatisfaction, and if the positive disconfirmation increases so is the level of satisfaction (McCollough, et al., 2000). In that sense, Expectancy Disconfirmation paradigm is built upon the basis for Festinger's (1957) Cognitive Dissonance Theory, which defines a dissonance between the real performance of a product or service and the cognition of it (Bakri & Elkhani, 2012). The theory suggests that prior experience with a product or service may alter customers' perceptions. Cognitive Dissonance Theory also helps to explain why consumers' reactions differ to disconfirmation such as service failures (Kwon & Jang, 2012) and also recovery (McCollough, et al., 2000). For instance, according to the research of Tax, et al. (1998), good prior experience lessens the negative effects of a service failure. This view takes its foundation from Cognitive Consistency Theory which states customers holding higher expectations evaluate, for instance, service quality as higher than customers holding lower expectations (Boulding, et al., 1993). The reason is that experienced customers' develop their perceptions on their past behaviour; and thus their perceptions become more

enduring (Kim, et al., 2009b). In such a case, good prior experience acts like a buffer or insurance against negative outcomes or failures (i.e. DeWitt & Brady, 2003; Dawar & Pillutla, 2000). Similarly, according to the theory, following a service failure, customers, who had good prior experiences with the company or who are loyal to the company, attribute the reason of the failure to external sources and think disconfirmation as an uncontrollable or temporary event (Yi & La, 2004). Non-loyal customers or customers who had no prior experience with the company, on the other hand, find the company responsible (Kwon & Jang, 2012). When service recovery aspect is considered, customers who have good prior experiences with a company, expect higher efforts for service recovery (Karande, et al., 2007). Another study in information technology (IT) sector reveals that customers with prior experiences have higher standards for service recovery and this creates a moderate effect on satisfaction (Lin & Ding, 2005). Such favourable past experiences are considered as means for increasing favourable future attitudes (i.e. customer satisfaction and repurchase intention) (Holloway, et al., 2005) since they are acting as a buffer. Therefore, good prior experience is considered as another independent variable and hypotheses are formed accordingly:

**H3a:** After experiencing a service failure, overall customer satisfaction for hotel is likely to be higher for consumers who have good prior experiences with hotel.

**H3b:** After experiencing a service failure, repurchase intention for hotel are likely to be higher for consumers who have good prior experiences with hotel.

**H4a:** After experiencing a service failure, overall customer satisfaction for travel agency is likely to be higher for consumers who have good prior experiences with travel agency.

**H4b:** After experiencing a service failure, repurchase intention for travel agency are likely to be higher for consumers who have good prior experiences with travel agency.

### **4.3. Service Recovery**

It is more difficult to meet the expectations of today's customers since they are prone to be more demanding and less loyal compared to the past (Nikbin, et al., 2010). Furthermore, as mentioned above, although providing seamless service ought to be the desired aim for all service marketers, because of unique characteristics, problems are omnipresent in service industry (Berry & Parasuraman, 1991). These problems and/or failures are basic reasons for dissatisfaction leading customers to, for example, exit silently or spread negative word-of-mouth (Kim, et al., 2009), which make them extremely costly for companies. Although failures cannot be fully eliminated, companies can learn how to respond them (Maxham III, 2001; Wang, et al., 2011). Consistent with this objective, companies try to find out how they can control the frequency of failures and how to provide effective service recovery in order to sustain their performance and their relationships with customers (Schoefer & Ennew, 2005; Wang, et al., 2011).

In that sense, service recovery is basically the response to a service failure (Maxham III, 2001). According to Grönroos (1988), service recovery is actions taken by a service provider for responding a service failure. Similarly, several other researchers (Miller, et al., 2000; Maxham III, 2001; Komunda & Osarenkhoe, 2012) claim that service recovery includes actions that aims to resolve problems through changing negative attitudes of customers to positive ones. Accordingly, while McCollough, et al. (2000) view recovery as an opportunity to achieve superior market intelligence

by changing customer dissatisfaction into satisfaction, Hart, et al. (1990) consider it as a remedial behaviour for a failure that can strengthen the relationship between customer and service provider. Although previously mentioned researchers use the word 'actions' to define service recovery, others (Sparks & McColl-Kennedy, 2001; Sparks & Fredline, 2007) also explain the concept with the word 'process'. For instance, Sparks & Fredline (2007) claim that it is a process in which companies deal with a service failure in order to return the customer into a satisfied mood, whereas others (Smith & Bolton, 2002; Schoefer & Ennew, 2005; Nikbin, et al., 2010) consider service recovery as a 'moment of truth' for satisfying and keeping customers. However, since the majority of dissatisfied customers are not likely to complain, service recovery should aim to solve problems both before complaining and leaving the service encounter dissatisfied (Michel, 2001). Therefore, as Smith, et al. (1999) state, service recovery attempts also include situations in which no complaint has been made by the customer since one of the objectives is to seek out and deal with service failures even though there is no complaint. This means service recovery, which helps organizations to identify and eliminate all possible causes for failures before consumption with an aim to increase financial performance of companies and satisfaction of customers (McCollough, et al., 2000), is a proactive action which distinguishes it from complaint handling strategies.

Since the fundamental objective of service recovery is decreasing the effect of failures on customer relationships with proper actions (Nikbin, et al., 2010), previous literature provides some techniques and strategies in order to achieve this aim. Recovery strategies are tactics for returning "*the customer to a state of satisfaction*" (Sparks & McColl-Kennedy, 2001, p.210). These tactics include

endeavours to provide remedy for a failure such as providing compensation and/or explanations about the failure, apologizing and being polite throughout the process (Sparks & Fredline, 2007). Sparks & McColl-Kennedy (2001) also include the empowerment of staff in order to get problems solved at the service encounter since previous studies (i.e. Berry & Parasuraman, 1991) emphasize the tendency of customers for forming their service evaluations mostly on the behaviour of service providers. This means the outcome of a recovery is “tangible end result delivered to an initially dissatisfied customer (i.e. what is delivered)” and the process involves the manner that service provider handles a problem (i.e. how it was delivered) (Weun, et al., 2004). Thus, both what is done (i.e. compensation), and how it is done (i.e. apology, employee behaviour) matter for customer to form their perceptions regarding service recovery (Levesque & McDougall, 2000; Wirtz & Mattila, 2004) which, as mentioned above, forms the foundation for justice theories. Furthermore, the effectiveness of these strategies has been related to type of failure, type of service, and the organisation’s tendency for taking responsibility of the failure (Lewis & McCann, 2004). Therefore, although service recovery is provided with goodwill, the efforts may also compound the failure (Keaveney, 1995; Smith & Bolton, 1998). Poor service recoveries may result with alienating and losing customers (McCollough, et al., 2000). The authors further state that service recovery efforts are critical since poor and ineffective ones may let customers down for the second time, first with initial service and then the recovery. Thus, poor efforts may lead to loss of confidence to company, defection and negative word-of-mouth (Komunda & Osarenkhoe, 2012). Successful recoveries, on the other hand, can restore satisfaction, as well as increase future purchases

(Goodwin & Ross, 1992). Other studies also highlight the effect of effective recovery processes on word-of-mouth (Blodgett, et al., 1993; 1997; Komunda & Osarenkhoe, 2012), repurchase intention (Spreng, et al., 1995), customer relationships (Maxham III, 2001) and customer loyalty (Komunda & Osarenkhoe, 2012). Due to these reasons, companies need to fully comprehend how an effective service recovery is provided and how evaluations of customers' are shaped considering providers' reactions during recovery (Nikbin, et al., 2010) thus, service recovery has received notable attention in recent years (Michel, 2001).

Previous literature also studies the outcomes of service recovery both from a theoretical perspective (McColl-Kennedy & Sparks, 2003) and an empirical perspective (McCollough, et al., 2000). These studies (i.e. Blodgett et al., 1997; Tax et al., 1998; Smith et al., 1999; McCollough et al., 2000) have concluded that service recovery has an important impact on satisfaction after a service failure, as well as repurchase intentions and the spread of word-of-mouth. Previous research studied service recovery from diverse angles, including the relationship of recovery satisfaction and overall satisfaction (McCollough, et al., 2000). Since the concept of fairness is more applicable to dissatisfied customer's behaviour(s) after experiencing a failure (Blodgett, et al., 1997), the role of justice theory and equity theory on recovery has been used as a theoretical framework in several studies (i.e. Sparks & McColl-Kennedy, 2001; McColl-Kennedy & Sparks, 2003; Nikbin et al., 2010). Apart from justice theories, others have applied confirmation/disconfirmation paradigm (Blodgett, et al., 1993), Hirschman's (1970) exit, voice and loyalty (i.e. Blodgett, et al., 1993; Wirtz & Mattila, 2004) and Folkes'

(1984) attribution theory to understand why some customers seek redress and while others silently exit.

The previous studies have conducted in diverse settings such as airline (i.e. Nikbin, et al., 2010), banking (i.e. Komunda & Osarenkhoe, 2012) and hotel (i.e. Lewis & McCann, 2004). Although these studies provides insight of the effects of diverse recovery strategies on several constructs (i.e. satisfaction, repurchase intention or spread of word-of-mouth), they do not consider the impact of service recovery attempts done by different partners in a services supply chain. Therefore, this study aims to find out the impact of a service recovery (in a tourism services supply chain) done by diverse partners (i.e. hotel or travel agency) on customer satisfaction and repurchase intention, and accordingly, following hypotheses are developed:

**H5a:** After experiencing a service failure, overall customer satisfaction for hotel is likely to be higher for consumers experienced service recovery by hotel rather than consumers experienced service recovery done by travel agency or consumers who experienced no service recovery.

**H5b:** After experiencing a service failure, repurchase intention for hotel are likely to be higher for consumers experienced service recovery by hotel rather than consumers experienced service recovery done by travel agency or consumers who experienced no service recovery.

**H6a:** After experiencing a service failure, overall customer satisfaction for travel agency is likely to be higher for consumers experienced service recovery by travel agency rather than consumers experienced service recovery done by hotel or consumers who experienced no service recovery.

**H6b:** After experiencing a service failure, repurchase intention for travel agency are likely to be higher for consumers experienced service recovery by travel agency rather than consumers experienced service recovery done by hotel or consumers who experienced no service recovery.

Furthermore, besides the main effects of these independent variables, several studies (i.e. Smith & Bolton, 1998; McCollough, et al., 2000) focus on the interaction effects. For example, Smith & Bolton (1998) analyze both the main and interaction effects of type and magnitude of service failure, while in another study (2002), they investigate the interaction effect emotion in service encounter satisfaction. Accordingly, service failure, for instance, by interacting with good prior experience and service recovery may produce different results. Thus, following hypotheses are developed in order to analyze interaction effects:

**H7a:** There is an interaction effect between service failure (by hotel) and good prior experience (with hotel) regarding to overall customer satisfaction (for hotel).

**H7b:** There is an interaction effect between service failure (by hotel) and good prior experience (with hotel) regarding to repurchase intention (for hotel).

**H8a:** There is an interaction effect between service failure (by travel agency) and good prior experience (with travel agency) regarding to overall customer satisfaction (for travel agency).

**H8b:** There is an interaction effect between service failure (by travel agency) and good prior experience (with travel agency) regarding to repurchase intention (for travel agency).

**H9a:** There is an interaction effect between service failure (by hotel) and service recovery (by hotel) regarding overall customer satisfaction (for hotel).

**H9b:** There is an interaction effect between service failure (by hotel) and service recovery (by hotel) regarding repurchase intention (for hotel).

**H10a:** There is an interaction effect between service failure (by travel agency) and service recovery (by travel agency) regarding overall customer satisfaction (for travel agency).

**H10b:** There is an interaction effect between service failure (by travel agency) and service recovery (by travel agency) regarding repurchase intention (for travel agency).

**H11a:** There is an interaction effect between good prior experience (with hotel) and service recovery (by hotel) regarding overall customer satisfaction (for hotel).

**H11b:** There is an interaction effect between good prior experience (with hotel) and service recovery (by hotel) regarding repurchase intention (for hotel).

**H12a:** There is an interaction effect between good prior experience (with travel agency) and service recovery (by travel agency) regarding overall customer satisfaction (for travel agency).

**H12b:** There is an interaction effect between good prior experience (with travel agency) and service recovery (by travel agency) regarding repurchase intention (for travel agency).

## **Chapter 5. Methodology**

### **5.1. Research Questions and Hypotheses**

Service failure and recovery have been popular concepts for services literature as service industry represents a typical example for service failures. Although the foreign research has mostly concentrated on logistics, retail, hospitality and tourism industry, the research conducted in Turkey on tourism services supply chain is limited. Moreover, despite the popularity of the concepts, the problems regarding the methodology of service failure and recovery remain present (Michel, 2001). Until now, the majority of the empirical work has been done through actual critical incidents (i.e. Miller et al., 2000), through written complaints (i.e. Tax, et al., 1998), and through hypothetical scenarios (i.e. Blodgett, et al., 1997; Smith, et al., 1999) with an aim to, for instance, examine the effects of diverse levels of service recovery on consumer satisfaction, repurchase intention, and positive word-of-mouth (Maxham III, 2001) or consumer responses to service failures (Goodwin & Ross, 1992). Although service failure and recovery are tested on diverse levels of, for example, criticality (i.e. Levesque & McDougall, 2009) or recovery voice (i.e. Karande, et al., 2007) respectively; previous research has neglected to study the diverse partners' (of these chains) effects as the doer of the failure or the recovery. As the research questions, mentioned before, indicate, it is suggested that service failure, good prior experience and service recovery may have influences on overall customer satisfaction and repurchase intention. Based on these research questions and the theoretical background presented in previous chapters, 24 hypotheses are developed and tested in this study. These hypotheses are listed as follows:

**H1a:** Following a service failure by travel agency, overall customer satisfaction for travel agency is likely to be lower.

**H1b:** Following a service failure by travel agency, repurchase intention for travel agency are likely to be lower.

**H2a:** Following a service failure by hotel, overall customer satisfaction for hotel is likely to be lower.

**H2b:** Following a service failure by hotel, repurchase intention for hotel are likely to be lower.

**H3a:** After experiencing a service failure, overall customer satisfaction for hotel is likely to be higher for consumers who have good prior experiences with hotel.

**H3b:** After experiencing a service failure, repurchase intention for hotel are likely to be higher for consumers who have good prior experiences with hotel.

**H4a:** After experiencing a service failure, overall customer satisfaction for travel agency is likely to be higher for consumers who have good prior experiences with travel agency.

**H4b:** After experiencing a service failure, repurchase intention for travel agency are likely to be higher for consumers who have good prior experiences with travel agency.

**H5a:** After experiencing a service failure, overall customer satisfaction for hotel is likely to be higher for consumers experienced service recovery by hotel rather than consumers experienced service recovery done by travel agency or consumers who experienced no service recovery.

**H5b:** After experiencing a service failure, repurchase intention for hotel are likely to be higher for consumers experienced service recovery by hotel rather than

consumers experienced service recovery done by travel agency or consumers who experienced no service recovery.

**H6a:** After experiencing a service failure, overall customer satisfaction for travel agency is likely to be higher for consumers experienced service recovery by travel agency rather than consumers experienced service recovery done by hotel or consumers who experienced no service recovery.

**H6b:** After experiencing a service failure, repurchase intention for travel agency are likely to be higher for consumers experienced service recovery by travel agency rather than consumers experienced service recovery done by hotel or consumers who experienced no service recovery.

**H7a:** There is an interaction effect between service failure (by hotel) and good prior experience (with hotel) regarding to overall customer satisfaction (for hotel).

**H7b:** There is an interaction effect between service failure (by hotel) and good prior experience (with hotel) regarding to repurchase intention (for hotel).

**H8a:** There is an interaction effect between service failure (by travel agency) and good prior experience (with travel agency) regarding to overall customer satisfaction (for travel agency).

**H8b:** There is an interaction effect between service failure (by travel agency) and good prior experience (with travel agency) regarding to repurchase intention (for travel agency).

**H9a:** There is an interaction effect between service failure (by hotel) and service recovery (by hotel) regarding overall customer satisfaction (for hotel).

**H9b:** There is an interaction effect between service failure (by hotel) and service recovery (by hotel) regarding repurchase intention (for hotel).

**H10a:** There is an interaction effect between service failure (by travel agency) and service recovery (by travel agency) regarding overall customer satisfaction (for travel agency).

**H10b:** There is an interaction effect between service failure (by travel agency) and service recovery (by travel agency) regarding repurchase intention (for travel agency).

**H11a:** There is an interaction effect between good prior experience (with hotel) and service recovery (by hotel) regarding overall customer satisfaction (for hotel).

**H11b:** There is an interaction effect between good prior experience (with hotel) and service recovery (by hotel) regarding repurchase intention (for hotel).

**H12a:** There is an interaction effect between good prior experience (with travel agency) and service recovery (by travel agency) regarding overall customer satisfaction (for travel agency).

**H12b:** There is an interaction effect between good prior experience (with travel agency) and service recovery (by travel agency) regarding repurchase intention (for travel agency).

## **5.2. Research Design**

### **5.2.1. Experimental Design**

Since the objective of the study is to investigate the effects of service failure and recovery in tourism supply chains on overall customer (tourist) satisfaction and on their repurchase intention, scenario-based experiments are considered to be appropriate for data collection. Scenario-based role-playing experiments are considered suitable, for instance, for studies trying to understand how and why the managers of supply chains shape their judgments and preferences

(Rungtusanatham, et al., 2011). Moreover, scenario-based experiments are also used in studies (i.e. Webster and Sundaram, 1998; Maxham III, 2001) of service failure and recovery. As research on service recovery is especially challenging due to the fact that it is triggered by a service failure, conducting a systematic empirical study in a, for example, lab or field environment is very difficult (Smith & Bolton, 1998). Therefore, scenario-based experiments are considered as valid means while investigating service failure and recovery in hospitality and tourism literature (McCollough, 2000) since they enable researchers to explore customers' reactions to both service failure and recovery (Smith & Bolton, 1998).

In a scenario-based experiment, realistic situations are imitated and simulated, and human subjects, through acting in a pre-defined role, give responses and provide empirical insights (Rungtusanatham, et al., 2011). The use of scenarios has several advantages, especially in tourism industry. Since service failure is common in this industry, service failure and recovery manipulations are regarded as realistic and believable (McCollough, 2000). Similarly, scenarios aid to operate manipulations more easily and control over otherwise unmanageable variables (Bitner, 1990). Furthermore, role-playing allows researchers to compress time by providing a summary of real-life events that may otherwise occur over several weeks (Bitner, 1990). Use of scenarios also avoids both the ethical consideration and cost of observing a real service failure encounter, while eluding a response bias which may occur because of memory lapses during conducting a survey (Smith & Bolton, 1998). Lastly, using scenarios eliminate managerial undesirability of deliberately intruding service failure encounters on customers (Smith, et al., 1999). Due to these advantages, scenario-based experiment is used in this study.

A 2\*2\*3 between subjects factorial design is used to test the influence of service failure, good prior experience, and service recovery attributions done by diverse partners in services supply chain on overall customer satisfaction and repurchase intention. In the present study, a 2\*2\*3 between subjects design manipulates three independent variables according to two levels for the first two independent variables and to three levels for last independent variable: service failure (by either travel agency/hotel), good prior experience (with travel agency/hotel) and service recovery attributions (by either travel agency/hotel/no recovery), respectively. The 2\*2\*3 design provides twelve diverse scenarios (See Table 7 for details). Subjects are randomly assigned to one of twelve diverse scenarios describing a service failure, good prior experience and service recovery in a hotel setting and each participant would get only one scenario.

The context of the study is chosen to be a hotel visit due to two reasons. First of all, service failures are common in hotel settings (Smith & Bolton, 1998). For instance, for the last year (2014), consumers wrote 2789 complaints regarding hotels, thermal hotels and hostels in total at an online Turkish complaint web-site<sup>3</sup>. Due to this frequency, as mentioned before, it is easier for consumers to find manipulations in the present study believable. Secondly, in a hotel setting, it is possible to manipulate all the variables (service failure, good prior experience and service recovery) under investigation. As the study needs a service failure which may be done both by the supplier (i.e. hotel) in service supply chain and the service provider (i.e. travel agency), a booking mistake is considered suitable after a qualitative research because it makes manipulations regarding service failure and

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<sup>3</sup> See the link for the web-site: <http://www.sikayetvar.com/sikayetler>

recovery easier and believable. The next part will demonstrate the reason of choosing a booking mistake as a service failure.

Table 7. Details of Manipulations in Scenarios

	<b>Service Failure</b>	<b>Good Prior Experience</b>	<b>Service Recovery</b>
1	Travel Agency	Travel Agency	Travel Agency
2	Travel Agency	Travel Agency	Hotel
3	Travel Agency	Travel Agency	No Recovery
4	Travel Agency	Hotel	Travel Agency
5	Travel Agency	Hotel	Hotel
6	Travel Agency	Hotel	No Recovery
7	Hotel	Hotel	Hotel
8	Hotel	Hotel	Travel Agency
9	Hotel	Hotel	No Recovery
10	Hotel	Travel Agency	Hotel
11	Hotel	Travel Agency	Travel Agency
12	Hotel	Travel Agency	No Recovery

### 5.2.2 Scenario Generation

Scenarios have been more successful if there is high conformity between respondent's real-life experiences and the experimental scenarios since the latter requires participant's imagination (Dabholkar, 1996). Therefore, in order to develop a scenario which will be used in the experiment, critical incidents have been analyzed. An incident has been described as an observable human activity which allows the observer to make complete enough predictions about the person who is doing the act (Bitner, et al., 1990). An incident, on the other hand, should make a significant contribution (either positive or negative) to a phenomenon in order to become a critical incident (Bitner, et al., 1990). For collecting critical incidents regarding service failures record forms have been used. Record forms are divided into two kinds; one is recording the details of incidents as they happen, for example

through interviews. In general, service researchers ask respondents to tell a story regarding their experiences (Gremler, 2004). Another method requires collecting data through written forms (Flanagan, 1954). In this study, second method has been used and data has been gathered from an online Turkish complaint web-site (sikayetvar.com). This web-site is an online platform whose objective is to meet consumers and organisations through providing consumers with a right to write their complaints about a specific company they had a problem with. The primary objective is to find a realistic service failure which may be done by both service provider (travel agency) and the supplier (hotel), and the complaints provided by the web-site demonstrate conformity with this objective. Moreover, as Flanagan (1954) suggests, observers should be familiar with the activity and, collecting data from this web-site provides real incidents through which direct human behaviour can be observed. Lastly, although recall bias and consumers' re-interpretation of the situation have been considered as limitations of studying through critical incidents (Michel, 2001), collecting written forms of complaints from a web-site eliminates these limitations.

There are several categories including complaints from diverse industries (i.e. banking, electronics, Internet or logistics) in the web-site however, in order to develop a reliable scenario, the category consisting complaints regarding tourism is selected. Similarly, tourism category includes many sub-categories such as road side restaurants. Within these sub-categories, travel agency has been selected in order to create a list of complaints which may align with the aim of the study (See Table 8 for a detailed scheme).

Table 8. A Detailed Scheme of Categories

Shopping	Real Estate and Construction	Internet	Furniture
Mom-Baby	Entertainment and Organisation	Camera and Photograph	Jewellery-Watch-Eye Glasses
White Appliances	Finance	Public Services	Automotive
Computer	Food	Cargo and Shipping	Health
Cell-phone	Clothing	Personal Care and Cosmetics	Insurance
Education	Drinks	Home appliances	Sports
Electronics	Communication	Media	Tourism
Transportation	Other Categories	Kitchen Appliances	

The complaints under the travel agency category have also several sub-titles such as the knowledge of the tour guide, call centre, and the tour program. In Table 9, you may see the sub-titles under travel agency category and the number of complaints within these sub-titles<sup>4</sup>.

The sub-titles are selected both according to the frequency of repetition and their relevance to research objective. Therefore, Cancellation/Refund, Accommodation/Food/Drinks, Comfort, and Booking have been primarily selected. Although, the number of critical incidents required is considered as a general problem while collecting and analyzing the data, Flanagan (1954) states it might be satisfactory to gather only 50 or 100 incidents. Therefore, present study collected the first 100 complaints in each selected sub-title.

In the light of the research objective, 120 complaints are selected as they are related with both travel agency and hotel. In these complaints, consumers selected a holiday inn or hotel through a travel agency.

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<sup>4</sup> The related data is gathered between April 21, 2014 and May 6, 2014. Since sikayetvar.com is a user-generated web-site, it is like a living organism. This means, after May 6, there might have been more complaints and some customers, after the solution of problem, may prefer to delete their complaint. Therefore, the total number of complaints and the number of sub-titles under the travel agency category may change with time.

Table 9. Sub-titles of Travel Agency Category

The reason of complaint	Number of complaints (last 12 months)
Cancellation/ Refund *	584
Accommodation/ Food / Drinks *	448
The information provided by the agency	309
Attitudes of agency personnel	304
Comfort *	284
Call centres	265
Attitudes of the tour guide	263
Tour cancellation by the agency	234
Booking *	198
Tour cancellation by the customer	163
Price	143
Transportation	123
Tour Program	117
Knowledge of the tour guide	106
*Selected sub-titles for research	

The results of data analysis demonstrate that the majority of the complaints are due to not being able to meet the expectations of consumers either because of, for example, a dirty hotel room or a booking failure. See the complaints of consumers below<sup>5</sup>:

**Ceren (female):** *“We joined a tour to Barcelona. The guide was unaware of the addresses of hotels or the airports, thus we spent so many time. In the hotel, they gave us a dark, noisy room with a dirty smell. We asked for a room change but, they did not do anything.”*

Since a failure regarding the hotel room is directly related with a hotel or travel agency, a booking failure is considered to be more suitable with the aim of the study. Within booking failures, consumers complain about the following:

**Zeynep (female):** *“I paid more than normal price for a room with a sea view to ABC hotel for August, but it was a disappointment because when I arrived, I saw that the room was facing a roof. The clerk of the travel agency said it was hotel’s problem. In the sake of customer satisfaction, they gave me 5% discounts for my next holiday. I will never work with this travel agency again.”*

<sup>5</sup> To be anonymous, pseudo names have been used.

**Umut (male):** “We made a booking from a travel agency in order to spend our holidays in Bodrum. We specifically wanted a room with a sea view. When we arrived at the hotel, they gave us the room with the worst view.”

**Bulut (male):** “Although I paid for a sea-viewed room, the hotel I stayed between 13.09.2013 and 17.09.2013 changed my booking and gave me a room without a view. When I complain about the situation, they told me that they are going to refund the amount I paid extra for the sea view. However, they have been stalling me since and they reject the refund in the end.”

As the problem with the view of the room is frequently mentioned, it is selected as the service failure used in the scenario. In order to be sure about the reliability, the scenario has been tested by experts working both in travel agencies and hotels. There are several travel agencies in Turkey some of which are more corporate and some of which are local. The opinions of the employees of two diverse agencies are taken regarding the tentative scenarios created. The tentative scenarios are also tested by the employees of a famous five-star hotel chains in central Izmir. Moreover, in total 15 consumers have read and contributed the final version of the scenario.

After the pilot studies regarding scenario generation, tentative scenario has been altered. For instance, either the travel agency or the hotel is the one to recover the failure, they offer a refund (See the statements of Bulut and Zeynep Above) which is providing a room with sea view. This means in both of the situations, the partners in the services supply chain offer distributive justice through providing compensation for the mistake as a service recovery attempt.

As mentioned in previous chapter, distributive justice is the designation of tangible sources in order to compensate for a failure or mistake (Rio-Lanza, et al., 2009). Providing distributive justice is relevant as previous studies (i.e. Davidow, 2003)

demonstrate. Several studies conducting a research in hotel settings (i.e. Smith et al., 1999; Kim et al., 2009) confirm that effects of distributive justice on satisfaction are stronger than procedural and interactional justice. Furthermore, providing compensation is correlated with the consumers' perceptions of distributive justice (Tax, et al., 1998) which means higher levels of compensation provides higher levels in consumers' perception of distributive justice in hotel settings (Smith, et al., 1999). Besides distributive justice, previous studies focus on the relationship between procedural justice and complaint/recovery/customer or overall satisfaction (i.e. Tax, et al., 1998; Smith, et al., 1999; Maxham III & Netemeyer, 2002; Rio-Lanza, et al., 2009), repurchase intention (i.e. Blodgett, et al., 1993; Lin, et al., 2011) and word-of-mouth (i.e. Blodgett, et al., 1993; Blodgett, et al., 1997) within different settings such as hotel (i.e. Sparks & McColl-Kennedy, 2001; Kim, et al., 2009) and online retailing (i.e. Lin, et al., 2011). For example, Tax et al. (1998) and Maxham III and Netemeyer (2002) reveal that customers who have experienced high levels of procedural justice demonstrate higher levels of satisfaction with complaint handling and recovery, whereas Conlon & Murray (1996) discover that the speed of a response to failure increases the likelihood of revisiting a company. Therefore, as both the critical incidents and previous literature suggest, distributive and procedural justice are provided in scenarios as a recovery attempt.

### **5.2.3 Sample and Procedure**

Sample is composed of 384 (32 respondents for each cell) people who are working and earning their own money. Undergraduate students are not considered within the sample as most of them are not working and get allowance from their parents. In such a situation, students may be more careless to service failures as they are not

spending their own money. Therefore, the sample includes people who started to earn their own money.

As mentioned above, beside 384 individuals for main study, 120 respondents (20 for each cell) completed the questionnaires for pre-tests. Throughout the study, convenience sampling has been used due to its advantages such as low cost and time saving features (Malhotra, 2004). Both before the pre-tests and the main test, in order to translate and adapt the scales to Turkish, experts' opinions (group of ten bilingual people) are taken.

With regard to between-subject design, participants are randomly assigned to one of the twelve scenarios and each participant is exposed to only one treatment in both main and pre-tests (Perdue & Summers, 1986). Participants are instructed to read the scenario first and asked to imagine themselves as the customer in the scenario. Then, they are asked to respond the questions in terms of how they feel or act when they are faced with such a situation. At the end of the survey, they are asked to answer some demographic questions. All responses are anonymous.

Among the 384 respondents, 52.9% (n= 202) are male and 47.1% (n=180) are female. 19.9% (n=76) of the respondents declare that they have high school as an education level, whereas 60.4% (n=230) had graduated from university. Some of the respondents have Master's and Doctorate degrees, 10.0% (n=38) and 6.3% (n=24) respectively.

In terms of age distribution, 21.0% (n=80) of the respondents are below 24 (20 is the lowest age). 19.4% (n=74) and 16.8% (n=64) of the respondents are between 25-29 and 30-34, respectively. A total of 75 respondents (19.7%) are between 35-39 while 35 (9.2%) respondents are between 40-44 range. From the remaining, 6.8%

(n=26) of the respondents are between 45-49 and 7.1% (n=27) are 50 and above range.

Table 10. Demographic Characteristics of Sample

		<b>N=384<sup>6</sup></b>	<b>% (percentage)</b>
<b>Gender</b>	Male	202	52.9
	Female	180	47.1
<b>Education</b>	Secondary School	13	3.4
	High School	76	19.9
	University	230	60.4
	Master's	38	10.0
	Doctorate	24	6.3
<b>Age</b>	20-24	80	21.0
	25-29	74	19.4
	30-34	64	16.8
	35-39	75	19.7
	40-44	35	9.2
	45-49	26	6.8
	50+	27	7.1
<b>Income</b>	0-1000	43	11.3
	1001-2000	148	38.9
	2001-5000	151	39.7
	5001+	38	10.0

11.3% (n=43) of the respondents claim that their income levels 1000TL and below. While 38.9% (n=148) are in the 1001-2000 TL income level range, 39.7% (n=151) of the respondents gain between 2001 and 5000 TL. A total of 38 respondents (10.0%) report their income level is 5001 TL and above.

### **5.3. Operationalization of Dependent Variables**

#### **5.3.1. Overall Customer Satisfaction**

In accordance with the majority of the studies (i.e. Smith, et al., 1999; Maxham III & Netemeyer, 2002; Karande, et al., 2007) in service failure and recovery, this study is concerned with the effect of a failure or a recovery on overall satisfaction.

<sup>6</sup> Since there are no hypotheses set for demographic questions, missing data has not been replaced by using any method for these questions.

Customer satisfaction is vital for the success of organisations as it is directly related to organisations' profits (i.e. Bitner, 1990; Sparks & McColl-Kennedy, 2001) and is used as a fundamental tool for assessing the health of a company's relationship with its customers (Rossomme, 2003). Satisfaction is explained as fulfilment response of customers' (i.e. Rossomme, 2003; Karande, et al., 2007; Oliver, 2010). Satisfaction is also considered as a *"judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption related fulfilment, including levels of under- and over-fulfilment"* (Oliver, 2010, p. 8). Satisfaction can, thus, be considered as an individual's subjective evaluation of a product or service. In that sense, it is a purchase outcome (Maxham III, 2001) and this makes satisfaction transaction-specific measure (i.e. Bitner, 1990; Maxham III, 2001; Karande, et al., 2007). Another type of customer satisfaction is overall customer satisfaction which is based on knowledge coming from all previous experiences (Karande, et al., 2007).

Customer satisfaction created through a service recovery provides customers with a positive state of emotion (Kim, et al., 2009), which also helps to create a strong correlation with customer retention (Tax, et al., 1998) and customer loyalty (Karatepe, 2006). Furthermore, customers are more prone to spread positive word-of-mouth (Maxham III & Netemeyer, 2002) and to have repurchase intention (Tax, et al., 1998). Thus, the interaction that occurs between service-provider and customer is an important element of satisfaction and it presents motivation for enduring the relationships (Patterson, et al., 2006).

In regard to all these, finding out which partner in services supply chain has more impact on overall customer satisfaction becomes important for the survival of the

whole partners in the supply chain. Thus, in this study, one of the objectives is to discover the effect of the “doer” of a service failure and recovery on overall customer satisfaction.

Throughout the literature, customer satisfaction has been operationalized through different scales. While some studies measure post-purchase, post-failure or recovery satisfaction (i.e. Kim, et al., 2009), others are engaged in measuring overall satisfaction (i.e. Karande, et al., 2007). For instance, (Kim, et al., 2009) use four item scale to measure recovery satisfaction through a 7-point Likert scale ranging from “*strongly disagree*” (1) to “*strongly agree*” (7) while, McCollough (2000) utilizes a 9-point scale for two items (to limit skewness) and a 7-point scale (strongly disagree/strongly agree) for one item in order to measure general customer satisfaction through asking “*Overall, how satisfied or dissatisfied did this experience leave you feeling?*” , “*How well did this overall service experience meet your needs?*”, “*I would be very satisfied with this service encounter*”. Similarly, Patterson, et al. (2006) use three items with a 7-point semantic differential scale which employs as very dissatisfied/satisfied, unhappy/happy and service provider did a good/poor job. A considerable amount of study (i.e. Weun, et al., 2004; Lin, et al., 2011) has, in some degree, adapted the scale from the study of Goodwin and Ross (1992) which employs two items (“*Overall, I was satisfied with the way my complaint was handled*” and “*Overall, I got what I wanted*”). One adaptation of this scale includes three items: “*Overall, I feel that the service of the online retailer is good.*”; “*Overall, I am satisfied with the way the online retailer delivers service.*”, “*Overall, I am satisfied with the service of the online retailer.*” which are evaluated through a seven-point scale ranging from strongly disagree to strongly agree (Lin, et

al., 2011). However, a pilot study shows that respondents could not understand the difference between items when they are translated into Turkish, which is the mother tongue of the sample.

Therefore, in this study, three items of del Bosque, et al. (2006) are utilized. Two of the items (*"the service was better than I expected"* and *"My choice of this travel agency was a wise one"*) measure the cognitive dimension of satisfaction, whereas one of them (*"I am satisfied with the travel agency service"*) measures affective dimension. These items are translated into Turkish (through taking expert opinions) and are evaluated through 5-point Likert scale ranging from "strongly disagree" (1) to "strongly agree" (5). However, in order to adapt the scale to this particular study, these three scales are multiplied by two since the objective is to measure the overall satisfaction with both the travel agency and the hotel. The measures for overall customer satisfaction have been used in all the scenarios.

### **5.3.2. Repurchase Intention**

Similar to the majority of the studies (i.e. Maxham III, 2001; Maxham III & Netemeyer, 2002; Wirtz & Mattila, 2004) in service failure and recovery, this study is concerned with the effect of a failure or a recovery on repurchase intention.

Repurchase intentions are defined as the willingness of customer(s) to repeat a specific consumption (Jones & Sasser, 1995). Similarly, Maxham III & Netemeyer (2002, p. 242) explains repurchase intention as *"the degree to which customers intend to purchase a firm's products/services in the future"*. Based on these studies, repurchase intention in this study is described as customer(s) intention of repeating the buying behaviour for the services of travel agency or hotel.

Repurchase intention is used in marketing literature (i.e. service failure and recovery studies) in order to examine the relationship between satisfaction and loyalty of customers (del Bosque, et al., 2006). A critical service mistake, for instance, has a severe negative effect on customer's future relationship with a company (Weun, et al., 2004). Similarly, Keaveney (1995) finds out that a single service catastrophe is one of the main reasons of customers' switching behaviours and severe service failures are the reasons of customers' decreased intentions to continue their relationship with companies. However, from a justice theory perspective, companies may recover from nearly any failure (Goodwin & Ross, 1992) by providing an effective recovery and as a result, ensure stable or possibly increased levels of repurchase intention (Maxham III, 2001). Therefore, it can be stated that there is a positive relationship between repurchase intention and satisfaction with recovery (Kelley, et al., 1993; Tax, et al., 1998). Some of the previous studies (i.e. Spreng, et al., 1995; Maxham III & Netemeyer, 2002), similarly, discover a positive relationship between overall satisfaction and repurchase intention. Thus, if service recovery is affective, revisit intentions of customers will increase (Kim, et al., 2009) which may, in turn, increase customer loyalty (McCollough, et al., 2000).

In regard to all these, finding out which partner in services supply chain has more impact on repurchase intention becomes important for the survival of the whole partners in the supply chain. Therefore, one of the objectives of this study is to discover the effect of the "doer" of a service failure and recovery on repurchase intention.

Throughout the literature, repurchase intention has been operationalized through different scales. For instance, in one of the most cited studies, Goodwin and Ross (1992) employ two items (*"I would be willing to use the firm's services again"* and *"I would recommend the firm to others"*) in order to examine the willingness of customers to return to the firm in the future. Similarly, while investigating the effects of perceived justice on repurchase intention in hotel setting, Kim, et al. (2009) adapt a two-item scale, *"I consider this hotel as my first choice compared to other hotels"* and *"I have a strong intention to visit this hotel again"* and, measure the items on a 7-point Likert scale ranging from "least likely" to "extremely likely". Another frequently cited study (Blodgett, et al., 1997) examines the impact of perceived justice on customer's behavioural intentions (i.e. repurchase and word-of-mouth intentions) with three items for each. Blodgett, et al. (1997) conduct this study in a retail setting and use the following items:

- (1) *What is the likelihood that you would shop at this retail store in the future?*
- (2) *If this situation had happened to me I would never shop at this store again.*
- (3) *If this had happened to me I would still shop at this store in the future.*

Later, several studies (i.e. Wirtz & Mattila, 2004; Lin, et al., 2011) have used the items of Blodgett et al. (1997) with slight differences. For instance, Wirtz & Mattila (2004) conduct their study in a restaurant setting and change one of the items as *"If this situation had happened to me, I would never go to this restaurant in the future"*. In a retailer setting, Lin, et al., (2011) employ two items based on Blodgett et al.'s (1997) study (*"I will shop at the online retailer again"* and *"I will still shop at the online retailer in the future"*) and these items were evaluated through a 7-point Likert scale ranging from "strongly disagree" to "strongly agree".

In this study, two items of Lin, et al. (2011) are translated into Turkish (through taking expert opinions) as the mother tongue of the sample is Turkish and these two items are evaluated through 5-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (5). However, in order to adapt the scale to this particular study, these two scales are multiplied by two since the objective is to measure repurchase intention with both travel agency and hotel. The measures for repurchase intention have been used in all the scenarios.

#### **5.4. Scenarios**

In this section, some examples of the scenarios used in the study will be presented. Four out of twelve scenarios have been selected and the manipulations made have been mentioned as headings<sup>7</sup>.

##### **Service Failure-Travel Agency/Good Prior Experience-Travel Agency/Service Recovery- Travel Agency**

*Imagine that for your annual leave, you have saved some money for two years and you want to spend the time in a convenient hotel.*

*With this decision in mind, you booked an appointment in XYZ travel agency from whom you had purchased a tour before and with whom you had a good experience. You sat down with the sales attendant and checked for the destinations, the hotels and their rooms. You decided on ABC hotel in which you have not stayed before. You specially declared that you wanted a decent room with a sea view and accepted to pay more money for that.*

*After several weeks, when you arrive to the ABC hotel and then your room, you realized that the room is different than you expected and although you wanted a sea*

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<sup>7</sup> Please see Appendix III for an example of main test questionnaire.

*view, your room faces another building. You immediately called the clerk at the reception desk and told that you were supposed to be given a room with a sea view. However, after checking the booking information, the clerk told you that there is no mistake so they cannot change the room. You got angry and you reached your travel agency's personnel and the personnel of the travel agency informed you that they made a mistake during reservation.*

*At the end of the conversation, the personnel of the travel agency informed you that your problem has been solved and your room with sea view is ready. You said thank you and went to your room.*

**Service Failure-Travel Agency/Good Prior Experience-Hotel/Service Recovery-Hotel**

*Imagine that for your annual leave, you have saved some money for two years and you want to spend the time in a convenient hotel.*

*With this decision in mind, you booked an appointment in XYZ travel agency from whom you have no experience with. You sat down with the sales attendant and checked for the destinations, the hotels and their rooms. You decided on ABC hotel in which you had stayed before and with whom you had good experience. You specially declared that you wanted a decent room with a sea view and accepted to pay more money for that.*

*After several weeks, when you arrive to the ABC hotel and then your room, you realized that the room is different than you expected and although you wanted a sea view, your room faces another building. You immediately called the clerk at the reception desk and told that you were supposed to be given a room with a sea view. However, after checking the booking information, the clerk told you that there is no mistake. You got angry and you reached your travel agency's personnel and the*

*personnel of the travel agency informed you that they made a mistake during reservation however, they cannot undo the mistake.*

*After that, you explained your situation to the clerk at the hotel and due to the inconvenience, the clerk immediately changed your room. You said thank you and went to your room.*

**Service Failure-Hotel/Good Prior Experience-Hotel/Service Recovery- No Recovery**

*Imagine that for your annual leave, you have saved some money for two years and you want to spend the time in a convenient hotel.*

*With this decision in mind, you booked an appointment in XYZ travel agency with whom you have no experience. You sat down with the sales attendant and checked for the destinations, the hotels and their rooms. You decided on ABC hotel in which you had stayed before and with whom you had good experience. You specially declared that you wanted a decent room with a sea view and accepted to pay more money for that.*

*After several weeks, when you arrive to the ABC hotel and then your room, you realized that the room is different than you expected and although you wanted a sea view, your room faces another building. You immediately called the clerk at the reception desk and told that you were supposed to be given a room with a sea view. However, after checking the booking information, the clerk told you that they made a mistake during reservation however; it is not possible to undo the mistake. You got angry and you reached your travel agency's personnel and the personnel of the travel agency told you that since its hotel's mistake, they cannot do anything. You returned to the room.*

## **Service Failure-Hotel/Good Prior Experience-Travel Agency/Service Recovery-**

### **Travel Agency**

*Imagine that for your annual leave, you have saved some money for two years and you want to spend the time in a convenient hotel.*

*With this decision in mind, you booked an appointment in XYZ travel agency from whom you had purchased a tour before and with whom you had a good experience. You sat down with the sales attendant and checked for the destinations, the hotels and their rooms. You decided on ABC hotel in which you have not stayed before. You specially declared that you wanted a decent room with a sea view and accepted to pay more money for that.*

*After several weeks, when you arrive to the ABC hotel and then your room, you realized that the room is different than you expected and although you wanted a sea view, your room faces another building. You immediately called the clerk at the reception desk and told that you were supposed to be given a room with a sea view. However, after checking the booking information, the clerk told you that they made a mistake during reservation however; it is not possible to undo the mistake. You got angry and you reached your travel agency's personnel. At the end of the conversation, the personnel of the travel agency informed you that your problem has been solved and your room with sea view is ready. You said thank you and went to your room.*

## **5.5. Preliminary Research**

### **5.5.1. Manipulation Checks**

Manipulation checks provide a chance to avoid potential threats to validity of the research findings (Bagozzi, et al., 1991) and to correct any misunderstanding before conducting the main analysis of any experiment. Conducting manipulation checks

before the main analysis is one of the ways to ensure the construct validity (Perdue & Summers, 1986) which aims to assure that an operationalization of a variable measures the construct that it ought to measure (Bagozzi, et al., 1991). Conducting manipulation checks is also significant for the contribution of convergent validity which is considered as a subtype of construct validity. Convergent validity is used to demonstrate that (p.2) *“the treatment manipulations are related to ‘direct’ measures of the latent (independent) variables they were designed to alter”* and in order to reach convergent validity, manipulation checks are designed to measure the independent variables in different levels (Perdue & Summers, 1986).

Pilot studies had been conducted in order to check the manipulations and the reality of scenarios. Since there were three independent variables (service failure, good prior experience, service recovery), three diverse pilot studies had been generated. The study manipulated the first two variables on two level (travel agency or hotel) therefore; for the manipulation checks of the first two independent variables, two different scenarios were used for each. The last independent variable manipulated in three level. However, as the third level describes a situation where no service recovery is provided, it does not require a manipulation check thus; the third independent variable is also tested on two level.

For each cell, 20 individuals completed the questionnaire voluntarily. In total 120 individuals completed pre-test through a convenience sampling method. Convenience sampling (p.320) had chosen because of its advantages such as low cost and time saving features (Malhotra, 2004). In Table 11 above, the manipulations for service failure, good prior experience and service recovery are presented.

Table 11. Manipulation Levels

Levels	Service Failure Manipulation
By travel agency	You immediately called the clerk at the reception desk and told that you were supposed to be given a room with a sea view. However, after checking the booking information, the clerk told you that there is no mistake so they cannot change the room. You got angry and you reached your travel agency's personnel and the personnel of the travel agency informed you that they made a mistake during reservation.
By hotel	You immediately called the clerk at the reception desk and told that you were supposed to be given a room with a sea view. However, after checking the booking information, the clerk told you that they made a mistake during reservation.
	<b>Good Prior Experience Manipulation</b>
With travel agency	With this decision in mind, you booked an appointment in XYZ travel agency from whom you had purchased a tour before and with whom you had a good experience. You sat down with the sales attendant and checked for the destinations, the hotels and their rooms. You decided on ABC hotel in which you have not stayed before.
With hotel	With this decision in mind, you booked an appointment in XYZ travel agency from whom you have no experience with. You sat down with the sales attendant and checked for the destinations, the hotels and their rooms. You decided on ABC hotel in which you had stayed before and with whom you had good experience.
	<b>Service Recovery Manipulation</b>
By travel agency	At the end of the conversation, the personnel of the travel agency informed you that your problem has been solved and your room with sea view is ready.
By hotel	After that, you explained your situation to the clerk at the hotel and due to the inconvenience, the clerk immediately changed your room.

#### 5.5.1.1. Manipulation Checks for Service Failure and Realism

As a part of the preliminary research, manipulation checks were conducted for understanding whether there is a significant difference on ratings when respondents are exposed to scenarios describing service failures done by travel agency or hotel. In order to achieve this objective, two diverse scenarios had been prepared and respondents were asked to rate *"In this case, I think the service failure is caused by travel agency"* and *"In this case, I think the service failure is caused by the hotel"* in a 5-point Likert scale. The scenarios were tested as between-subjects on 40 respondents (20 respondents for each scenario/treatment).

In addition, in order to check whether the respondents perceive the scenarios as realistic, they were asked to rate “*I believe that such things are likely to happen in real life*” (Webster & Sundaram, 1998) by using a 5-point Likert scale<sup>8</sup>.

Table 12. Descriptive Statistics for Service Failure Manipulation

Group		N	Mean	Std. Deviation	Std. Error Mean
Travel Agency (TA)	Service Failure by TA	20	4,70	,923	,206
	Service Failure by Hotel	20	3,15	,745	,167

According to the results of T-test for service failure manipulation, there is a significant difference between the scores for service failure done by travel agency (M=4,70; SD= 0,923) and service failure done by hotel (M=3,15; SD= 0,745) where;  $t(38)=5,842$ ;  $p=0,000$ . These results suggest that, the wording used for service failure is appropriate since respondents participated in preliminary study understand that there are different parties, and whether the service failure is caused by travel agency or hotel.

Table 13. Independent Samples T-test Statistics for Service Failure Manipulation

	Levene's Test for Equality of Variances		T-test for Equality of Means				
	F	Sig.	t	df	Sig.(2-tailed)	Mean difference	Std. Error Difference
Equal Variances assumed	,000	1,000	5,842	38	,000	1,550	,265

Table 14. Descriptive Statistics for Realism – Service Failure

Group		N	Mean	Std. Deviation	Std. Error Mean
realism	Service Failure by TA	20	4,75	,444	,099
	Service Failure by Hotel	20	4,70	,571	,128

<sup>8</sup> Please see Appendix I for Service Failure Manipulation Check Test.

Similarly, realism of the scenarios were analyzed through asking whether it is possible to experience a similar problem in real life with a 5-point Likert scale (1=completely disagree, 5=completely agree). Evaluating realism of the scenarios ensures the ecological validity of the study as it demonstrates the relation between real-life event and the investigation of this even in an experimental design (Schmuckler, 2001). Respondents perceived both of the scenarios realistic, demonstrating high mean values for the scores of service failure by travel agency (M=4,75; SD= 0,444) and service failure by hotel (M=4,70 ; SD= 0,571). In summary, the perception of respondents regarding the reality of the scenarios is high which ensures ecological validity.

#### **5.5.1.2. Manipulation Checks for Good Prior Experience and Realism**

Manipulation checks were also conducted for understanding whether there is significant difference on ratings when respondents are exposed to scenarios describing good prior experience with travel agency or hotel. For achieving this aim, two diverse scenarios had been prepared and respondents were asked to rate “*I have purchased service from XYZ travel agency before*” and “*I have stayed in ABC hotel before*” statements with a 5-point Likert scale. The scenarios were tested as between-subjects on 40 respondents (20 respondents for each scenario/treatment). In this manipulation check, the main aim was to see whether the respondents are able to understand the statements expressing good prior experience either with travel agency or hotel. In the beginning of the study, some of the respondents claimed that they could not understand, therefore the statements had been altered to highlight the presence and lack of good prior experience (i.e. *You made a reservation with XYZ travel agency that you had purchased services before and*

**had good memories.** You discussed about the destinations and hotels and, decided on **ABC hotel in which you never stayed before).**

Table 15. Descriptive Statistics for Good Prior Experience Manipulation

Group		N	Mean	Std. Deviation	Std. Error Mean
Hotel	Prior experience with TA	20	1,70	,923	,206
	Prior experience with Hotel	20	4,50	,688	,154

T-test results of good prior experience manipulation reveal that there is a significant difference between the scores for good prior experience with travel agency (M=1,70; SD=0,923) and good prior experience with hotel (M=4,50; SD=0,688) where;  $t(38)=-10,873$ ,  $p=0,000$ . These results suggest that, the wording used for good prior experience is proper because respondents participated in preliminary study are able to understand whether the statement claims the good prior experience is with travel agency or hotel.

Table 16. Independent Samples T-test Statistics for Good Prior Experience Manipulation

	Levene's Test for Equality of Variances		T-test for Equality of Means				
	F	Sig.	t	df	Sig.(2-tailed)	Mean difference	Std. Error Difference
Equal Variances assumed	,463	,500	-10,873	38	,000	-2,800	,258

Similar to service failure manipulation, reality check was also conducted for good prior experience. The respondents were asked to rate "*I believe that such things are likely to happen in real life*", taken from the study of Webster & Sundaram (1998), by using a 5-point Likert scale (1=completely disagree, 5=completely agree). The descriptive statistics of the reality check demonstrate that the respondents find

both scenarios regarding good prior experience realistic with mean values 4,60 for travel agency and 4,10 for hotel.

Table 17. Descriptive Statistics for Realism – Good Prior Experience

Group		N	Mean	Std. Deviation	Std. Error Mean
realism	Prior experience with TA	20	4,60	,598	,134
	Prior experience with Hotel	20	4,10	,788	,176

### 5.5.1.3. Manipulation Checks for Service Recovery and Realism

Similar manipulation checks had been conducted for the third independent variable, namely service recovery. The main aim for conducting this manipulation check for service recovery variable is to understand whether there is a significant difference between the mean values of respondents exposed to different scenarios representing service recoveries either done by travel agency or hotel. Therefore, respondents were asked to rate *“In this case, I believe the travel agency resolved my reservation problem”* and *“In this case, I believe the hotel resolved my reservation problem”* with a 5-point Likert scale. The scenarios were tested as between-subjects on 40 respondents (20 respondents for each scenario/treatment).

Table 18. Descriptive Statistics for Service Recovery Manipulation

Group		N	Mean	Std. Deviation	Std. Error Mean
Travel Agency (TA)	Service Recovery by TA	20	4,40	,598	,134
	Service Recovery by Hotel	20	1,95	,826	,185

Table 19. Independent Samples T-test Statistics for Service Recovery Manipulation

	Levene's Test for Equality of Variances		T-test for Equality of Means				
	F	Sig.	t	df	Sig. (2-tailed)	Mean difference	Std. Error Difference
Equal Variances assumed	1,170	,286	10,747	38	,000	2,450	,228

Service recovery manipulation checks were conducted through independent samples t-test. The results reveal that there is a significant difference between the scores of service recovery done by travel agency (M=4,40; SD=0,598) and service recovery done by hotel (M=1,95; SD=0,826) where;  $t(38)=10,747$ ,  $p=0,000$ . These results suggest that, the wording used in scenarios for service recovery is suitable, and two groups differ from each other.

Table 20. Descriptive Statistics for Realism – Service Recovery

Group		N	Mean	Std. Deviation	Std. Error Mean
realism	Service Recovery by TA	20	4,45	,605	,135
	Service Recovery by Hotel	20	4,30	,733	,164

Similar to the other independent variables, reality check was also conducted for service recovery variable. The same statement had been used with a 5-point Likert scale<sup>9</sup>. According to the results, the respondents find both service recovery scenarios realistic with mean values 4,45 for travel agency and 4,30 for hotel.

### 5.5.2 Reliability of the Scales

Homogeneity of items that make up a scale is considered as internal consistency. This demonstrates whether the same set of items would produce the same responses when same questions are asked and administered to the same respondents, and only if they produce stable and reliable responses when re-administered then, variables are considered reliable and internally consistent (Santos, 1999).

Among several methods, Cronbach's Alpha, developed by Cronbach (1951) for measuring internal consistency of a multi-item scale (Peterson, 1994), is the most

<sup>9</sup> Please see Appendix II for Service Recovery Manipulation Check Test.

widely used one (Streiner, 2003). The items' ability for seizing a construct is showed by the degree of Alpha value (Churchill, 1979). The value of Cronbach's alpha reliability coefficient could be between 0 and 1, and the greater the value, the greater the internal consistency becomes (Gliem & Gliem, 2003). In general, the Cronbach's alpha values which are higher than 0.70 are considered as reliable and internally consistent in marketing research (Hair, et al., 1998), and in this study Cronbach's coefficient alpha values of the four constructs are all in acceptable levels (See Table 21 below).

Table 21. Scale Item Numbers and Scale Reliability

Construct	Cronbach's Alpha	Number of scale items
Overall Customer Satisfaction-TA	0.905	3
Overall Customer Satisfaction-Hotel	0.906	3
Repurchase Intention –TA	0.956	2
Repurchase Intention –Hotel	0.939	2

## 5.6 Analysis and Results

### 5.6.1 Hypothesis Testing

#### Hypothesis 1

Hypotheses 1a and 1b predict that overall customer satisfaction and repurchase intention for travel agency are likely to be lower for consumers experienced a service failure done by travel agency rather than those who experienced a service failure by hotel. In order to test this hypothesis, one way-between subjects ANOVA test was conducted through SPSS 17.0 (Statistical Package for Social Sciences) to compare level (doer) of service failure on both overall customer satisfaction (H1a) and repurchase intention (H1b). According to the results of the Levene's Test of Homogeneity of Variance (Table 23), variances are not significantly different from

each other for both overall customer satisfaction and repurchase intention for travel agency in both H1a and H1b ( $p=.978$ ;  $p=.248$ , respectively).

ANOVA results for H1a (Table 24) demonstrates a significant difference in group means at the  $p<0.05$  level in overall satisfaction for travel agency scores for two level (doers) of service failure [ $F(1,382)= 28.203$ ,  $p=.000$ ]. Similarly ANOVA results for H1b (Table 24) shows a significant difference in group means at the same level in repurchase intention for travel agency [ $F(1,382)=25.658$ ,  $p=.000$ ].

This demonstrates that overall customer satisfaction for travel agency is lower for consumers who experienced service failure by travel agency ( $M_{TA} : 2.15$ ,  $SD= 1.107$ ) than those who experienced service failure by hotel ( $M_H : 2.74$ ,  $SD= 1.078$ ). Moreover, repurchase intention for travel agency is lower for consumers who experienced service failure by travel agency ( $M_{TA} : 2.08$ ,  $SD= 1.119$ ) than those who experienced service failure by hotel ( $M_H : 2.68$ ,  $SD= 1.137$ ).

Table 22. Descriptive Statistics for H1a and H1b

Descriptive Statistics for the Doer (TA) Effect Of Service Failure on Overall Customer Satisfaction (H1a)				
	N	Mean	Std. Deviation	Std. Error
TA	192	2,15	1,107	,080
Hotel	192	2,74	1,078	,078
Total	384	2,45	1,130	,058
Descriptive Statistics for the Doer Effect (TA) Of Service Failure on Repurchase Intention (H1b)				
	N	Mean	Std. Deviation	Std. Error
TA	192	2,08	1,199	,087
Hotel	192	2,68	1,137	,082
Total	384	2,38	1,206	,062

Table 23. Homogeneity of Variances Test Results for H1a and H1b

Homogeneity of Variances Test Results for H1a			
Levene Statistic	df1	df2	Sig.
,001	1	382	,978
Homogeneity of Variances Test Results for H1b			
Levene Statistic	df1	df2	Sig.
1,341	1	382	,248

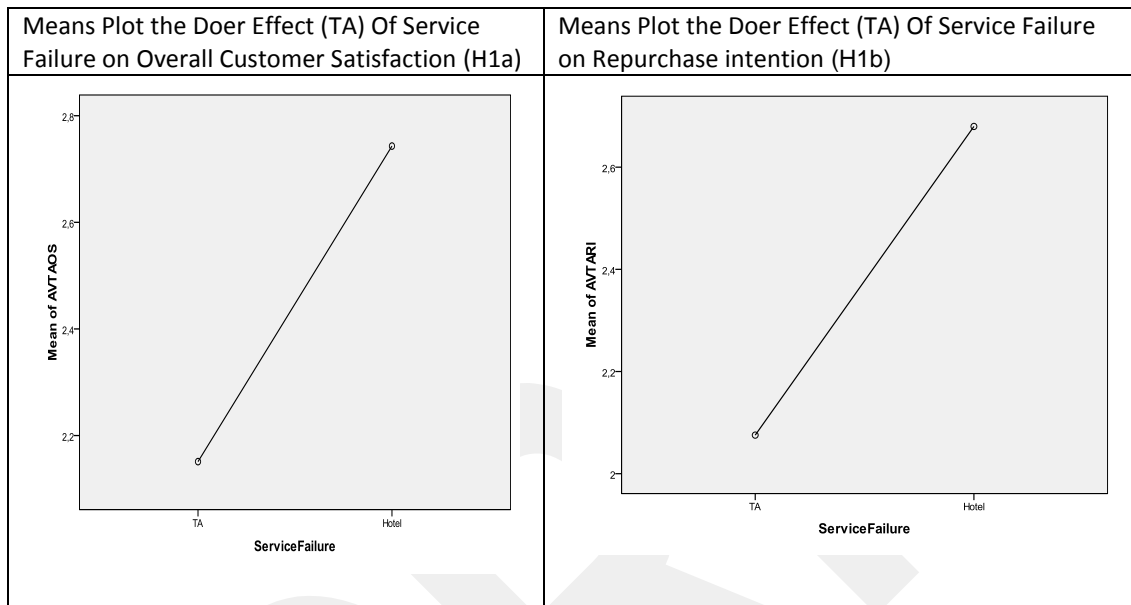
Table 24. ANOVA Statistics for H1a and H1b

ANOVA Statistics for the Doer Effect (TA) Of Service Failure on Overall Customer Satisfaction (H1a)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	33,646	1	33,646	28,203	,000
Within Groups	455,722	382	1,193		
Total	489,368	383			
ANOVA Statistics for the Doer Effect (TA) Of Service Failure on Repurchase Intention (H1b)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	35,042	1	35,042	25,658	,000
Within Groups	521,706	382	1,366		
Total	556,747	383			

The importance of reporting effect sizes is mentioned in previous literature in order to augment significance tests and there are several methods such as  $r^2$ , adjusted  $R^2$ , omega squared, epsilon squared, etc. For calculating effect sized for ANOVA, Eta squared is the most commonly used estimate (Levine & Hullett, 2002) and this study uses Eta effect size calculation. Effect size is defined as the “*estimate of the population strength of association between an independent variable and a dependent variable*” (p.917) and its value ranges from 0 to 1 (Pierce, et al., 2004). Calculated Eta squared is 0.068 (sum of squares between-groups/total sum of squares) for both of the dependent variables (overall customer satisfaction and repurchase intention for travel agency). According to Cohen (1988), 0.01 is small, 0.06 is medium and 0.14 is large therefore, eta squared demonstrates a medium

effect for both H1a and H1b. This means consumers holding lower overall customer satisfaction levels and repurchase intention for travel agencies when service failure is done by travel agencies. Therefore, both Hypotheses 1a and 1b are supported.

Figure 6. Means Plot for H1a and H1b



As the mean plot shows (See Figure 6), overall customer satisfaction and repurchase intention for travel agency is lower for consumers who experienced service failure by travel agency as compared to the ones experienced service failure by hotel.

### Hypothesis 2

Hypotheses 2 foresee that overall customer satisfaction and repurchase intention for hotel are likely to be lower for consumers experienced a service failure done by hotel rather than those who experienced a service failure by travel agency. For testing these hypotheses, one way-between subjects ANOVA test was conducted. According to the results of the Levene's Test of Homogeneity of Variance (Table 26), variances are not significantly different from each other for both overall customer

satisfaction and repurchase intention for hotel in both H2a and H2b ( $p=.259$ ;  $p=.161$ , respectively).

Table 25. Descriptive Statistics for H2a and H2b

Descriptive Statistics for the Doer (H) Effect Of Service Failure on Overall Customer Satisfaction (H2a)				
	N	Mean	Std. Deviation	Std. Error
TA	192	3,06	1,010	,073
Hotel	192	2,54	1,082	,078
Total	384	2,80	1,077	,055
Descriptive Statistics for the Doer (H) Effect Of Service Failure on Repurchase Intention (H2b)				
	N	Mean	Std. Deviation	Std. Error
TA	192	3,10	1,107	,080
Hotel	192	2,55	1,116	,081
Total	384	2,82	1,144	,058

Table 26. Homogeneity of Variances Test Results for H2a and H2b

Homogeneity of Variances Test Results for H2a			
Levene Statistic	df1	df2	Sig.
1,280	1	382	,259
Homogeneity of Variances Test Results for H2b			
Levene Statistic	df1	df2	Sig.
1,973	1	382	,161

ANOVA results for H2a (Table 27) demonstrates a significant difference in group means at the  $p<0.05$  level in overall satisfaction for hotel scores for two level (doers) of service failure [ $F(1,382)=23.301$ ,  $p=.000$ ]. Similarly ANOVA results for H2b (Table 27) shows a significant difference in group means at the same level in repurchase intention for hotel [ $F(1,382)=29.260$ ,  $p=.000$ ]. This demonstrates that overall customer satisfaction for hotel is lower for consumers who experienced service failure by hotel ( $M_H: 2.54$ ,  $SD=1.010$ ) than those who experienced service failure by travel agency ( $M_{TA}: 3.06$ ,  $SD=1.082$ ). Similarly, repurchase intention for

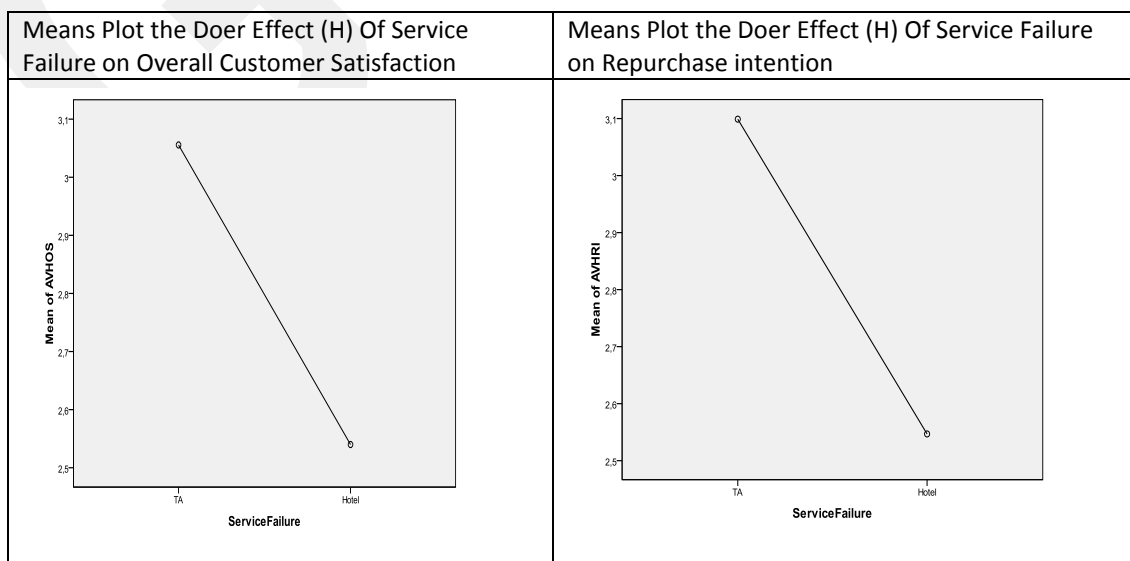
hotel are lower for consumers who experienced service failure by hotel ( $M_H$ : 2.55,  $SD= 1.116$ ) than those who experienced service failure by travel agency ( $M_{TA}$  : 3.10,  $SD= 1.107$ ).

Table 27. ANOVA Statistics for H2a and H2b

ANOVA Statistics for the Doer Effect (H) Of Service Failure on Overall Customer Satisfaction (H2a)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	25,523	1	25,523	23,301	,000
Within Groups	418,435	382	1,095		
Total	443,958	383			
ANOVA Statistics for the Doer Effect (H) Of Service Failure on Repurchase Intention (H2b)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	29,260	1	29,260	23,671	,000
Within Groups	472,198	382	1,236		
Total	501,458	383			

Eta<sup>2</sup> is 0.057 for overall satisfaction and 0.058 for repurchase intention, indicating a medium effect. Therefore, both H2a and H2b are supported; meaning consumers' overall satisfaction and repurchase intention level for hotels are prone to decrease if hotel makes a service failure. This effect demonstrates itself in the mean plots (See Figure 7).

Figure 7. Means Plot for H2a and H2b



### Hypothesis 3

Hypothesis 3 predicts that following a service failure, overall customer satisfaction (H3a) and repurchase intention (H3b) for hotel are likely to be higher for consumers who have good prior experiences with hotel rather than those who have good prior experience with travel agency. To test these hypotheses, one way-between subjects ANOVA test was conducted for comparing the doer effect of good prior experience on both overall customer satisfaction and repurchase intention for hotel. Levene's Test of Homogeneity of Variance (Table 29) demonstrate that variances are not significantly different from each other for both overall customer satisfaction and repurchase intention for hotel for both H3a and H3b ( $p=.320$ ;  $p=.294$ , respectively). Although Levene's Test proves equality of variances assumption, the outcome of one way between subjects ANOVA shows (Table 30), there is no significant difference between the two levels of good prior experience on overall customer satisfaction ( $M_{TA}=2.81$ ,  $SD=1.042$  versus  $M_H=2.77$ ,  $SD=1.112$ ) at the  $p<.005$  level [ $F(1,382)=0.156$ ,  $p=.693$ ]. Similarly there is no significant difference between the two levels of good prior experience on repurchase intention ( $M_{TA}=2.83$ ,  $SD=1.119$  versus  $M_H=2.80$ ,  $SD=1.170$ ) at the same level [ $F(1,382)=0.050$ ,  $p=.824$ ]. Therefore, both H3a and H3b are not supported.

Table 28. Descriptive Statistics for H3a and H3b

Descriptive Statistics for the Doer (H) Effect Of Good prior Experience on Overall Customer Satisfaction (H3a)				
	N	Mean	Std. Deviation	Std. Error
TA	192	2,8194	1,04235	,07522
Hotel	192	2,7760	1,11219	,08027
Total	384	2,7977	1,07664	,05494

Descriptives Statistics for the Doer (H) Effect Of Good prior Experience on Repurchase Intention (H3b)				
	N	Mean	Std. Deviation	Std. Error
TA	192	2,8359	1,11998	,08083
Hotel	192	2,8099	1,17079	,08449
Total	384	2,8229	1,14424	,05839

Table 29. Homogeneity of Variances Test Results for H3a and H3b

Homogeneity of Variances Test Results for H3a			
Levene Statistic	df1	df2	Sig.
,993	1	382	,320

Homogeneity of Variances Test Results for H3b			
Levene Statistic	df1	df2	Sig.
1,105	1	382	,294

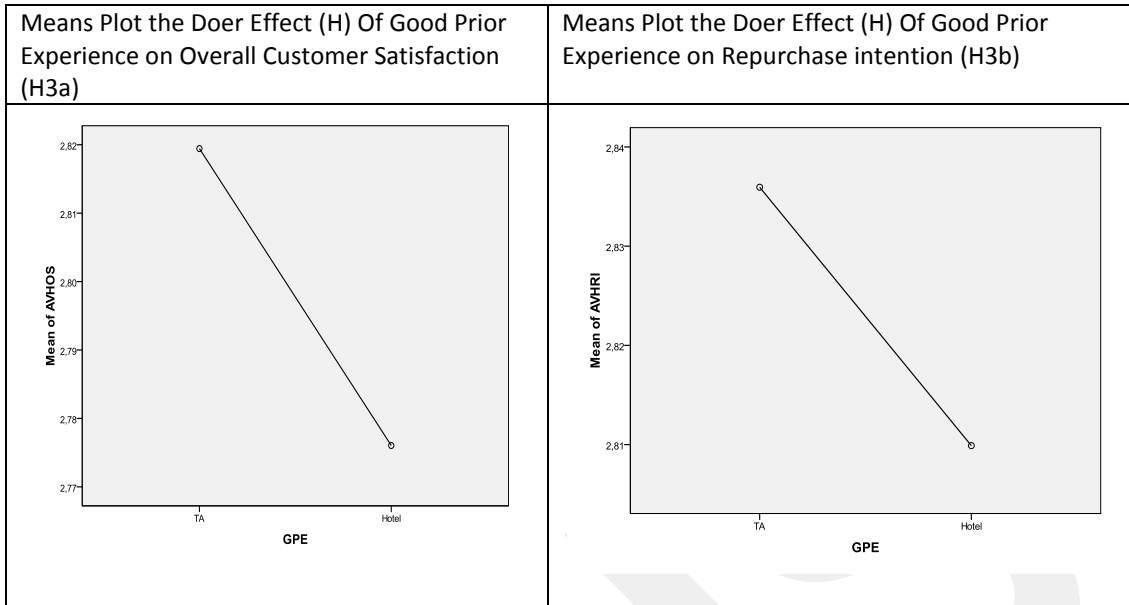
Table 30. ANOVA Statistics for H3a and H3b

ANOVA Statistics for the Doer Effect (H) Of Good Prior Experience on Overall Customer Satisfaction (H3a)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	,181	1	,181	,156	,693
Within Groups	443,777	382	1,162		
Total	443,958	383			

ANOVA Statistics for the Doer Effect (H) Of Good Prior Experience on Repurchase Intention (H3b)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	,065	1	,065	,050	,824
Within Groups	501,393	382	1,313		
Total	501,458	383			

Figure 8. Means Plot for H3a and H3b



#### Hypothesis 4

Hypothesis 4 anticipate that following a service failure, overall customer satisfaction (H4a) and repurchase intention (H4b) for travel agency are likely to be higher for consumers who have good prior experiences with travel agency rather than those who have good prior experience with hotel. In order to test these hypotheses, one way-between subjects ANOVA test was conducted for analyzing the doer effect of good prior experience on both overall customer satisfaction and repurchase intention for hotel. According to the results of the Levene’s Test of Homogeneity of Variance (Table 32), variances are not significantly different from each other for both overall customer satisfaction and repurchase intention for hotel for both H4a and H4b ( $p=.483$ ;  $p=.321$ , respectively). The outcome of one way between subjects ANOVA showed (Table 33), there is no significant difference between the two level of good prior experience on overall customer satisfaction ( $M_{TA}=2.53$ ,  $SD=1.151$  versus  $M_H=2.35$ ,  $SD=1.104$ ) at the  $p<.005$  level [ $F(1,382)=2.318$ ,  $p=.129$ ]. Similarly there is no significant difference between the two levels of good prior experience

on repurchase intention ( $M_{TA}=2.44$ ,  $SD=1.238$  versus  $M_H=2.30$ ,  $SD=1.170$ ) at the same level [ $F(1,382)=1.307$ ,  $p=.254$ ]. Therefore, both H4a and H4b are not supported.

Table 31. Descriptive Statistics for H4a and H4b

Descriptive Statistics for the Doer (TA) Effect Of Good prior Experience on Overall Customer Satisfaction (H4a)				
	N	Mean	Std. Deviation	Std. Error
TA	192	2,5347	1,15165	,08311
Hotel	192	2,3594	1,10471	,07973
Total	384	2,4470	1,13036	,05768
Descriptive Statistics for the Doer (TA) Effect Of Good prior Experience on Repurchase Intention (H4b)				
	N	Mean	Std. Deviation	Std. Error
TA	192	2,4479	1,23852	,08938
Hotel	192	2,3073	1,17092	,08450
Total	384	2,3776	1,20567	,06153

Table 32. Homogeneity of Variances Test Results for H4a and H4b

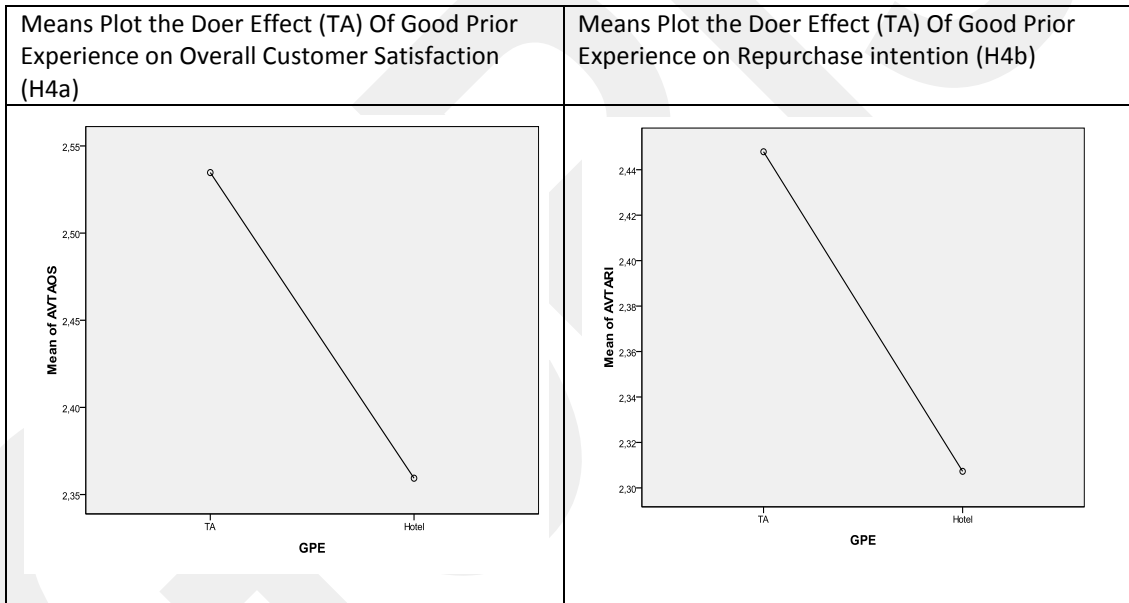
Homogeneity of Variances Test Results for H4a			
Levene Statistic	df1	df2	Sig.
,493	1	382	,483
Homogeneity of Variances Test Results for H4b			
Levene Statistic	df1	df2	Sig.
,988	1	382	,321

Although the means plots, although it seems overall customer satisfaction/repurchase intention for travel agency looks higher for consumers who had good prior good experience with travel agency rather than those who had good prior experience with hotel, this difference is not significant.

Table 33. ANOVA Statistics for H4a and H4b

ANOVA Statistics for the Doer Effect (TA) Of Good Prior Experience on Overall Customer Satisfaction (H4a)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2,952	1	2,952	2,318	,129
Within Groups	486,416	382	1,273		
Total	489,368	383			
ANOVA Statistics for the Doer Effect (TA) Of Good Prior Experience on Repurchase Intention (H4b)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1,898	1	1,898	1,307	,254
Within Groups	554,849	382	1,452		
Total	556,747	383			

Figure 9. Means Plot for H4a and H4b



### Hypothesis 5

Hypotheses 5a and 5b anticipate that following a service failure, overall customer satisfaction and repurchase intention for hotel are likely to be higher for consumers experienced a service recovery done by hotel rather than those who experienced a service recovery by travel agency or who experienced no service recovery. To assess these hypotheses, one way-between subjects ANOVA test was conducted to

compare the doer effect of service recovery on both overall customer satisfaction and repurchase intention. According to the results of the Levene's Test of Homogeneity of Variance (Table 35), variances are not significantly different from each other for overall customer satisfaction ( $p=.366$ ).

ANOVA results for H5a (Table 36) demonstrate a significant difference in group means at the  $p<0.05$  level in overall satisfaction for hotel scores for three level of service recovery [ $F(2,381)=70.890, p=.000$ ]. Calculated Eta squared is 0.271 for overall customer satisfaction (for hotel) which indicates a large effect. This means consumers holding higher overall customer satisfaction levels when service recovery is done by the same party. Therefore, according to the results Hypothesis 5a supported.

Table 34. Descriptive Statistics for H5a and H5b

Descriptive Statistics for the Doer (H) Effect Of Service Recovery on Overall Customer Satisfaction (H5a)				
	N	Mean	Std. Deviation	Std. Error
TA	128	2,6120	,96462	,08526
Hotel	128	3,5573	,91369	,08076
NoSR	128	2,2240	,88450	,07818
Total	384	2,7977	1,07664	,05494
Descriptive Statistics for the Doer (H) Effect Of Service Recovery on Repurchase Intention (H5b)				
	N	Mean	Std. Deviation	Std. Error
TA	128	2,6016	1,04497	,09236
Hotel	128	3,6055	,88880	,07856
NoSR	128	2,2617	1,04045	,09196
Total	384	2,8229	1,14424	,05839

Table 35. Homogeneity of Variances Test Results for H5a and H5b

Homogeneity of Variances Test Results for H5a			
Levene Statistic	df1	df2	Sig.
1,008	2	381	,366
Homogeneity of Variances Test Results for H5b			
Levene Statistic	df1	df2	Sig.
4,474	2	381	,012

Table 36. ANOVA Statistics for H5a and H5b

ANOVA Statistics for the Doer Effect (H) Of Service Recovery on Overall Customer Satisfaction (H5a)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	120,403	2	60,202	70,890	,000
Within Groups	323,555	381	,849		
Total	443,958	383			
ANOVA Statistics for the Doer Effect (H) Of Service Recovery on Repurchase Intention (H5b)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	124,970	2	62,485	63,234	,000
Within Groups	376,488	381	,988		
Total	501,458	383			

After finding out the significant difference between groups, to further examine where these differences are, post-hoc tests have conducted. Although there are several methods for post-hoc tests such as Fisher's method, Scheffe's method, Dunnett's method, Tukey's method is generally considered as the most suitable test for many situations including service failure and recovery research (Brown, 2005), thus this study employs Tukey's method for post-hoc tests.

According to the results of post-hoc tests, all these groups are significantly different from one another at the  $p < .05$  level for H5a (See Table 37). This means following a service failure, consumers who experienced service recovery by hotel differ significantly from both of the other groups in terms of their overall satisfaction

towards hotel. Tukey's test indicates that the mean score of Group 1 (Hotel, M= 3.55, SD=0.913) is significantly different from both Group 2 (Travel Agency, M=2.61, SD=0.964) and Group 3 (No Service Recovery, M=2.22, SD=0.884) in terms of their overall satisfaction towards hotel. This demonstrates that overall customer satisfaction for hotel is higher for consumers who experienced service recovery by hotel ( $M_H$ : 3.55, SD= 0.913) than those who experienced service recovery by travel agency ( $M_{TA}$  : 2.61, SD= 0.964) and than those who experienced no service recovery at all ( $M_{NoSR}$ :2.22, SD=0.884).

Table 37. Post-Hoc Test Results for H5a and H5b

Post-Hoc test results for H5a				
ServiceRecovery	ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	-,94531*	,11519	,000
	NoSR	,38802*	,11519	,002
Hotel	TA	,94531*	,11519	,000
	NoSR	1,33333*	,11519	,000
NoSR	TA	-,38802*	,11519	,002
	Hotel	-1,33333*	,11519	,000
Post-Hoc test results for H5b				
ServiceRecovery	ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	-1,00391*	,12426	,000
	NoSR	,33984*	,12426	,018
Hotel	TA	1,00391*	,12426	,000
	NoSR	1,34375*	,12426	,000
NoSR	TA	-,33984*	,12426	,018
	Hotel	-1,34375*	,12426	,000

\*. The mean difference is significant at the 0.05 level.

For Hypothesis 5b, the results of the Levene's Test of Homogeneity of Variance (Table 35) show that variances differ from each other for repurchase intention ( $p=.012$ ). Therefore, a further analysis, Welch and Brown-Forsythe were conducted.

According to the results of Welch and Brown-Forsythe tests (Table 38), despite variances differ amongst groups, the groups are significantly different ( $p=,000$ ) among each other.

ANOVA results (See Table 36) also show a significant difference in group means at the same level in repurchase intention for hotel [ $F(2,381)=63.234, p=,000$ ].

Table 38. Robust Tests of Equality of Means for H5b

	Statistic <sup>a</sup>	df1	df2	Sig.
Welch	69,424	2	252,432	,000
Brown-Forsythe	63,234	2	373,483	,000

a. Asymptotically F distributed.

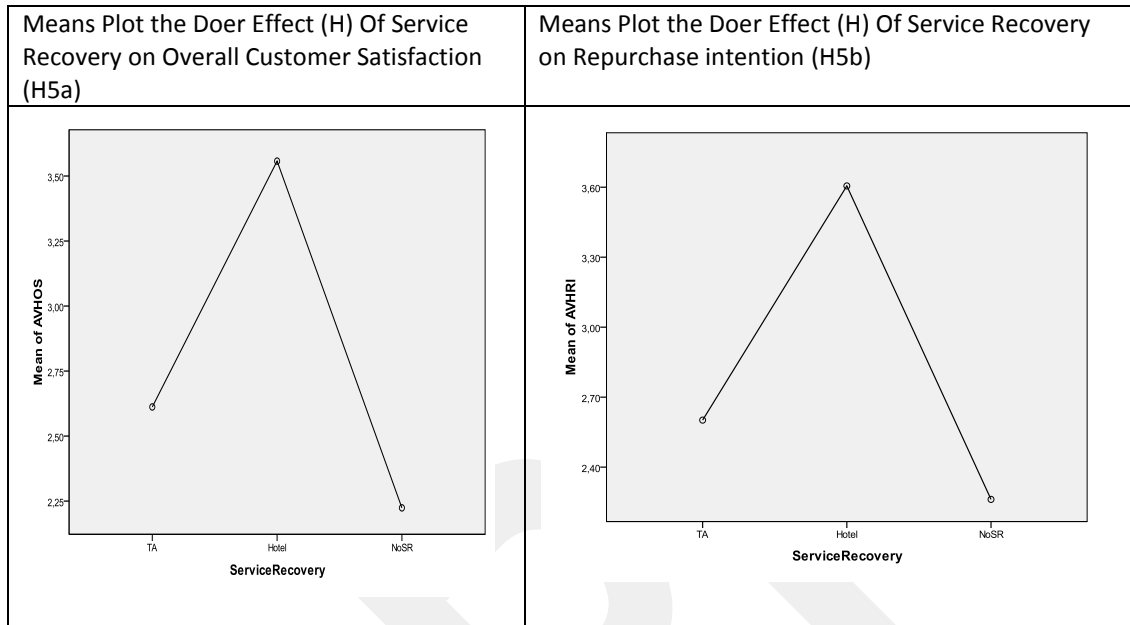
Calculated Eta squared is 0.249 for repurchase intention (for hotel) which indicates a large effect. Therefore, according to the results Hypothesis 5b is also supported.

Similar to H5a, after finding out the significant difference between groups, to further examine where these differences are, post-hoc tests have conducted.

According to the results of post-hoc tests, all there groups are significantly different from one another at the  $p<.05$  level for H5b. This means following a service failure, consumers who experienced service recovery by hotel differ significantly from both of the other groups in terms of their repurchase intention towards hotel. Tukey's test indicates that the mean score of Group 1 (Hotel,  $M= 3,60, SD=0.888$ ) is significantly different from both Group 2 (Travel Agency,  $M=2,60, SD=1.044$ ) and Group 3 (No Service Recovery,  $M=2.26, SD=1.040$ ) in terms of their repurchase intention towards hotel. This demonstrates that repurchase intention for hotel is significantly higher for consumers who experienced service recovery by hotel ( $M_H: 3.60, SD= 0.888$ ) than those who experienced service recovery by travel agency

( $M_{TA}$ : 2.60,  $SD= 1.044$ ) and than those who experienced no service recovery at all ( $M_{NoSR}$ : 2.26,  $SD=1.040$ , See the figure below).

Figure 10. Means Plot for H5a and H5b



As the means plot in Figure 9, both overall customer satisfaction and repurchase intention for hotel are higher for consumers who experienced service recovery by hotel as compared to the ones experienced service recovery by travel agency and to the ones experienced no service recovery at all.

### Hypothesis 6

Similar to Hypothesis 5, H6a and H6b predict that following a service failure, overall customer satisfaction and repurchase intention for travel agency are likely to be higher for consumers experienced a service recovery done by travel agency rather than those who experienced a service recovery by hotel or who experienced no service recovery. To assess these hypotheses, one way-between subjects ANOVA test was conducted for comparing the doer effect of service recovery on both overall customer satisfaction and repurchase intention. According to the results of

the Levene's Test of Homogeneity of Variance (Table 40), variances are not significantly different from each other for overall customer satisfaction ( $p=.400$ ), and also for repurchase intention ( $p=.310$ ).

ANOVA results for H6a (Table 41) demonstrate a significant difference in group means at the  $p<0.05$  level in overall satisfaction for travel agency scores for three level of service recovery [ $F(2,381)=24.151, p=.000$ ].

Table 39. Descriptive Statistics for H6a and H6b

Descriptive Statistics for the Doer (TA) Effect Of Service Recovery on Overall Customer Satisfaction (H6a)				
	N	Mean	Std. Deviation	Std. Error
TA	128	2,9375	1,00979	,08925
Hotel	128	2,3880	1,09383	,09668
NoSR	128	2,0156	1,09709	,09697
Total	384	2,4470	1,13036	,05768
Descriptive Statistics for the Doer (TA) Effect Of Service Recovery on Repurchase Intention (H6b)				
	N	Mean	Std. Deviation	Std. Error
TA	128	2,8672	1,18635	,10486
Hotel	128	2,3594	1,16196	,10270
NoSR	128	1,9063	1,07723	,09521
Total	384	2,3776	1,20567	,06153

Table 40. Homogeneity of Variances Test Results for H6a and H6b

Homogeneity of Variances Test Results for H6a			
Levene Statistic	df1	df2	Sig.
,919	2	381	,400
Homogeneity of Variances Test Results for H6b			
Levene Statistic	df1	df2	Sig.
1,175	2	381	,310

Similarly ANOVA results for H6b (Table 41) show a significant difference in group means at the same level in repurchase intention for travel agency [ $F(2,381)=22.650, p=.000$ ].

Calculated Eta squared is 0.112 for overall customer satisfaction (for travel agency) and 0.106 for repurchase intention (for travel agency), both of which indicate a medium effect. This means consumers holding higher overall customer satisfaction levels and repurchase intention for travel agencies when service recovery is done by the same party. Therefore, both Hypotheses 6a and 6b are supported.

Table 41. ANOVA Statistics for H6a and H6b

ANOVA Statistics for the Doer Effect (TA) Of Service Recovery on Overall Customer Satisfaction (H6a)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	55,060	2	27,530	24,151	,000
Within Groups	434,308	381	1,140		
Total	489,368	383			
ANOVA Statistics for the Doer Effect (TA) Of Service Recovery on Repurchase Intention (H6b)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	59,161	2	29,581	22,650	,000
Within Groups	497,586	381	1,306		
Total	556,747	383			

In order to understand which groups differ from each other, post-hoc tests have been conducted. According to the results of post-hoc tests, all three groups are significantly different from one another at the  $p < .05$  level for both hypotheses. This means following a service failure, consumers who experienced service recovery by travel agency differ significantly from both of the other groups in terms of their overall satisfaction towards travel agency. Tukey's test indicates that the mean score of Group 1 (Travel Agency,  $M = 2.93$ ,  $SD = 1.009$ ) is significantly different from both Group 2 (Hotel,  $M = 2.38$ ,  $SD = 1.093$ ) and Group 3 (No Service Recovery,  $M = 2.01$ ,  $SD = 1.097$ ) in terms of their overall satisfaction towards travel agency. Similarly, the mean score of Group 1 (Travel Agency,  $M = 2.86$ ,  $SD = 1.186$ ) is significantly different from both Group 2 (Hotel,  $M = 2.35$ ,  $SD = 1.161$ ) and Group 3

(No Service Recovery, M=1.90, SD=1.077) in terms of their repurchase intention towards travel agency.

Table 42. Multiple Comparisons of H6a and H6b

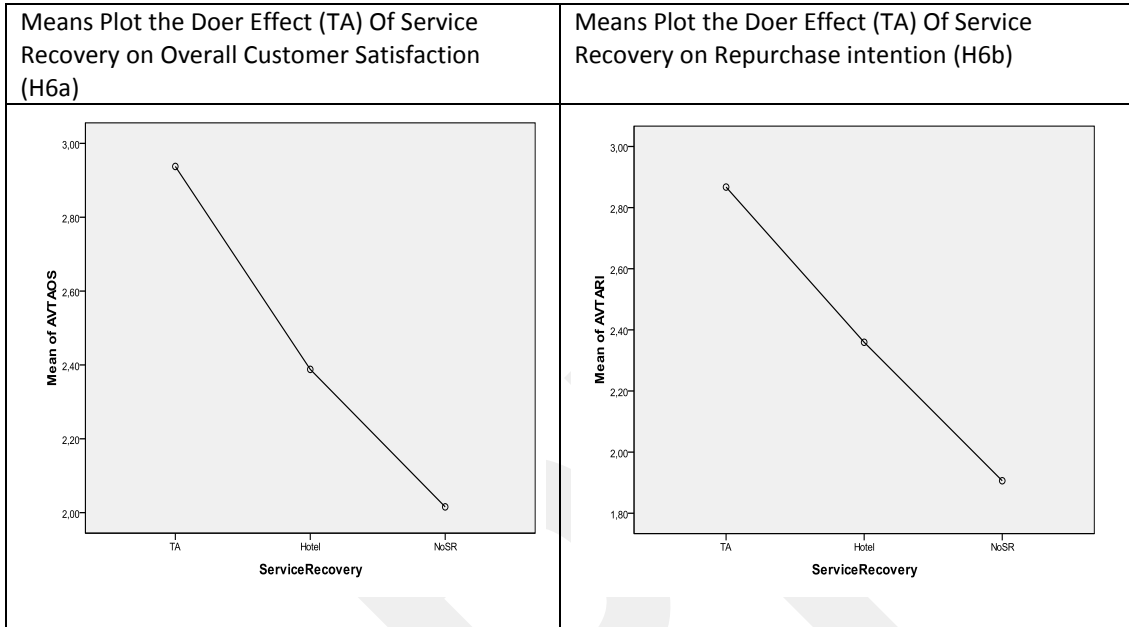
Multiple Comparisons of Service Recovery on Travel Agency Overall Satisfaction (H6a)				
(I) ServiceRecovery	(J) ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	,54948*	,13346	,000
	NoSR	,92188*	,13346	,000
Hotel	TA	-,54948*	,13346	,000
	NoSR	,37240*	,13346	,015
NoSR	TA	-,92188*	,13346	,000
	Hotel	-,37240*	,13346	,015
Multiple Comparisons of Service Recovery on Travel Agency Repurchase Intention (H6b)				
(I) ServiceRecovery	(J) ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	,50781*	,14285	,001
	NoSR	,96094*	,14285	,000
Hotel	TA	-,50781*	,14285	,001
	NoSR	,45313*	,14285	,005
NoSR	TA	-,96094*	,14285	,000
	Hotel	-,45313*	,14285	,005

\*. The mean difference is significant at the 0.05 level.

As the means plots show (See Figure 11), overall customer satisfaction and repurchase intention for travel agency are higher for consumers who experienced service recovery by travel agency as compared to the ones experienced service recovery by hotel and to the ones experienced no service recovery at all. This means overall customer satisfaction for travel agency is significantly higher for consumers who experienced service recovery by travel agency ( $M_{TA}$ : 2.93, SD= 1.009) than those who experienced service recovery by hotel ( $M_H$ : 2.38, SD= 1.093) and than those who experienced no service recovery at all ( $M_{NoSR}$ :2.01, SD=1.097). Similarly, repurchase intention for travel agency (H6b) is higher for consumers who experienced service recovery by travel agency ( $M_{TA}$  : 2.86, SD= 1.186) than those

who experienced service recovery by hotel ( $M_H : 2.35, SD= 1.161$ ) and than those who experienced no service recovery at all ( $M_{NoSR}:1.90, SD=1.077$ ).

Figure 11. Means Plot for H6a and H6b



### Hypothesis 7

In Hypothesis 7a, it is anticipated that there is an interaction effect between service failure (by hotel) and good prior experience (with hotel) regarding to overall customer satisfaction (for hotel). Similarly Hypothesis 7b has the same prediction for repurchase intention, and in order to investigate the interaction effect between service failure and good prior experience on overall customer satisfaction (H7a) and repurchase intention (H7b), a two-way between groups ANOVA was conducted.

According to Levene's Test of Homogeneity of Error Variances (Table 43), equality of variances assumption are provided for overall satisfaction ( $p=.436$ ). As the tests of between-subject effects table (Table 45) demonstrates the interaction effect between service failure and good prior experience on overall customer satisfaction

(H7a) is not statistically significant (Table 44) at  $p < .05$  level [ $F(1,380) = .360$ ,  $p = .549$ , partial  $\eta^2 = .001$ ]. Therefore, H7a is not supported.

Levene's Test of Homogeneity of Error Variances (Table 43) show that equality of variances assumption is also provided for repurchase intention ( $p = .178$ ).

Table 43. Homogeneity of Variances Test Results for H7a and H7b

Homogeneity of Variances Test Results for H7a			
Levene Statistic	df1	df2	Sig.
,911	3	380	,436
Homogeneity of Variances Test Results for H7b			
Levene Statistic	df1	df2	Sig.
1,649	3	380	,178

Table 44. Descriptive Statistics for H7a and H7b

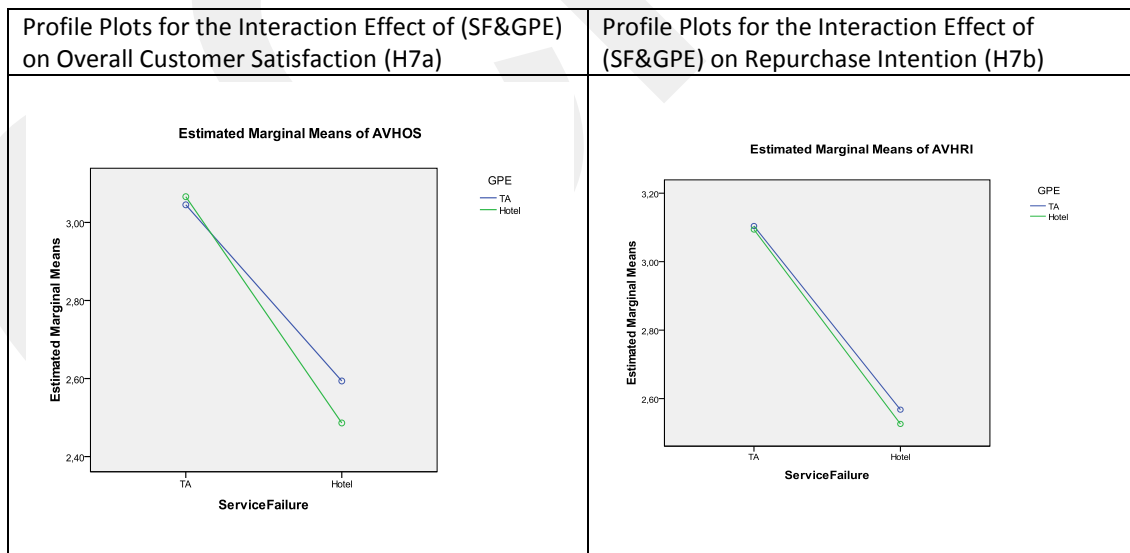
Descriptive Statistics for the Interaction Effect on Overall Customer Satisfaction for Hotel (H7a)				
ServiceFailure	GPE	Mean	Std. Deviation	N
TA	TA	3,0451	,95467	96
	Hotel	3,0660	1,06800	96
	Total	3,0556	1,01032	192
Hotel	TA	2,5937	1,08170	96
	Hotel	2,4861	1,08463	96
	Total	2,5399	1,08167	192
Total	TA	2,8194	1,04235	192
	Hotel	2,7760	1,11219	192
	Total	2,7977	1,07664	384
Descriptive Statistics for the Interaction Effect on Repurchase intention for Hotel (H7b)				
ServiceFailure	GPE	Mean	Std. Deviation	N
TA	TA	3,1042	1,04609	96
	Hotel	3,0938	1,17050	96
	Total	3,0990	1,10714	192
Hotel	TA	2,5677	1,13235	96
	Hotel	2,5260	1,10589	96
	Total	2,5469	1,11646	192
Total	TA	2,8359	1,11998	192
	Hotel	2,8099	1,17079	192
	Total	2,8229	1,14424	384

Similarly, interaction effect between service failure and good prior experience on repurchase intention (H7b) is also not statistically significant (Table 45) at the same level [ $F(1,380)=.019$ ,  $p=.891$ , partial  $\eta^2=.000$ ]. Thus, H7b is not supported.

Table 45. Tests of Between-Subjects Effects for H7a and H7b

Interaction Effect on Overall Customer Satisfaction for Hotel (H7a)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Failure*GPE	1	,396	,360	,549	,001
Error	380	1,100			
Total	384				
Corrected Total	383				
R Squared = ,059 (Adjusted R square= ,051)					
Interaction Effect on Repurchase Intention for Hotel (H7b)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Failure*GPE	1	,023	,019	,891	,000
Error	380	1,242			
Total	384				
Corrected Total	383				
R Squared = ,059 (Adjusted R square= ,051)					

Figure 12. Profile Plots for H7a and H7b



## Hypothesis 8

Hypothesis 8a predicts that there is an interaction effect between service failure (by travel agency) and good prior experience (with travel agency) regarding to overall

customer satisfaction (for travel agency). Similarly Hypothesis 8b has the same prediction for repurchase intention for travel agency. For investigating the interaction effect between service failure and good prior experience on overall customer satisfaction (H8a) and repurchase intention (H8b), a two-way between groups ANOVA was conducted.

Levene's Test (Table 46) has provided the assumption of equality of variances for H8a, overall satisfaction for travel agency ( $p=.900$ ). The interaction effect between service failure (travel agency) and good prior experience (travel agency) on overall customer satisfaction (travel agency) is not statistically significant (Table 48) at  $p<.05$  level [ $F(1,380)=.370$ ,  $p=.544$ , partial  $\eta^2=.001$ ]. As a result, H8a is not supported.

While, the assumption of equality of variances for H8b is supported for repurchase intention for travel agency ( $p=.519$ ), the interaction effect between service failure and good prior experience on repurchase intention is not statistically significant (Table 48) at  $p<.05$  level [ $F(1,380)=.122$ ,  $p=.727$ , partial  $\eta^2=.000$ ]. Thus, H8b is not supported.

Table 46. Homogeneity of Variances Test Results for H8a and H8b

Homogeneity of Variances Test Results for H8a			
Levene Statistic	df1	df2	Sig.
,194	3	380	,900
Homogeneity of Variances Test Results for H8b			
Levene Statistic	df1	df2	Sig.
,757	3	380	,519

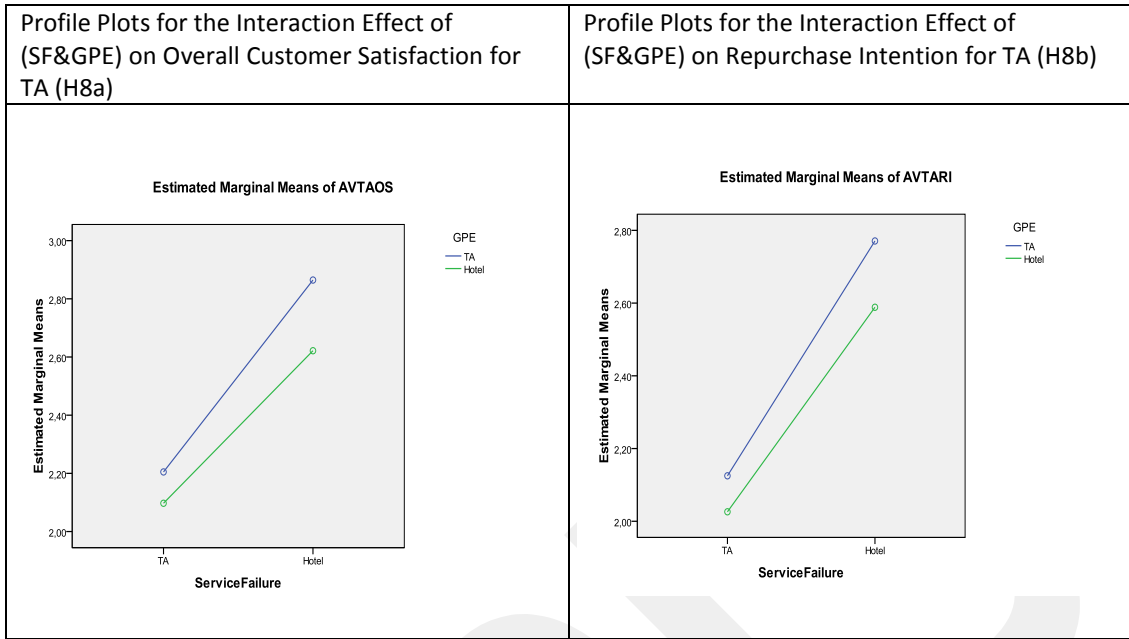
Table 47. Descriptive Statistics for H8a and H8b

Descriptive Statistics for the Interaction Effect on Overall Customer Satisfaction for Travel Agency (H8a)				
ServiceFailure	GPE	Mean	Std. Deviation	N
TA	TA	2,2049	1,15406	96
	Hotel	2,0972	1,06064	96
	Total	2,1510	1,10675	192
Hotel	TA	2,8646	1,05584	96
	Hotel	2,6215	1,09076	96
	Total	2,7431	1,07754	192
Total	TA	2,5347	1,15165	192
	Hotel	2,3594	1,10471	192
	Total	2,4470	1,13036	384
Descriptive Statistics for the Interaction Effect on Repurchase intention for Travel Agency (H8b)				
ServiceFailure	GPE	Mean	Std. Deviation	N
TA	TA	2,1250	1,21612	96
	Hotel	2,0260	1,18626	96
	Total	2,0755	1,19916	192
Hotel	TA	2,7708	1,18080	96
	Hotel	2,5885	1,09062	96
	Total	2,6797	1,13730	192
Total	TA	2,4479	1,23852	192
	Hotel	2,3073	1,17092	192
	Total	2,3776	1,20567	384

Table 48. Tests of Between-Subjects Effects for H8a and H8b

Interaction Effect on Overall Customer Satisfaction for Travel Agency (H8a)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Failure*GPE	1	,440	,370	,544	,001
Error	380	1,190			
Total	384				
Corrected Total	383				
R Squared = ,076 (Adjusted R square= ,068)					
Interaction Effect on Repurchase Intention for Travel Agency (H8b)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Failure*GPE	1	,167	,122	,727	,000
Error	380	1,367			
Total	384				
Corrected Total	383				
R Squared = ,067 (Adjusted R square= ,059)					

Figure 13. Profile Plots for H8a and H8b



### Hypothesis 9

In Hypothesis 9a, it is predicted that there is an interaction effect between service failure (by hotel) and service recovery (by hotel) regarding overall customer satisfaction (for hotel). Hypothesis 9b is similarly making the same prediction for repurchase intention levels for hotel. In order to examine the interaction effect between service failure and recovery on overall customer satisfaction (H9a) and repurchase intention (H9b), a two-way between groups ANOVA was conducted.

Levene’s Test (Table 49) has provided the results of the assumption of equality of variances for H9a, overall satisfaction for hotel ( $p=.834$ ) which show the assumptions are not violated.

The interaction effect between service failure (by hotel) and service recovery (by hotel) on overall customer satisfaction (with hotel) is not statistically significant (Table 51) at  $p<.05$  level [ $F(2,378)= .246, p=.782, \text{partial } \eta^2=.001$ ]. As a result, H9a is not supported.

Table 49. Homogeneity of Variances Test Results for H9a and H9b

Homogeneity of Variances Test Results for H9a			
Levene Statistic	df1	df2	Sig.
,421	5	378	,834
Homogeneity of Variances Test Results for H9b			
Levene Statistic	df1	df2	Sig.
1,120	5	378	,349

Table 50. Descriptive Statistics for H9a and H9b

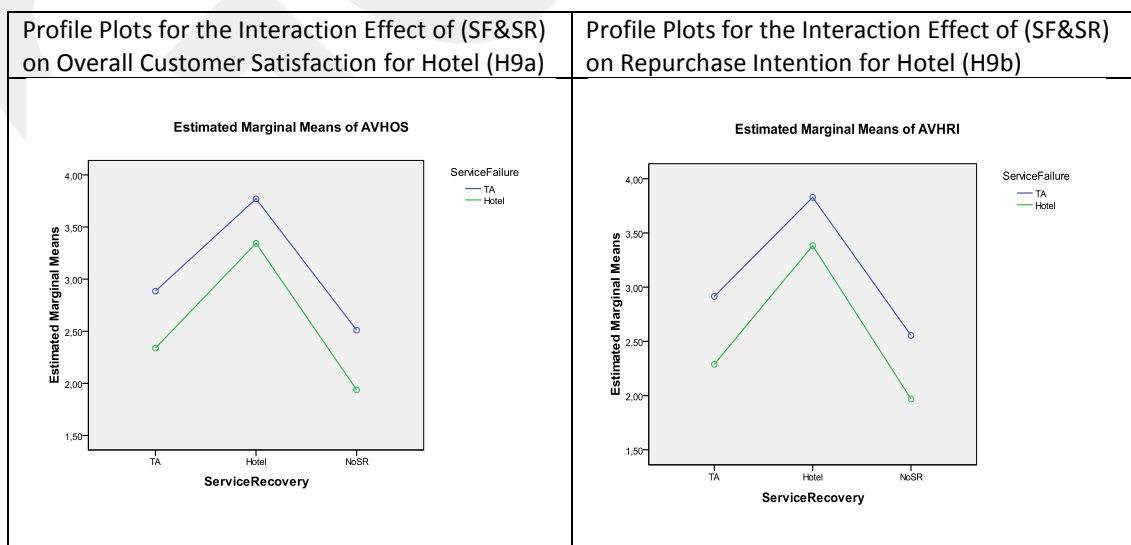
Descriptive Statistics for the Interaction Effect on Overall Customer Satisfaction for Hotel (H9a)				
ServiceFailure	ServiceRecovery	Mean	Std. Deviation	N
TA	TA	2,8854	,91859	64
	Hotel	3,7708	,89260	64
	NoSR	2,5104	,77657	64
	Total	3,0556	1,01032	192
Hotel	TA	2,3385	,93811	64
	Hotel	3,3437	,89081	64
	NoSR	1,9375	,89851	64
	Total	2,5399	1,08167	192
Total	TA	2,6120	,96462	128
	Hotel	3,5573	,91369	128
	NoSR	2,2240	,88450	128
	Total	2,7977	1,07664	384
Descriptive Statistics for the Interaction Effect on Repurchase intention for Hotel (H9b)				
ServiceFailure	ServiceRecovery	Mean	Std. Deviation	N
TA	TA	2,9141	1,03339	64
	Hotel	3,8281	,86931	64
	NoSR	2,5547	1,00837	64
	Total	3,0990	1,10714	192
Hotel	TA	2,2891	,96693	64
	Hotel	3,3828	,85793	64
	NoSR	1,9687	,99553	64
	Total	2,5469	1,11646	192
Total	TA	2,6016	1,04497	128
	Hotel	3,6055	,88880	128
	NoSR	2,2617	1,04045	128
	Total	2,8229	1,14424	384

According to the results of Levene’s Test, the assumption of equality of variance is not violated for H9b, repurchase intention for hotel ( $p=.349$ ). The interaction effect between service failure (by hotel) and service recovery (by hotel) on repurchase intention (with hotel) is not statistically significant (Table 51) at  $p<.05$  level [ $F(2,378)=.312, p=.732, \text{partial } \eta^2=.002$ ]. As a result, H9b is not supported.

Table 51. Tests of Between-Subjects Effects for H9a and H9b

Interaction Effect on Overall Customer Satisfaction for Hotel (H9a)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Failure*Service Recovery	2	,194	,246	,782	,001
Error	378	,787			
Total	384				
Corrected Total	383				
R Squared = ,330 (Adjusted R square= ,321)					
Interaction Effect on Repurchase Intention for Hotel (H9b)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Failure*Service Recovery	2	,286	,312	,732	,002
Error	378	,917			
Total	384				
Corrected Total	383				
R Squared = ,309 (Adjusted R square= ,300)					

Figure 14. Profile Plots for H9a and H9b



## Hypothesis 10

Hypothesis 10a anticipates that there is an interaction effect between service failure (by travel agency) and service recovery (by travel agency) regarding overall customer satisfaction (for travel agency). Similarly Hypothesis 10b has the same prediction for repurchase intention for travel agency. For analyzing the interaction effect on overall customer satisfaction (H10a) and repurchase intention (H10b), a two-way between groups ANOVA was conducted.

The results of Levene's Test (52) has presented the assumption of equality of variances for H10a, overall satisfaction for travel agency ( $p=.320$ ) has not been violated at 95% confidence interval.

The interaction effect between service failure and service recovery on overall customer satisfaction (travel agency) is statistically significant (Table 54) at  $p<.05$  level [ $F(2,378)= 6.851, p=.001, \text{partial } \eta^2=.035$ ]. Accordingly, the interaction effect between service failure and service recovery on repurchase intention (travel agency) is statistically significant (Table 54) at  $p<.05$  level [ $F(2,378)=7.807, p=.000, \text{partial } \eta^2=.040$ ].

Table 52. Homogeneity of Variances Test Results for H10a and H10b

Homogeneity of Variances Test Results for H10a			
Levene Statistic	df1	df2	Sig.
1,176	5	378	,320
Homogeneity of Variances Test Results for H10b			
Levene Statistic	df1	df2	Sig.
2,845	5	378	,015

Table 53. Descriptive Statistics for H10a and H10b

Descriptive Statistics for the Interaction Effect on Overall Customer Satisfaction for TA (H10a)				
ServiceFailure	ServiceRecovery	Mean	Std. Deviation	N
TA	TA	2,7969	1,07006	64
	Hotel	1,8229	,90651	64
	NoSR	1,8333	1,05409	64
	Total	2,1510	1,10675	192
Hotel	TA	3,0781	,93292	64
	Hotel	2,9531	,97022	64
	NoSR	2,1979	1,11700	64
	Total	2,7431	1,07754	192
Total	TA	2,9375	1,00979	128
	Hotel	2,3880	1,09383	128
	NoSR	2,0156	1,09709	128
	Total	2,4470	1,13036	384
Descriptive Statistics for the Interaction Effect on Repurchase intention for TA (H10b)				
ServiceFailure	ServiceRecovery	Mean	Std. Deviation	N
TA	TA	2,6484	1,27142	64
	Hotel	1,7578	,97179	64
	NoSR	1,8203	1,13867	64
	Total	2,0755	1,19916	192
Hotel	TA	3,0859	1,05993	64
	Hotel	2,9609	1,02083	64
	NoSR	1,9922	1,01376	64
	Total	2,6797	1,13730	192
Total	TA	2,8672	1,18635	128
	Hotel	2,3594	1,16196	128
	NoSR	1,9063	1,07723	128
	Total	2,3776	1,20567	384

In order to further explore the relationship between service failure and recovery, follow-up tests of single effects are conducted. This means the results are going to be analyzed for each sub-groups separately. In order to do that, data is divided by performing split data option in SPSS and further one-way ANOVA is conducted in order to explore the effect of the other variable. In this study, the data is split according to service failure (by travel agency or hotel) and the objective is to

explore the effect of service recovery on overall satisfaction for travel agency and repurchase intention for travel agency separately for the situations in which service failure is performed by travel agency and hotel. The results of the analysis are as follows for overall satisfaction for travel agency (H10a) when failure is done by travel agency.

Table 54. Tests of Between-Subjects Effects for H10a and H10b

Interaction Effect on Overall Customer Satisfaction for Travel Agency (H10a)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Failure*Service Recovery	2	7,007	6,851	,001	,035
Error	378	1,023			
Total	384				
Corrected Total	383				
R Squared = ,210 (Adjusted R square= ,199)					
Interaction Effect on Repurchase Intention for Travel Agency (H10b)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Failure*Service Recovery	2	9,174	7,807	,000	,040
Error	378	1,175			
Total	384				
Corrected Total	383				
R Squared = ,202 (Adjusted R square= ,192)					
Computed using alpha = ,01					

The results of Levene's Test for Homogeneity of Variance show that the assumption is not violated for overall customer satisfaction for travel agency ( $p = .130$ ). Although the results of the test demonstrate that the assumption is violated for repurchase intention for travel agency ( $p = .008$ ), further analysis (robust test for equality of means – Welch) justifies that the assumption is not violated ( $p = .000$ ).

Table 55. Test of Homogeneity of Variances for Split Data Analysis (H10a and H10b- Service Failure by TA)

Homogeneity of Variances for Overall Customer Satisfaction for Travel Agency (H10a)			
Levene Statistic	df1	df2	Sig.
2,065	2	189	,130
Homogeneity of Variances for Repurchase Intention for Travel Agency (H10b)			
Levene Statistic	df1	df2	Sig.
4,898	2	189	,008

a. ServiceFailure = TA

Table 56. Robust Tests of Equality of Means for Repurchase Intention for Travel Agency (H10b- Service Failure by TA)

	Statistic <sup>a</sup>	df1	df2	Sig.
Welch	11,048	2	124,444	,000
Brown-Forsythe	12,302	2	180,762	,000

a. Asymptotically F distributed.

b. ServiceFailure = TA

Table 57. Descriptive Statistics for Split Data Analysis (H10a and H10b- Service Failure by TA)

Descriptive Statistics for Split Data regarding Overall Customer Satisfaction for Travel Agency (H10a)				
	N	Mean	Std. Deviation	Std. Error
TA	64	2,7969	1,07006	,13376
Hotel	64	1,8229	,90651	,11331
NoSR	64	1,8333	1,05409	,13176
Total	192	2,1510	1,10675	,07987
Descriptive Statistics for Split Data regarding Repurchase Intention for Travel Agency (H10b)				
	N	Mean	Std. Deviation	Std. Error
TA	64	2,6484	1,27142	,15893
Hotel	64	1,7578	,97179	,12147
NoSR	64	1,8203	1,13867	,14233
Total	192	2,0755	1,19916	,08654

a. ServiceFailure = TA

Table 58. ANOVA Statistics for H10a and H10b (Service Failure by TA)

ANOVA Statistics after Split Data Analysis for Overall Customer Satisfaction for Travel Agency (H10a)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	40,045	2	20,023	19,516	,000
Within Groups	193,908	189	1,026		
Total	233,953	191			
ANOVA Statistics after Split Data Analysis for Repurchase Intention for Travel Agency (H10b)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	31,635	2	15,818	12,302	,000
Within Groups	243,020	189	1,286		
Total	274,655	191			

a. ServiceFailure = TA

ANOVA results for overall customer satisfaction for travel agency [ $F(2,189)= 19.516$ ,  $p=.000$ ] demonstrate significant differences in group means when failure is done by travel agency. To understand which groups differ from each other, post-hoc tests are done. According to the results, however, not all three groups are different from each other. If service failure is done by travel agency, overall customer satisfaction for travel agency is higher for customers who experienced a recovery by travel agency ( $M=2.79$ ,  $SD=1.07$ ) than those who experienced a recovery by hotel ( $M=1.82$ ,  $SD=0.906$ ) or who experienced no recovery at all ( $M=1.83$ ,  $SD= 1.05$ ). However, the mean scores for overall satisfaction for travel agency show no difference when recovery is performed by hotel ( $M=1.82$ ,  $SD=0.906$ ) or not performed at all ( $M=1.83$ ,  $SD= 1.05$ ).

ANOVA results for repurchase intention for travel agency [ $F(2,189)= 12.302$ ,  $p=.000$ ] also demonstrate significant differences in group means when failure is done by travel agency. If failure is done by travel agency, repurchase intention for travel agency is higher for customers who experienced a recovery by travel agency ( $M=2.64$ ,  $SD=1.27$ ) than those who experienced recovery by hotel ( $M=1.75$ ,  $SD=.971$ )

or who experienced no recovery at all (M=1.82, SD=1.13). Similarly, customers perceive no difference between service recovery by hotel (M=1.75, SD=.971) and no service recovery at all (M=1.82, SD=1.13).

Table 59. Multiple Comparisons for H10a and H10b (Service Failure by Travel Agency)

Multiple Comparisons after Split Data Analysis for Overall Customer Satisfaction for Travel Agency (H10a)				
(I) ServiceRecovery	(J) ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	,97396*	,17906	,000
	NoSR	,96354*	,17906	,000
Hotel	TA	-,97396*	,17906	,000
	NoSR	-,01042	,17906	,998
NoSR	TA	-,96354*	,17906	,000
	Hotel	,01042	,17906	,998

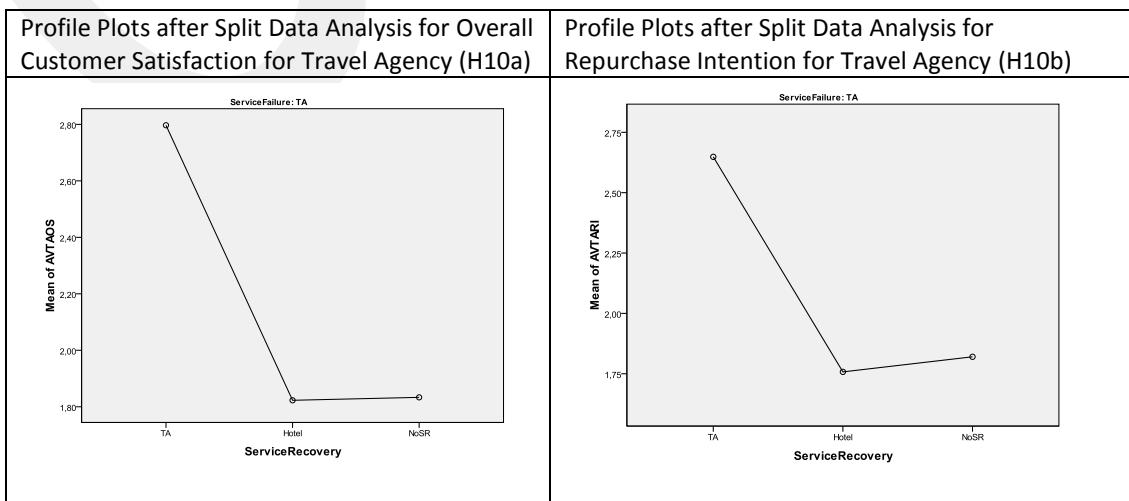
  

Multiple Comparisons after Split Data Analysis for Repurchase Intention for Travel Agency (H10b)				
(I) ServiceRecovery	(J) ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	,89063*	,20045	,000
	NoSR	,82813*	,20045	,000
Hotel	TA	-,89063*	,20045	,000
	NoSR	-,06250	,20045	,948
NoSR	TA	-,82813*	,20045	,000
	Hotel	,06250	,20045	,948

\*. The mean difference is significant at the 0.05 level.

a. ServiceFailure = TA

Figure 15. Profile Plots for H10a and H10b (Service Failure by Travel Agency)



Further analysis is performed for the situations when failure is done by hotel. The results of Levene's Test for Homogeneity of Variance show that the assumption is not violated for overall customer satisfaction for travel agency ( $p = .417$ ) and also for repurchase intention for travel agency ( $p = .816$ ).

Table 60. Test of Homogeneity of Variancesa for Split Data Analysis (H10a and H10b- Service Failure by Hotel)

Homogeneity of Variances for Overall Customer Satisfaction for Travel Agency (H10a)			
Levene Statistic	df1	df2	Sig.
,879	2	189	,417
Homogeneity of Variances for Repurchase Intention for Travel Agency (H10b)			
Levene Statistic	df1	df2	Sig.
,203	2	189	,816

a. ServiceFailure = Hotel

Table 61. Descriptives Statistics for Split Data Analysis (H10a and H10b- Service Failure by Hotel)

Descriptive Statistics for Split Data regarding Overall Customer Satisfaction for Travel Agency (H10a)				
	N	Mean	Std. Deviation	Std. Error
TA	64	3,0781	,93292	,11662
Hotel	64	2,9531	,97022	,12128
NoSR	64	2,1979	1,11700	,13962
Total	192	2,7431	1,07754	,07776
Descriptive Statistics for Split Data regarding Repurchase Intention for Travel Agency (H10b)				
	N	Mean	Std. Deviation	Std. Error
TA	64	3,0859	1,05993	,13249
Hotel	64	2,9609	1,02083	,12760
NoSR	64	1,9922	1,01376	,12672
Total	192	2,6797	1,13730	,08208

a. ServiceFailure = Hotel

Table 62. ANOVA Statistics for H10a and H10b (Service Failure by Hotel)

ANOVA Statistics after Split Data Analysis for Overall Customer Satisfaction for Travel Agency (H10a)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	29,029	2	14,514	14,233	,000
Within Groups	192,740	189	1,020		
Total	221,769	191			
ANOVA Statistics after Split Data Analysis for Repurchase Intention for Travel Agency (H10b)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	45,875	2	22,938	21,549	,000
Within Groups	201,176	189	1,064		
Total	247,051	191			

a. ServiceFailure = Hotel

ANOVA results for overall customer satisfaction for travel agency [ $F(2,189)= 14.233$ ,  $p=.000$ ] demonstrate significant differences in group means when failure is done by hotel (Table 62). To understand which groups differ from each other, post-hoc tests were done. According to the results, if service failure is done by hotel, overall customer satisfaction for travel agency is higher for customers who experienced a recovery by travel agency ( $M=3.07$ ,  $SD=.932$ ) than those who experienced no recovery at all ( $M=2.19$ ,  $SD=1.117$ ). Moreover, within the same circumstances, overall customer satisfaction for travel agency is higher for customers who experienced a recovery by hotel ( $M=2.95$ ,  $SD=.970$ ) than those who experienced no service recovery at all ( $M=2.19$ ,  $SD=1.117$ ). However, the mean scores for overall satisfaction for travel agency show no difference when recovery is performed by hotel ( $M=2.95$ ,  $SD=.970$ ) or travel agency ( $M=3.07$ ,  $SD=.932$ ).

ANOVA results for repurchase intention for travel agency [ $F(2,189)= 21.549$ ,  $p=.000$ ] also demonstrate significant differences in group means when failure is done by hotel (Table 62). In order to understand which groups differ from each other, post-hoc tests were conducted. Findings show higher results of repurchase intention for

travel agency for customers who experienced service recovery by travel agency (M=3.08, SD=1.05) than those who experience no recovery (M=1.99, SD=1.013). Furthermore, customers experiencing recovery by hotel (M=2.96, SD=1.020) also demonstrate more favourable results than those who experienced no recovery at all (M=1.99, SD=1.013). However, no difference has been observed between the mean scores for repurchase intention for travel agency when recovery is performed by hotel (M=2.96, SD=1.020) or travel agency (M=3.08, SD=1.05).

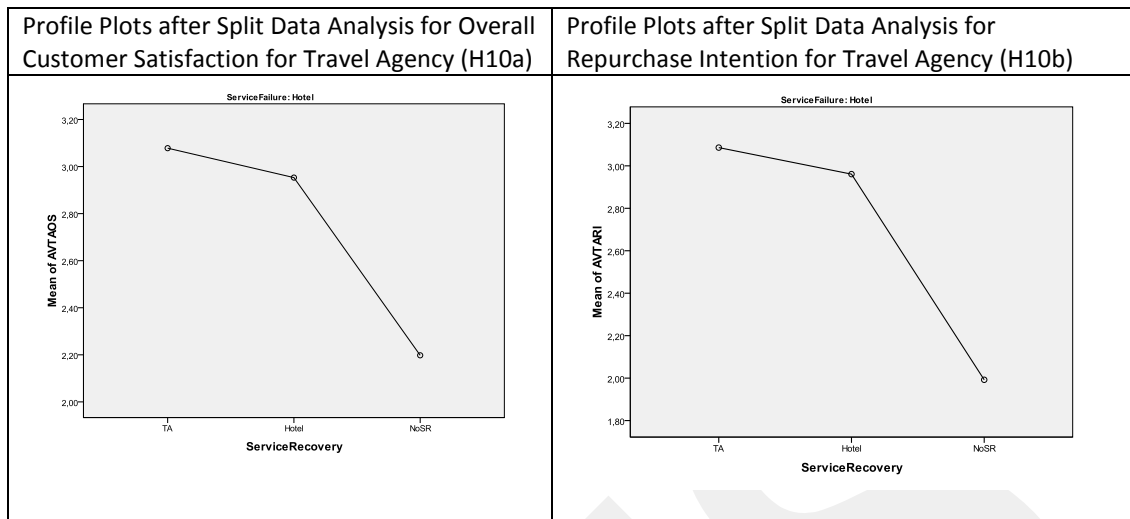
Table 63. Multiple Comparisons for H10a and H10b (Service Failure by Hotel)

Multiple Comparisons after Split Data Analysis for Overall Customer Satisfaction for Travel Agency (H10a)				
(I) ServiceRecovery	(J) ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	,12500	,17852	,764
	NoSR	,88021*	,17852	,000
Hotel	TA	-,12500	,17852	,764
	NoSR	,75521*	,17852	,000
NoSR	TA	-,88021*	,17852	,000
	Hotel	-,75521*	,17852	,000
Multiple Comparisons after Split Data Analysis for Repurchase Intention for Travel Agency (H10b)				
(I) ServiceRecovery	(J) ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	,12500	,18238	,772
	NoSR	1,09375*	,18238	,000
Hotel	TA	-,12500	,18238	,772
	NoSR	,96875*	,18238	,000
NoSR	TA	-1,09375*	,18238	,000
	Hotel	-,96875*	,18238	,000

\*. The mean difference is significant at the 0.05 level.

a. ServiceFailure = Hotel

Figure 16. Profile Plots for H10a and H10b (Service Failure by Hotel)



### Hypothesis 11

In Hypothesis 11a, it is anticipated that there is an interaction effect between good prior experience (with hotel) and service recovery (by hotel) regarding overall customer satisfaction (for hotel). Similarly Hypothesis 11b makes the same prediction for repurchase intention and in order to investigate the interaction effect on overall customer satisfaction (H11a) and repurchase intention (H11b), a two-way between groups ANOVA was conducted.

According to Levene's Test of Homogeneity of Error Variances (Table 64), equality of variances assumption is provided for overall satisfaction ( $p=.374$ ). The interaction effect between service recovery and good prior experience on overall customer satisfaction is not statistically significant (Table 66) at  $p<.05$  level [ $F(2,378)=.159$ ,  $p=.853$ , partial  $\eta^2=.001$ ]. Thus, H11a is not supported.

Table 64. Homogeneity of Variances Test Results for H11a and H11b

Homogeneity of Variances Test Results for H11a			
Levene Statistic	df1	df2	Sig.
1,074	5	378	,374
Homogeneity of Variances Test Results for H11b			
Levene Statistic	df1	df2	Sig.
2,799	5	378	,017

Table 65. Descriptive Statistics for H11a and H11b

Descriptive Statistics for the Interaction Effect on Overall Customer Satisfaction for Hotel (H11a)				
ServiceRecovery	GPE	Mean	Std. Deviation	N
TA	TA	2,6563	,87483	64
	Hotel	2,5677	1,05188	64
	Total	2,6120	,96462	128
Hotel	TA	3,5938	,86367	64
	Hotel	3,5208	,96659	64
	Total	3,5573	,91369	128
NoSR	TA	2,2083	,87590	64
	Hotel	2,2396	,89967	64
	Total	2,2240	,88450	128
Total	TA	2,8194	1,04235	192
	Hotel	2,7760	1,11219	192
	Total	2,7977	1,07664	384
Descriptive Statistics for the Interaction Effect on Repurchase intention for Hotel (H11b)				
ServiceRecovery	GPE	Mean	Std. Deviation	N
TA	TA	2,6016	,99275	64
	Hotel	2,6016	1,10259	64
	Total	2,6016	1,04497	128
Hotel	TA	3,6953	,79491	64
	Hotel	3,5156	,97170	64
	Total	3,6055	,88880	128
NoSR	TA	2,2109	,99125	64
	Hotel	2,3125	1,09291	64
	Total	2,2617	1,04045	128
Total	TA	2,8359	1,11998	192
	Hotel	2,8099	1,17079	192
	Total	2,8229	1,14424	384

According to Levene's Test of Homogeneity of Error Variances (Table 64), equality of variances assumption is not provided for repurchase intention ( $p=.017$ ). Since the

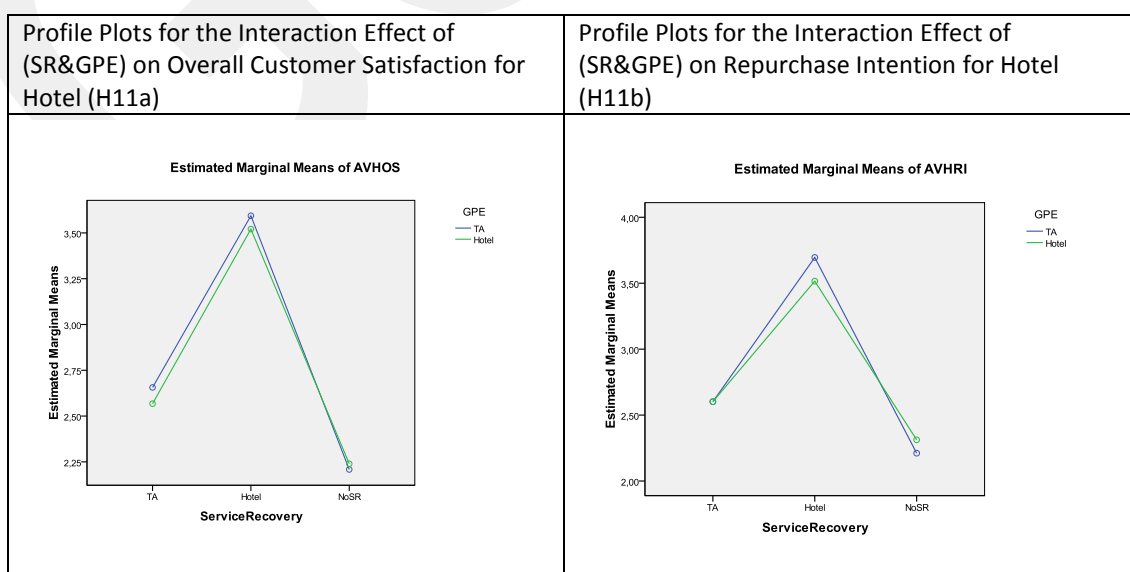
number of respondents is equal for all groups and, since the hypothesis of interaction (H11b) is not supported (See Table 66 below), no further analysis was conducted for homogeneity of error variances.

Similarly, interaction effect between service recovery and good prior experience on repurchase intention is also not statistically significant (Table 66) at the same level [ $F(2,378)=.654, p=.521, \text{partial } \eta^2=.003$ ]. Thus, H11b is not supported.

Table 66. Tests of Between-Subjects Effects for H11a and H11b

Interaction Effect on Overall Customer Satisfaction for Hotel (H11a)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Recovery*GPE	2	,136	,159	,853	,001
Error	378	,855			
Total	384				
Corrected Total	383				
R Squared = ,272 (Adjusted R square= ,263)					
Interaction Effect on Repurchase Intention for Hotel (H11b)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Recovery*GPE	2	,649	,654	,521	,003
Error	378	,992			
Total	384				
Corrected Total	383				
R Squared = ,252 (Adjusted R square= ,242)					

Figure 17. Profile Plots for H11a and H11b



## Hypothesis 12

It is expected that there is an interaction effect between good prior experience (with travel agency) and service recovery (by travel agency) regarding overall customer satisfaction (for travel agency) in Hypothesis 12a. In Hypothesis 12b, on the other hand, the same anticipation has been made for repurchase intention for the same party (travel agency). For the analysis, a two-way between groups ANOVA was conducted.

Table 67. Homogeneity of Variances Test Results for H12a and H12b

Homogeneity of Variances Test Results for H12a			
Levene Statistic	df1	df2	Sig.
,750	5	378	,586
Homogeneity of Variances Test Results for H12b			
Levene Statistic	df1	df2	Sig.
1,016	5	378	,408

Levene's Test of Homogeneity of Error Variances (Table 67) shows that equality of variances assumption are provided for overall satisfaction ( $p=.586$ ). The table below shows the interaction effect between service recovery and good prior experience on overall customer satisfaction is not statistically significant (Table 69) at  $p<.05$  level [ $F(2,378)= 1.256$ ,  $p=.286$ , partial  $\eta^2=.007$ ]. Therefore, H12a is rejected.

Levene's Test of Homogeneity of Error Variances (Table 67) shows that equality of variances assumption is valid for repurchase intention ( $p=.408$ ). Similar to H12a, interaction effect between service recovery and good prior experience on repurchase intention is also not statistically significant (Table 69) at the same level [ $F(2,378)=.904$ ,  $p=.406$ , partial  $\eta^2=.005$ ]. As a result, H12b is also rejected.

Table 68. Descriptive Statistics for H12a and H12b

Descriptive Statistics for the Interaction Effect on Overall Customer Satisfaction for TA (H12a)				
ServiceRecovery	GPE	Mean	Std. Deviation	N
TA	TA	3,1146	1,02391	64
	Hotel	2,7604	,97131	64
	Total	2,9375	1,00979	128
Hotel	TA	2,3594	1,06459	64
	Hotel	2,4167	1,13000	64
	Total	2,3880	1,09383	128
NoSR	TA	2,1302	1,14028	64
	Hotel	1,9010	1,04852	64
	Total	2,0156	1,09709	128
Total	TA	2,5347	1,15165	192
	Hotel	2,3594	1,10471	192
	Total	2,4470	1,13036	384
Descriptive Statistics for the Interaction Effect on Repurchase intention for TA (H12b)				
ServiceRecovery	GPE	Mean	Std. Deviation	N
TA	TA	3,0078	1,27395	64
	Hotel	2,7266	1,08353	64
	Total	2,8672	1,18635	128
Hotel	TA	2,3203	1,14908	64
	Hotel	2,3984	1,18248	64
	Total	2,3594	1,16196	128
NoSR	TA	2,0156	1,08733	64
	Hotel	1,7969	1,06428	64
	Total	1,9063	1,07723	128
Total	TA	2,4479	1,23852	192
	Hotel	2,3073	1,17092	192
	Total	2,3776	1,20567	384

Table 69. Tests of Between-Subjects Effects for H12a and H12b

Interaction Effect on Overall Customer Satisfaction for Travel Agency (H12a)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Recovery*GPE	2	1,424	1,256	,286	,007
Error	378	1,134			
Total	384				
Corrected Total	383				
R Squared = ,124 (Adjusted R square= ,113)					
Interaction Effect on Repurchase Intention for Travel Agency (H12b)					
Source	df	Mean Square	F	Sig.	Partial Eta Squared
Service Recovery*GPE	2	1,180	,904	,406	,005
Error	378	1,305			
Total	384				
Corrected Total	383				
R Squared = ,114 (Adjusted R square= ,102)					

Figure 18. Profile Plots for H12a and H12b

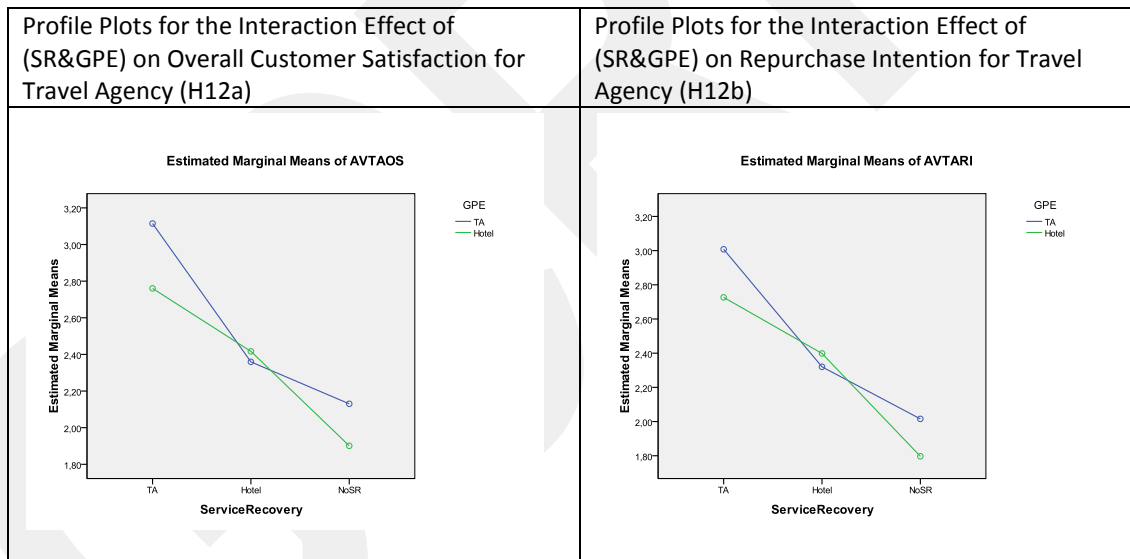


Table 70. Hypotheses

Hypotheses		Results
<b>H1a</b>	Following a service failure by travel agency, overall customer satisfaction for travel agency is likely to be lower.	<b>Accepted</b>
<b>H1b</b>	Following a service failure by travel agency, repurchase intention for travel agency are likely to be lower.	<b>Accepted</b>
<b>H2a</b>	Following a service failure by hotel, overall customer satisfaction for hotel is likely to be lower.	<b>Accepted</b>
<b>H2b</b>	Following a service failure by hotel, repurchase intention for hotel are likely to be lower.	<b>Accepted</b>
<b>H3a</b>	After experiencing a service failure, overall customer satisfaction for hotel is likely to be higher for consumers who have good prior experiences with hotel.	<b>Rejected</b>
<b>H3b</b>	After experiencing a service failure, repurchase intention for hotel are likely to be higher for consumers who have good prior experiences with hotel.	<b>Rejected</b>
<b>H4a</b>	After experiencing a service failure, overall customer satisfaction for travel agency is likely to be higher for consumers who have good prior experiences with travel agency.	<b>Rejected</b>
<b>H4b</b>	After experiencing a service failure, repurchase intention for travel agency are likely to be higher for consumers who have good prior experiences with travel agency.	<b>Rejected</b>
<b>H5a</b>	After experiencing a service failure, overall customer satisfaction for hotel is likely to be higher for consumers experienced service recovery by hotel rather than consumers experienced service recovery done by travel agency or consumers who experienced no service recovery.	<b>Accepted</b>
<b>H5b</b>	After experiencing a service failure, repurchase intention for hotel are likely to be higher for consumers experienced service recovery by hotel rather than consumers experienced service recovery done by travel agency or consumers who experienced no service recovery.	<b>Accepted</b>
<b>H6a</b>	After experiencing a service failure, overall customer satisfaction for travel agency is likely to be higher for consumers experienced service recovery by travel agency rather than consumers experienced service recovery done by hotel or consumers who experienced no service recovery.	<b>Accepted</b>
<b>H6b</b>	After experiencing a service failure, repurchase intention for travel agency are likely to be higher for consumers experienced service recovery by travel agency rather than consumers experienced service recovery done by hotel or consumers who experienced no service recovery.	<b>Accepted</b>
<b>H7a</b>	There is an interaction effect between service failure (by hotel) and good prior experience (with hotel) regarding to overall customer satisfaction (for hotel).	<b>Rejected</b>
<b>H7b</b>	There is an interaction effect between service failure (by hotel) and good prior experience (with hotel)	<b>Rejected</b>

	regarding to repurchase intention (for hotel).	
<b>H8a</b>	There is an interaction effect between service failure (by travel agency) and good prior experience (with travel agency) regarding to overall customer satisfaction (for travel agency).	<b>Rejected</b>
<b>H8b</b>	There is an interaction effect between service failure (by travel agency) and good prior experience (with travel agency) regarding to repurchase intention (for travel agency).	<b>Rejected</b>
<b>H9a</b>	There is an interaction effect between service failure (by hotel) and service recovery (by hotel) regarding overall customer satisfaction (for hotel).	<b>Rejected</b>
<b>H9b</b>	There is an interaction effect between service failure (by hotel) and service recovery (by hotel) regarding repurchase intention (for hotel).	<b>Rejected</b>
<b>H10a</b>	There is an interaction effect between service failure (by travel agency) and service recovery (by travel agency) regarding overall customer satisfaction (for travel agency).	<b>Accepted</b>
<b>H10b</b>	There is an interaction effect between service failure (by travel agency) and service recovery (by travel agency) regarding repurchase intention (for travel agency).	<b>Accepted</b>
<b>H11a</b>	There is an interaction effect between good prior experience (with hotel) and service recovery (by hotel) regarding overall customer satisfaction (for hotel).	<b>Rejected</b>
<b>H11b</b>	There is an interaction effect between good prior experience (with hotel) and service recovery (by hotel) regarding repurchase intention (for hotel).	<b>Rejected</b>
<b>H12a</b>	There is an interaction effect between good prior experience (with travel agency) and service recovery (by travel agency) regarding overall customer satisfaction (for travel agency).	<b>Rejected</b>
<b>H12b</b>	There is an interaction effect between good prior experience (with travel agency) and service recovery (by travel agency) regarding repurchase intention (for travel agency).	<b>Rejected</b>

## **Chapter 6. Discussion and Conclusion**

### **6.1. Discussion of the results and managerial implications**

Service failure and recovery have been popular subjects in contexts such as airline (i.e. Bamford & Xystouri, 2005), restaurant (i.e. Hess, et al., 2003), and even in tourism and hospitality (i.e. Lewis & McCann, 2004), however there is a lack of information on how consumers react to service failures and recoveries according to the different parties in a supply chain that perform them. This is important as supply chains represent a principal-agent relationship. In the light of this research gap, this study aims to understand the effects of the “doer” of service failure and recovery from the perspective of a service supply chain, namely within a tourism service supply chain setting. In addition, the study aims to shed further light on the Agency Theory through presenting a multi-agent setting, a context which has been overlooked, especially in service supply chain literature.

The findings of the study reveal important theoretical and practical implications. On one hand, study aims to further analyze the theories such as Agency Theory and Cognitive Consistency Theory. On the other hand, businesses operating in tourism service supply chain, such as hotels and travel agencies, could also benefit from the results of the study.

Furthermore, the results create important implications for all types of tourism service supply chains, including their various members. For instance, the relationship between travel agencies and hotels show similarities with that of between travel agencies and passenger transportation services such as airlines or car rentals. This is because both relationships are providing, customized services for

individual customers, and the purchase phase and delivery phase take place separately which requires individual evaluation for every purchase (See classification by Lovelock, 1983). From a business perspective, all partners in the service supply chain aim to create value for customers and each partner affects the others. Therefore, any business representing agent-principal relationship will potentially benefit from the results of the study.

This study focuses on the prior experiences of customers. As mentioned in the literature, majority of the previous studies (i.e. Dawar & Pillutla, 2000; DeWitt & Brady, 2003) conclude that good prior experiences act as a buffer or insurance against service failures, and thus, hypotheses are developed accordingly. However, both hypotheses 3 and 4 are not supported which means there are no significant differences in the mean scores of dependent variables across groups (travel agency and hotel). This result is contrary to the Cognitive Consistency Theory, meaning when customers have good prior experience with travel agency, customers' overall satisfaction and repurchase intentions for travel agency are not higher than those who have good prior experience with hotel, or visa versa. The results further emphasize that as Confirmation/Disconfirmation Paradigm states, when actual performance of a product or service falls behind the expectations, negative disconfirmation occurs, leading to customer dissatisfaction (See the mean scores of H3 and H4).

The reason for this result may be due to the fact that in such a situation customers have no knowledge regarding the doer of the failure, which means there is an information asymmetry between customer (principal) and travel agency (agent). This means one party in the relationship has better or more information than the

other. In such a situation, customer as a principal has no knowledge on the doer of the failure, and therefore s/he is disadvantaged. This information asymmetry further increases the likelihood of customer considering the entities separately. Thus, when customers face the representatives of hotels at the moment of failure, it may not be possible for them to consider entities separately. Therefore, although they may have good prior experiences with either party, the effect of a failure may be higher, which causes a decrease in overall satisfaction and intentions for repurchase for both parties. This result may also be explained by Recency Effect (Maxham III & Netemeyer, 2002b), which states that the most recent events are the most salient, thus their effects are higher on the overall judgement. When the sequence is considered, the good prior experiences are in the past, whereas the failure experienced is in the present. Therefore, the effect of this negative experience outweighs the memories of a good one.

From a practical point of view, the presence of information asymmetries between principal (customers) and agent (travel agency) creates some consequences. In order to decrease these, monitoring services (i.e. information systems such as budgeting systems and reporting procedures) could be used. However, although this solution (monitoring services) creates an opportunity to reduce agents' opportunism, it is not possible for customers, as principals, to use monitoring services. As a result, the presence of information asymmetry makes them risk averse and transfer the risk to the agent (travel agency). Therefore, either the situation is critical or non-critical, customers as principals act as risk-averse when information asymmetries in tourism service supply chains are present. This

highlights the importance of information as a commodity, not just in the organizational literature, but also in service supply chain literature.

The results present important implications for practitioners. The majority of tourism services try to form expectations through marketing communications tools and peripheral clues, such as environmental components with an effort to influence customers. However, as failures are inevitable in the provision of services, they should be careful about the formation of expectations. If expectations are set too high, the occurrence of a single mistake will negatively affect behavioural outcomes. Last but not least, they should not take customers who have prior good experiences for granted because when a failure occurs, customers treat the parties in the supply chain equally, and they tend to remember the most recent incident and act according to it, for instance, by decreasing the intentions to use the service again.

From a theoretical point of view, similar to Tax et al.'s (1998) study, the results of prior experiences present conflicting results. Previous research states that customers accumulate knowledge about a service, and prior experiences make knowledge regarding a service more accessible in the memory (Taylor & Todd, 1995), allowing customers to evaluate a service based on past experiences (Ha & Jang, 2010). As such, past experiences act as a buffer or insurance when a failure is experienced and thus, both overall satisfaction levels and repurchase intentions increase. However, in this case, good prior experience increases expectations of customers, resulting an expectation of similar level of service in the future. Prior research, further, suggests that when faced with uncertainty regarding performance and information asymmetry, customers tend to consider price as a guide in forming their expectations (i.e. Dodds, et al., 1991; Grewal, 1995). Customers are prepared

to pay extra money for special requirement (a room with a sea view) in the scenarios, and this increases their expectations. When performance falls behind the expected level due to a service failure, the customer becomes unhappy and dissatisfied (Hess, et al., 2003) which, in turn, creates a negative effect on both overall satisfaction and repurchase intentions.

In other words, due to both the extra money paid and good prior experiences presented in the scenarios, the expectations of customers are higher, and therefore, as the Confirmation/Disconfirmation Paradigm emphasizes, they may experience a negative disconfirmation with either party in the supply chain, which lowers their satisfaction and intentions to use the service again when they face with a failure.

Besides, Negativity Effect may provide an explanation for this results. Negativity Effect occurs when individuals give more weight to negative information during the formation of their judgements (Fiske, 1980; Kellermann, 1984). This means that, under certain conditions, it is possible that a negative event might lead to stronger reactions. When the Negativity Effect and Recency Effect are combined in a failure, customers, for example, might feel 'betrayed' (Mattila, 2004). Thus, a single failure could be adequate to impact customers' overall evaluations of both parties, since it is more recent, creating a domino effect, and negatively influencing the entire service supply chain despite the existence of good prior experience with either party.

Further hypotheses have been developed in order to understand whether there are combined effects. For instance, the results demonstrate that there is no interaction between good prior experience and service failure for either overall customer

satisfaction with each party (both travel agency and hotel) or repurchase intentions for each party (See H7 and H8). Similarly, there is no interaction between good prior experience and service recovery on either overall customer satisfaction for each party (both travel agency and hotel) or repurchase intentions for each party (See H11 and H12). Therefore, it can be concluded that since there is no interaction effect between these variables, it is logical for companies to focus solely on the main effects mentioned above.

In addition to good prior experience, therefore, the effect of service failure is another focus of this study. The results demonstrate similarities with the previous literature. Within a severe setting, consumers level of satisfaction and their repurchase intentions for a party in service supply chain decrease when they experience a service failure by the same party. To be more specific, consumers experiencing a service failure by travel agencies (hotel) tend to have lower levels of overall satisfaction and repurchase intentions with travel agencies (hotel) than those who experience a failure by hotel (travel agency). In other words, customers' overall satisfaction and repurchase intentions for hotels are likely to be higher when service failure is caused by a travel agency rather than by hotel. This means that although both the overall satisfaction levels and repurchase intentions for one party are relatively higher when the failure is done by the other party in services supply chain, the both partners in the chain need to be careful about service failures because, despite the fact that the differences are statistically significant, the difference between mean values are close to each other (See Descriptive Statistics Tables for Hypothesis 1 and 2).

From a theoretical perspective, in a tourism service supply chain, there are two agents (hotel and travel agency, when customer is considered as principal) and two principles (travel agency and customer, when hotel is considered as agent). As Agency Theory claims that the agent may be reluctant to show effort (Lambert, 2001); this means hotels as agents may not perform as the principal expects. Furthermore, although the aim should be to maximize the welfare of principals (both travel agency and customer), the agent may behave opportunistically, shirk or mislead, because of, for instance, the high costs of principal's (travel agency) requirements (Bergen, et al., 1992), in order to increase its own profits. The results of first two hypotheses (H1 and H2) indicate that these negative behaviours may indeed have negative outcomes for the agent, and may help the other party (principal) in the service supply chain to obtain better outcomes, such as increases in repurchase intentions.

From a service supply chain perspective, however, since hotel and travel agency are parts of the same service supply chain, although the failure is done by another party in the chain, it may create a domino effect, and customer may prefer to switch the entire supply chain. Thus, the flawless party may also lose customer(s) due to mistakes of another (See Descriptive Statistics of H1 and H2). For instance, for a failure by travel agency, the means of overall satisfaction and repurchase intention for travel agency are 2.2 and 2.08; respectively. For a failure by hotel, on the other hand, the mean scores for the same dependent variables are 2.74 and 2.68; respectively. This means that although the chances of better outcomes are higher when the failure is done by other party in the supply chain, it still has a negative

effect. Thus, it is important to provide recovery in order to be able to turn the negative effect into a positive one.

Although it may be impossible to eliminate failure, companies could learn how to respond them in a way that sustains their performance and relationships with customers. Since service recovery aims to resolve problems caused by a failure, it is considered as an opportunity to transform negative attitudes of customers into positive ones. Thus, although service failure creates negative outcomes, and good prior experience does not guarantee positive results, these effects can be reversed through service recovery.

Results reveal that after experiencing a failure, overall satisfaction levels for hotel demonstrate significant differences in the mean scores across groups (travel agency, hotel and no service recovery). This indicates that overall customer satisfaction for a hotel is higher for customers who experience service recovery by that hotel, rather than by a travel agency, or no service recovery at all. In fact, the scores for overall customer satisfaction for hotels differ from both of the other groups. This shows that customers who experienced a failure demonstrate higher overall customer satisfaction for hotel if the recovery is done by the hotel itself, when compared to either experiencing no service recovery or recovery by a travel agency. This shows the importance of service recovery efforts. The scores of overall satisfaction for a hotel are higher when recovery is performed by the same party (M= 3,55); however, the scores of overall customer satisfaction for hotel are still higher for customers experiencing recovery by travel agency (M=2,61) than those experiencing no recovery (M=2.22). Therefore, following a failure, to ensure higher

overall customer satisfaction for hotel, recovery needs to be provided by hotel since the difference between mean scores are high ( $M_H=3,55$  vs.  $M_{TA}=2,61$ ).

When repurchase intentions towards hotels are considered, the scores also show significant differences between all groups. This shows, customers experiencing a failure demonstrate higher repurchase intention for hotel if the recovery is done by hotel, compared to experiencing no service recovery or recovery by travel agency. This also highlights the important influence of recovery efforts on repurchase intention. The scores of repurchase intention for hotel are higher when recovery is done by the same party ( $M= 3.60$ ). Therefore, following a failure, to obtain higher repurchase intention levels for hotel, a service recovery needs to be provided by hotel itself.

This is further justified by H9a and H9b, which investigates whether there is an interaction effect between service failure (by the hotel) and recovery (by the hotel) regarding overall customer satisfaction (with the hotel), and repurchase intention (for hotel), respectively. Since the results demonstrate no interaction effect between these two variables, service failure and recovery demonstrate no compounding effect for hotels. The reason for this lack of interaction may be due to customers' first contact. Since customers' first contact is with the travel agency, it is more likely to be seen as their agent, and as a result, the hotel may be ignored as a second agent. Thus, as there is no interaction effect, the above mentioned main effects are relevant for both the overall customer satisfaction for hotel and the repurchase intention for hotel.

Overall customer satisfaction results for travel agency also show similarities to the overall satisfaction results for hotel. The mean scores of overall customer

satisfaction with travel agency demonstrate statistically significant differences between all of the groups. When customers experience service recovery by travel agency, their overall satisfaction for the travel agency is higher than those who experienced a recovery by hotel or no recovery at all (See Descriptive Statistics of H6a). Furthermore, when the recovery is performed by the hotel, overall customer satisfaction for travel agency demonstrate higher results compared to when no service recovery was performed.

Repurchase intentions towards travel agency, similarly, are higher for customers who experience recovery by travel agency, compared to those experiencing no service recovery, or recovery by hotel (See results of H6b). The former situation highlights the concept of transfer of risk. In a critical situation, it is not logical to transfer the risk to the agent (hotel) if the principal (travel agency) wants to continue to do business with the customer. From a supply chain perspective, therefore, it is important to note that travel agencies should be careful about giving second chances to hotels that do not perform a recovery. This means that, in this principal-agent relationship, travel agencies need to carefully monitor the possibility of opportunistic behaviours of hotels, such as adverse selection and moral hazard. In order to prevent the former, for instance, before making a contract, it is essential to have the accurate information regarding the hotel. Since it is possible to be misled by, for instance, web-sites, travel agencies should make enquiries about the quality of hotels, which may be done through sharing information effectively via monitoring activities and systems. However, since monitoring systems could be expensive, agencies may benefit from unexpected visits or hiring mystery/secret

shoppers (who visit hotel anonymously to assess service) to confirm that the service provided matches hotel claims.

This has important implications both for practitioners and the literature. From a service supply chain perspective, results emphasize the importance of service recovery after a failure. Following a failure, performing no effort to solve the problem decreases overall customer satisfaction for both of the parties in the supply chain. As Justice Theory suggests, after a failure, customers weigh the inputs and outputs, and performing a recovery for the failure helps companies change a negative outcome into a positive one. Therefore, results once more highlight the impact of taking corrective actions for reversing the situation, and for gaining positive behavioural outcomes, such as intentions to revisit the service provided.

Further, an interaction effect between service failure and recovery has been observed on both overall customer satisfaction and repurchase intentions for travel agency (See H10). This shows the effect of service failure is dependent on service recovery. The results indicate that for service failure by the travel agency, customers perceive significant differences between service recovery by travel agency ( $M=2.79$ ) and hotel ( $M=1.82$ ), and between travel agency and no service recovery ( $M=1.83$ ), regarding overall customer satisfaction for the travel agency. Thus, there is no significant difference between customers experiencing service recovery by hotel, and no service recovery when the overall customer satisfaction for travel agency is considered. If both service failure and recovery exist, overall customer satisfaction for travel agency demonstrate no difference when recovery is performed by hotel or is not performed at all. In the event of a service failure by the

travel agency, in order to increase the levels of overall customer satisfaction, it is important that the travel agency itself performs the recovery.

The results are similar for repurchase intention for travel agency (See results of H10b). The results indicate that if service failure is done by the travel agency, significant differences are perceived between service recovery by the travel agency (M=2.64) and the hotel (M=1.75), and between travel agency and no service recovery (M=1.82) regarding repurchase intention for travel agency. Therefore, within a situation in which failure is performed by the principal (travel agency), in order to increase intentions of revisiting the services of principal, it should be the one to perform the recovery.

These results demonstrate the importance of the question: "Who performed the recovery?" and can be explained by Agency Theory. Although the theory assumes that principal (customer) is risk neutral, as mentioned above, the principal (customer) becomes risk-averse and transfers the risk to the agent, in this case, the travel agency. When the upstream side of service supply chain is considered, the travel agency becomes the principal, and the hotel becomes the agent. In such a critical case, it is illogical for the travel agency to be risk averse, and transfer the risk to the agent. As theory states, the agent may act opportunistically and may not consider the welfare of the principal, and even if the agent (hotel) does not act opportunistically (corrects the mistake by performing recovery), overall satisfaction of customer with the principal (travel agency) decreases compared to the situation in which recovery is provided by the principal (travel agency). Therefore, it is better for principal (travel agency) to act as risk neutral if s/he is the one to make the mistake/failure.

When the service failure is done by hotel, on the other hand, overall customer satisfaction for travel agency is higher if service recovery is performed by travel agency than providing no service recovery. Similarly, within the same circumstances, overall customer satisfaction is higher when recovery is done by hotel than providing no service recovery. This shows that, in the case of a failure by the hotel, customers perceive no difference between service recovery by the travel agency and the hotel.

The results demonstrate similar results for repurchase intentions for travel agency. When the hotel is responsible for failure, customers perceive differences between groups of service recovery by travel agency and no service recovery, and recovery by hotel and no service recovery. This means, similarly, that there is no difference amongst groups of travel agency and hotel regarding service recovery when repurchase intentions for travel agency is considered.

Therefore, as a result of the interaction effect, when the failure is done by hotel, performing a recovery becomes essential. The effect of the doer of the recovery is not very important for customers, thus their overall satisfaction and repurchase intentions for travel agency show similar results. From a practical point of view, travel agencies have an opportunity to ignore failures by the other party, especially if the other party is able to perform recovery, since overall satisfaction levels and intentions to repurchase the services of travel agency demonstrate little differences between mean values (See the result of H10). From a relationship perspective, Agency Theory uses a contract as a metaphor. This result of the interaction effect between service failure and recovery on overall satisfaction and repurchase intentions for travel agency further emphasizes the importance of forming

appropriate contract, including special clauses which state the obligations of parties regarding recovery attempts for circumstances involving failure by either party.

These results highlight that although the partners in the chain believe they compete independently, they all are in fact a part of a chain, and affecting and affected by the other partners in the chain. From a tourism service supply chain perspective, travel agencies and hotels do not have a satisfactory relationship due to, for instance, unclear policies. Furthermore, customers are part of the production process, and this complicates the delivery process. This shows that although these organisations (i.e. travel agencies and hotels) work closely, this does not necessarily indicate that they have the same goals, and are in the same direction (Lee & Fernando, 2015). In addition, the results of the study may aid partners in the tourism service supply chain towards improving relationships and creating better policies by further emphasis on the importance of tourism service supply chain, and the need for collaboration, integration, and information sharing between partners.

## **6.2 Limitations and Recommendations for Further Research**

Using scenarios is considered appropriate, since they are essential for manipulating the variables in experimental design. However, it might also be the reason for weaker responses, because when a customer is faced with a failure in real life, the emotional response may be greater. Therefore, the usage of scenarios may be the cause for weaker responses.

Another limitation of this study could be the use of a single type of failure, booking mistake, although common in tourism service supply chain. In addition, other failures, such as attitudes of personnel, wi-fi connection problems, food quality problems might also be investigated. However, since the aim of the study was to

consider a failure for which either travel agency or hotel can be responsible, booking failure seemed more appropriate after a qualitative study. Additionally, a service recovery strategy has also been developed according to the results of initial qualitative study. In further studies, by using Justice Theories, the doers of dimensions (distributive, procedural and interactional) of Justice Theory may also be manipulated to identify their effects on overall satisfaction and repurchase intentions. Thus, perceived justice can further be investigated.

The scenarios used in this study utilize a brick-and-mortar travel agency. With the invention of Web 2.0, and the rise of online travel agencies, this may be considered as a limitation of this study. However, since the situation described in the scenarios is a critical one, customers prefer the face-to-face interaction provided by a brick-and-mortar company, and this interaction generates a higher level of customer knowledge, and leading to higher levels of satisfaction (Andreu, et al., 2010). Additionally, further studies may be conducted with online travel agencies.

As mentioned before, the scenarios describe a situation involving a high level of criticality. A further study may also choose to manipulate the criticality level, and analyze its impact on the dependent variables such as satisfaction and word-of-mouth. Moreover, the travel agency and hotel mentioned in the scenarios were anonymous, so the effect of brands has been ignored. However, brand names might also affect customer attitudes; thus, brand manipulations may be used as another independent variable in further studies.

Additionally, this study aims to understand the attitudes of customers towards different parties in the service supply chain. Future research may focus on a

business-to-business setting, and investigate perceived justice of suppliers (hotels, in this case) regarding the actions of service providers (i.e. travel agencies).

Lastly, there are limited numbers of independent variables in this study due to research design. Unfortunately, experimental design does not allow higher number of independent variables. Future studies may employ other methods such as Structural Equation Modeling (SEM) in order to include more variables such as brand, as mentioned above.

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## APPENDICES

### Appendix I

#### Service Failure Manipulation Check Test

Sayın Katılımcı,

Bu araştırma hizmet hataları ve bu hataların düzeltilmesinin hizmet tedarik zinciri üzerindeki etkilerini incelemek amacıyla yürütülen akademik bir çalışmadır. Bu ön çalışma doktora tez çalışmasında kullanılmak üzere hazırlanmıştır. Lütfen senaryoyu okuduktan sonra soruları cevaplayınız.

Katılımınız tamamen gönüllülük esasına dayanmaktadır. Ön çalışmayı tamamlamak ortalama iki dakika sürmektedir ve verdiğiniz cevapların tümü gizli tutulacaktır.

Katılımınız için şimdiden teşekkür ederim.

Saygılarımla,  
Cansu Yıldırım  
İzmir Ekonomi Üniversitesi

Yaz aylarında tatil yapmaya karar verdiniz, bunun için bütün sene birikim yaptınız ve bu tatili yurdun güneyinde güzel bir otelde geçirmek istiyorsunuz.

Tatil zamanınız geldiğinde ve otele vardığınızda, size verilen odanın beklentinizin altında olduğunu ve başka bir binaya baktığını fark ettiniz. Resepsiyonu arayarak odanızın deniz manzaralı olması gerektiğini bildirdiniz. Resepsiyon görevlisi rezervasyon bilgilerinizi kontrol ettikten sonra bir yanlışlık olmadığını ve kesinlikle oda değişimi yapamayacaklarını dile getirdi. Bu duruma çok sinirlenerek XYZ seyahat acentenizle iletişime geçtiniz ve seyahat acentenizin rezervasyon sırasında bir yanlışlık yaptığını öğrendiniz.

Lütfen yukarıdaki senaryoyu göz önüne alarak aşağıdaki soruları cevaplayınız.

1. Bu olayda rezervasyon ile ilgili probleme seyahat acentesinin neden olduğunu düşünüyorum.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

2. Bu olayda rezervasyon ile ilgili probleme otelin neden olduğunu düşünüyorum.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

3. Bu gibi olayların gerçek hayatta olabileceğine inanıyorum.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

## Appendix II

### Service Recovery Manipulation Check Test

Sayın Katılımcı,

Bu araştırma hizmet hataları ve bu hataların düzeltilmesinin hizmet tedarik zinciri üzerindeki etkilerini incelemek amacıyla yürütülen akademik bir çalışmadır. Bu ön çalışma doktora tez çalışmasında kullanılmak üzere hazırlanmıştır. Lütfen senaryoyu okuduktan sonra soruları cevaplayınız.

Katılımınız tamamen gönüllülük esasına dayanmaktadır. Ön çalışmayı tamamlamak ortalama iki dakika sürmektedir ve verdiğiniz cevapların tümü gizli tutulacaktır.

Katılımınız için şimdiden teşekkür ederim,

Saygılarımla,  
Cansu Yıldırım  
İzmir Ekonomi Üniversitesi

Yıllık izninizi yaz aylarında almaya karar verdiğiniz için bütün sene boyunca birikim yaptınız ve bu tatili yurdun güneyinde güzel bir otelde geçirmek istiyorsunuz. Bu karar ışığında, XYZ seyahat acentesinden bir randevu aldınız. Acente yetkilisiyle gitmek istediğiniz şehir ve oteller hakkında görüşünüz ve bir karara vardınız.

İzin zamanınız geldiğinde ve otele vardığınızda, size verilen odanın beklentinizin altında olduğunu ve başka bir binaya baktığını fark ettiniz. Resepsiyonu arayarak odanızın deniz manzaralı olması gerektiğini bildirdiniz.

Yaptığınız görüşme üzerine, ABC otel yetkilisi sorunun kendilerinden kaynaklandığını ve yaşanan rahatsızlık nedeniyle sizi hemen deniz manzaralı bir odaya geçireceğini dile getirdi. Teşekkür edip, odanıza gittiniz.

Lütfen yukarıdaki senaryoyu göz önüne alarak aşağıdaki soruları cevaplayınız.

1. Bu olayda, rezervasyon ile ilgili olan problemime otelin çözüm getirdiğine inanıyorum.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

2. Bu olayda, rezervasyon ile ilgili olan problemime seyahat acentesinin çözüm getirdiğine inanıyorum.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

3. Bu gibi olayların gerçek hayatta olabileceğine inanıyorum.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

## Appendix III

### Main Test Questionnaire Example

Sayın Katılımcı,

Bu araştırma turizm tedarik zincirinde farklı kuruluşlar tarafından yapılabilecek hatalar ve bu hataların telafisinin tüketici üzerindeki etkilerini incelemek amacıyla yürütülen akademik bir çalışmadır. Anketin sonuçları İzmir Ekonomi Üniversitesinde yürütülmekte olan bir doktora tez çalışmasında kullanılacaktır. Araştırma kapsamında elde edilecek bilgiler sadece ilgili bilimsel araştırma dâhilinde kullanılacaktır ve cevaplarınızın tümü gizli tutulacaktır.

Bu anketi tamamlamak ortalama olarak 5 dakikanızı almaktadır. Katılımınız tamamen gönüllülük esasına dayanmakta olup olası katılımınız için şimdiden teşekkür ederim.

Saygılarımla,  
Cansu Yıldırım  
İzmir Ekonomi Üniversitesi

Lütfen kendinizi aşağıdaki durumda hayal ediniz ve olayların sizin başınıza gelmiş olduğunu düşünerek aşağıdaki yargıların her birine katılım derecenizi ölçeğe uygun olarak işaretleyiniz.

Yaz aylarında almaya karar verdiğiniz yıllık izniniz için iki senedir birikim yapmaktasınız ve bu tatili güzel bir otelde geçirmek istiyorsunuz.

Bu karar ışığında, daha önce de aracılığıyla tatile gittiğiniz ve memnun kaldığınız XYZ seyahat acentesinden bir randevu aldınız. Acente yetkilisiyle gitmek istediğiniz şehir ve oteller hakkında görüşünüz. Görüşme sonunda daha önce kalmadığınız ABC otelinde karar kıldınız. Özellikle deniz manzaralı bir oda talep ettiniz. Bu talep için ekstra ücret ödemeyi kabul ettiniz.

İzin zamanınız geldiğinde ve otele vardığınızda, size verilen odanın beklentinizin altında olduğunu ve başka bir binaya baktığını fark ettiniz. Resepsiyonu arayarak odanızın deniz manzaralı olması gerektiğini bildirdiniz. Otelin resepsiyon görevlisi rezervasyon bilgilerinizi kontrol ettikten sonra bir yanlışlık olmadığını dile getirdi. Bu duruma çok sinirlenerek XYZ seyahat acentenizle iletişime geçtiniz ve seyahat acentenizin rezervasyon sırasında bir yanlışlık yaptığını ve bu sorunu çözemeyeceklerini öğrendiniz.

Bunun üzerine, ABC otel yetkilisine durumunuzu anlattınız ve yetkili sorunun acenteden kaynaklandığını ve çözüm getiremeyeceklerini dile getirdi. Size ayrılan odaya yerleştiniz.

#### Bölüm 1

1. Seyahat acentesinden almış olduğum hizmet beklentimden daha iyiydi.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

2. Bu seyahat acentesini seçme kararım doğru bir karardı.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

3. Bu seyahat acentesinin bana sağladığı hizmetten memnun kaldım.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

4. Bu seyahat acentesinden tekrar hizmet alırım.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

5. İleride, bu seyahat acentesinden yine de hizmet satın alırım.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

## Bölüm 2

1. Bu otelden almış olduğum hizmet beklentimden daha iyiydi.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

2. Bu oteli seçme kararım doğru bir karardı.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

3. Bu otelin bana sağladığı hizmetten memnun kaldım.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

4. Bu otelde tekrar kalırım.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

5. İleride, bu otelden yine de hizmet satın alırım.

Kesinlikle Katılmıyorum	Katılmıyorum	Ne Katılıyorum Ne Katılmıyorum	Katılıyorum	Kesinlikle Katılıyorum
1	2	3	4	5

## Bölüm 3

1. Cinsiyetiniz : Kadın ( ) Erkek ( )
2. Yaşınız : 20-24 ( ) 25-29 ( ) 30-34 ( ) 35-39 ( ) 40-44 ( ) 45-49 ( ) 50 ve üzeri ( )

3. Eğitim Durumunuz : Ortaokul ( ) Lise ( ) Üniversite ( ) Yüksek Lisans ( ) Doktora ( )
4. Yılda kaç kez tatile çıkıyorsunuz?
- Yapmıyorum ( ) 1 kez ( ) 2 kez ( ) 3 Kez ( ) 4 ve ya üzeri ( )
5. Çoğunlukla tatilinizi nerede yaparsınız? Yurtiçi ( ) Yurt dışı ( )
6. Aylık net geliriniz : 1000 TL ve altı ( ) 1001-2000 TL ( ) 2001-5000 TL ( ) 5001 TL ve üzeri ( )

GCCRIS

## VITA

Cansu Yıldırım was born in İzmir on July 11, 1986. She received her bachelor's degree from Izmir University of Economics, Faculty of Economics and Administrative Sciences in 2009. After getting her MSc degree in Operations, Project and Supply Chain Management from University of Manchester (2010), she has taken a scholarship from Izmir University of Economics and become a PhD candidate in Business Administration with Marketing major. She worked in Izmir University of Economics, Department of Logistics Management, as a research assistant since January, 2012.