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- For the degree of Doctor in Marketing -

**The impact of service recovery strategies on customer satisfaction with service recovery, repurchase intentions, word of mouth:
An applied study of the role of perceived justice**

“Long abstract”

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CHAPTER 1 INTRODUCTION

1.1 Introduction

The banking sector faces significant challenges in meeting evolving customer expectations, often leading to service failures. These failures, stemming from human error and service characteristics, create a gap between customer expectations and actual service delivery (Hollebeek & Rather, 2019; Koc, 2019; Zhao et al., 2023). Effective service recovery strategies are crucial for banks to address failures, restore customer satisfaction, and prevent negative outcomes. These strategies aim to rectify issues, change negative experiences, and retain customers (Zhao et al., 2023). Service failures can lead to positive outcomes (Cambra-Fierro et al., 2015). However, inadequate responses can exacerbate customer dissatisfaction and lead to negative behaviors (Cambra-Fierro et al., 2015). Perceived justice in complaint handling is increasingly important as customers seek fairness in service recovery (Waheed & Khan, 2019). Banks' evaluations of service recovery procedures significantly impact the quality of customer relationships and behavioral intentions (Alotaibi et al., 2023).

While existing literature covers service recovery in various sectors such as hospitality (Albrecht et al., 2019), airlines (Migacz et al., 2018), and retail (Chiou et al., 2021), there are research gaps specific to banking. Most studies use hypothetical scenarios rather than real-world data, limiting the generalizability of the results. Additionally, findings on the effectiveness of fairness perceptions on behavioral outcomes are inconsistent (Joosten et al., 2017).

This study aims to address these gaps by assessing the impact of service recovery strategies on the post-complaint behavior of banking customers in Egypt and Spain. It examines various recovery strategies' implementation and perceived fairness, including compensation, explanations, problem-solving, empathy, and quick response. The research investigates their effects on customer emotions (positive and negative), post-recovery satisfaction, relationship quality (trust and affective commitment), and outcomes like repurchase intentions and word-of-mouth. Furthermore, the study explores the role of perceived recovery justice (distributive, procedural, and interactional) in these relationships. It also considers the impact of demographic variables (gender, age, service type) on service recovery outcomes.

It analyzes the role of service failure severity in the relationship between perceived recovery justice dimensions and customer emotions. Hence, this study uses survey-based research on actual banking service failure events to enhance understanding of service recovery in the banking context and provide more generalizable results. The findings will contribute to the theoretical domain and offer practical insights for banking sector strategists to design effective marketing tactics and influence customer attitudes (Komunda & Osarenkhoe, 2012; Komunda & Osarenkhoe, 2012; Shin et al., 2018). This comprehensive approach to studying service recovery in banking will help fill the existing literature gaps and provide valuable insights for researchers and practitioners in the financial services sector (de Mesquita et al., 2023; Kron et al., 2023).

1.2 Theoretical foundation and perspective

Service failure occurs when a consumer experiences a loss due to a service provider's inability to deliver core or peripheral services. If a service fails, the provider may execute service recovery to address and rectify the customer's loss (Gronroos, 1988). Theories of service marketing highlight that service failure and recovery stem from social exchange theory and equity theory (Smith et al., 1999). These theories, rooted in social psychology, explore how consumers perceive fairness in situations or decisions (Adams, 1963).

Equity theory suggests that customers feel that their contributions to rewards are unfair compared to others, noting discrepancies (Prasongsukarn & Patterson, 2012). Customers evaluate the service recovery process by comparing their inputs (costs related to service failures such as financial, time, energy, and psychic costs) to their outputs (service recovery strategies like compensations, quick response, explanation, empathy, and problem solving) (Prasongsukarn & Patterson, 2012).

Social exchange theory explains how customers perceive justice or fairness, affecting their evaluation of service exchanges, including the delivery methods and outcomes (Smith et al., 1999). Recent research on service recovery incorporates three aspects of justice: distributive (DJ), procedural (PJ), and interactional (IJ) (Prasongsukarn & Patterson, 2012). Chapter 2 discusses justice theory, a vital aspect of the service recovery process, and this study's foundation. Additionally, relevant models and theories enhance the understanding of service failure and recovery for institutional administrators and marketing practitioners. Reichheld & Sasser, (1990) assert that effective service recovery can transform dissatisfied customers into loyal patrons and generate goodwill without

service failure. Service failures lead to customer defection and complaints, but service recovery helps banks attain and retain customers.

1.3 Problem statement

Service failures are inevitable in the banking sector despite precautions (Maxham, 2001). Financial services, particularly banks, face intense global competition, making service differentiation crucial (Pereira Câmara Leal et al., 2003; Bick et al., 2004). In Egypt and Spain, banking customers expect error-free service, but their expectations are not always met. Effective service recovery strategies have become essential for companies to address failures and reduce their impact on consumer behavior (Suprpto & Yunanto Hashym, 2010). While service recovery research has increased, these strategies' impact on post-recovery behaviors remains uncertain (Fatma et al., 2016).

This study investigates how service recovery strategies in banking influence perceived justice, customer emotions, satisfaction, and behavioral intentions like repurchase and word-of-mouth (del Río-Lanza et al., 2009; Ding et al., 2015). It addresses existing literature gaps, primarily focusing on other sectors and hypothetical scenarios (Boshoff, 1999; McCollough & Bharadwaj, 1992). Controversial issues remain, such as the long-term impact of service failures on satisfaction (Wang & Mattila, 2011; Weun et al., 2004) and the relative importance of different recovery strategies (T. Chen et al., 2018a). The study also considers the role of causal attributions in customer perceptions of recovery efforts (Iglesias et al., 2015; Van Vaerenbergh et al., 2014).

This research examines service recovery in both the Egyptian and Spanish banking sectors, addressing the need for cross-cultural studies (Wang & Mattila, 2011; Tsao, 2018). It aims to provide insights into how cultural differences affect customer expectations and perceptions of service recovery strategies in Arab and Western environments. Based on the study problem, the following questions that the study seeks to answer can be forwarded as follows:

- 1.** What is the definition of service failure in the banking sector, including its various types and causes, and how do most customers of banks receive inadequate service in the context of the different types of services offered?
- 2.** How do evaluate customer perceptions and reactions to service failures in the banking sector, and what service recovery strategies and stages do they employ to address and recover from such service failures?

3. How do customers evaluate their perceptions of perceived justice (DJ, PJ, and IJ) during the service recovery process in the banking sector, and how does equity and justice theory apply in this context?
4. What are the outcomes of the service recovery process when evaluated in the banking sector?
5. Is it feasible to develop and validate a theoretical model regarding service recovery strategies (compensations, explanations, problem solving, empathy, and quick response), perceived recovery justice (distributive, procedural, and interactional), customer emotions (positive, and negative), post-recovery satisfaction, and relationship quality (customer trust, affective commitment), recovery outcomes for the service recovery (repurchase intentions, word of mouth)?
6. How do various service recovery strategies (compensations, explanations, problem solving, empathy, and quick response) influence customers' perceived recovery justice (distributive, procedural, and interactional), in the banking sector?
7. How does the influence of perceived recovery justice (distributive, procedural, and interactional) on customers' emotions (positive and negative) in the banking sector?
8. How does the perceived recovery justice (distributive, procedural, and interactional), influence post-recovery satisfaction in the banking sector?
9. How do customers' emotions (positive and negative) influence post-recovery satisfaction in the banking sector?
10. How does post-recovery satisfaction influence relationship quality in terms of (customer trust and affective commitment) in the banking sector?
11. How does post-recovery satisfaction influence service recovery outcomes such as word of mouth and repurchase intentions in the banking sector?
12. Do customer emotions (positive and negative) mediate the relationship between perceived recovery justice (distributive, procedural, and interactional), and post-recovery satisfaction in the banking sector?
13. Do post-recovery satisfaction mediates the relationship between perceived recovery justice (distributive, procedural, and interactional), and customer emotions (positive and negative) in the banking sector?

14. Does relationship quality (customer trust and affective commitment) mediate the relationship between post-recovery satisfaction and word of mouth and repurchase intentions in the banking sector?

15. Do service failure severity moderate the relationships between perceived recovery justice (distributive, procedural, and interactional) and customer emotions (positive and negative) in the banking sector?

16. What are the theoretical and practical insights and recommendations can help the banking sectors in Egypt and Spain improve service recovery strategies to increase customer satisfaction and positive attitudes?

1.4 Aims (purpose) and objectives

The primary objective of this study is to examine the influence of bank service recovery strategies (compensations, explanations, problem solving, empathy, and quick response), on perceived recovery justice (distributive, procedural, and interactional) and customer emotions (positive and negative), post-recovery satisfaction, customer trust and affective commitment and service recovery outcomes like repurchase intentions and word of mouth. Furthermore, it also aims to analyze how external factors such as service failure severity (SFS) influence these relationships in the banking sector. Therefore, to accomplish the objectives, the subsequent research objectives were established:

- To acquire knowledge regarding the concept of service failure, including its various varieties and causes in the context of the banking sector and the type of services offered, where most customers of banks receive inadequate services.
- To evaluate customer perceptions and reactions of service failure in the banking sector.
- To identify the service recovery strategies and stages used by banks to address service failures and recovery.
- To evaluate customers' perceptions of perceived justice (distributive, procedural, and interactional) during the service recovery process.
- To evaluate the outcomes of the service recovery process such as post-recovery satisfaction, word of mouth, and repurchase intentions.
- To create and propose a theoretical model of the consequences of service recovery strategies and customer perceptions of the perceived justice of service recovery and service failure severity to the recovery encounter, customers' emotions,

relationship quality and post-recovery satisfaction concerning service recovery outcomes such as word of mouth and repurchase intentions and empirically validate the model through the evaluation of the relationships among the hypotheses.

- To analyze the influence of service recovery strategies (compensations, explanations, problem solving, empathy, and quick response), on perceived recovery justice (distributive, procedural, and interactional).
- To analyze the influence of perceived fairness dimensions (distributive, procedural, and interactional) on customers' emotions (positive and negative).
- To analyze the influence of perceived justice dimensions (distributive, procedural, and interactional) on post-recovery satisfaction.
- To analyze the influence of customers' emotions (positive and negative) on post-recovery satisfaction.
- To analyze the influence of post-recovery satisfaction on relationship quality (customer trust and affective commitment).
- To analyze the influence of post-recovery satisfaction on service recovery outcomes such as word of mouth and repurchase intentions.
- To analyze the influence of relationship quality (customer trust and affective commitment) on service recovery outcomes word of mouth and repurchase intentions.
- To analyze whether customer emotions (positive and negative) mediate the relationship between (distributive, procedural, and interactional) and post-recovery satisfaction.
- To analyze whether relationship quality (customer trust and affective commitment) mediates the relationship between post-recovery satisfaction and word of mouth and repurchase intentions.
- To analyze the moderating role of service failure severity in the relationship between (distributive, procedural, and interactional) and customer emotions (positive and negative).
- To analyze the effect of gender, age, and banking service type on service recovery outcomes such as post-recovery satisfaction, customer trust and affective commitment, word of mouth and repurchase intentions.

- Reaching for some theoretical indications that may expand the circle of research in this field and provide recommendations that may help the banking services sector in Egypt and Spain improve service recovery strategies to increase customer satisfaction and positive attitudes and behaviors towards the service provider.

1.5 Organization of the Study/Structure

The study comprises three parts: Part 1 (Chapters 2-3) establishes the research context and questions; Part 2 (Chapter 4) outlines the study paradigm and methodologies; and Part 3 (Chapters 5-6) analyzes and discusses findings on service failure, recovery, and recommendations in banking services. Each chapter addresses specific aspects of these broader themes.

CHAPTER 2 LITERATURE REVIEW AND THEORETICAL DEVELOPMENT

2.1 Introduction

This chapter critically examines literature on customer behavioral intentions, service failure, and recovery, focusing on the Egyptian and Spanish banking sectors. It covers service encounters, service failure, recovery strategies, perceived recovery justice, and outcomes. The chapter also explores post-recovery satisfaction, customer emotions, relationship quality, and behavioral intentions like word-of-mouth and repurchase intention. It concludes by highlighting literature gaps and the need for further research.

2.2 The service encounters

Service encounters involve a value exchange between providers and customers (Boshoff, 2021). In complaint resolution, providers address issues to retain customers while keeping them satisfied. These interactions accumulate over time, shaping overall perceptions. Service providers use various touchpoints (e.g., online platforms and physical locations) to facilitate encounters (Voorhees et al., 2017). These "moments of truth" can evoke positive or negative emotions Montiel-Nava et al., (2020) and often occur in public, influencing other customers' perceptions of ideal service (Anaya et al., 2016).

2.3 Service Failure

Service encounters involve direct interaction between consumers and providers (Paparoidamis et al., 2019). Service failure occurs when customers perceive the encounter as unsatisfactory (Sarkar et al., 2021). Due to services' intangible and inseparable nature, providers often struggle to deliver error-free experiences (Nikbin et al., 2015). Service failure has been defined in various ways, including loss of customers and resources, failure to meet customer demands Lewis & Spyropoulos, (2001), any problem during customer-provider interaction, subpar service from the customer's perspective Chatterjee, (2018), discrepancy between expectations and outcomes and service delivery below expectations (Huang, 2008). Importantly, service failure is defined by the customer, not the service provider (Ozkan-Tektas & Basgoze, 2017). Organizations must address complaints promptly and develop effective strategies to overcome these issues (Alhouti et al., 2019; Mattison Thompson & Tuzovic, 2020), as ignoring service failure can result in significant losses and customer defection.

2.4 Service failure in banking

Service failures in banking occur when customer service expectations are unmet. These can range from transaction errors to system outages (Singhal et al., 2013; Valenzuela et al., 2013). Understanding service failure is crucial as customer acquisition costs significantly exceed retention costs. Effective recovery strategies can mitigate negative impacts and boost satisfaction (Tschohl, 2005). Banking common service failures include mechanical issues, hygiene problems, and infrastructure failures, with varying degrees of bank control and financial feasibility to address (Lapidus & Pinkerton, 1995). Recognizing these failure types helps banks respond more effectively to customer issues (Azemi et al., 2019).

2.5 Service Recovery

Service recovery is crucial for addressing service failures and maintaining customer satisfaction. It involves actions to mitigate negative consequences, resolve issues, and retain loyalty (Xu et al., 2019; Migacz et al., 2018). Service recovery strategies should match the failure type: concrete measures for outcome failures and psychological approaches for process failures (Chuang et al., 2012). Effective service recovery can reduce customer churn, improve service quality perceptions, and even delight customers (Wirtz & Lovelock, 2016). As service failure is inevitable due to human error Santos-Vijande et al., (2013), service recovery has become a critical tool for organizations to maintain and potentially enhance customer relationships.

2.6 Service recovery and justice theory

Justice theory, first applied to marketing by Huppertz et al., (1978), is crucial in understanding service failure and recovery. Perceived recovery justice stems from equity theory Adams, (1965) and involves customers' fairness assessments of service recovery processes. Perceived recovery justice comprises three dimensions: distributive justice, procedural justice, and interactional justice (Norizan et al., 2019). Customers evaluate these aspects to determine if service recovery is fair (Ghalandari, 2013). Perceived recovery justice significantly impacts customer satisfaction, loyalty, and behavioral intentions (Augusto de Matos et al., 2013). While some studies focus on distributive justice, procedural justice only (Lambert et al., 2020), most adopt the three-dimensional approach (Gohary et al., 2016).

Ultimately, Perceived recovery justice helps assess service recovery effectiveness and customer perceptions of fairness in resolving service issues (Lin et al., 2011).

2.7 Service recovery and customers' emotions

Customer emotions significantly impact service failure and recovery experiences (Baumeister et al., 2007). They range from positive emotions, like gratitude, to negative emotions, such as anger (Wei et al., 2023). Service failure typically evokes negative emotions, while service recovery can produce either positive or negative emotions based on perceived fairness and outcomes. These emotions influence post-recovery satisfaction, repurchase intention, and word-of-mouth (Van Vaerenbergh & Orsingher, 2016). Negative emotions can negatively affect customer trust and loyalty Herrando & Constantinides, (2021), highlighting the importance of effective emotion management in SR processes.

2.8 Post-recovery satisfaction

Post-recovery satisfaction is customers' evaluation of service recovery efforts after a failure (Gohary et al., 2016). It's crucial for customer retention and loyalty Ahmed et al., (2020), influenced by perceived justice, expectations, and emotions (Chao & Cheng, 2019). In banking, post-recovery satisfaction prevents customer loss Petzer et al., (2017) and is affected by recovery attempts, justice, and service quality (Alhouti et al., 2019). Effective post-recovery satisfaction can turn negative experiences into loyalty opportunities, while poor handling may lead to customer switching. Higher post-recovery satisfaction increases long-term customer retention (De Matos et al., 2012).

2.9 Relationship Quality

Relationship marketing aims to build lasting customer connections through trust, commitment, and retention strategies, moving beyond individual sales to enhance customer experiences (Alam & Khalifa, 2009). Major organizations recognize the importance of customer relationship management (Chang & Wang, 2012). In banking, relationship quality between service providers and consumers affects ongoing interactions. Effective strategies can foster long-term relationships. Relationship quality includes elements like trust, commitment, and satisfaction, reflecting the overall nature of the firm's relationship with its consumers (Hennig-Thurau et al., 2002). The relationship quality model posits that customer assessments of the service-provider relationship are crucial for its continuation (Tseng, 2021).

Increased confidence in service quality enhances relationship quality and influences future behavioral intentions (Wei et al., 2022). Research on relationship quality evolves from early focuses on trust and commitment Hao et al., (2019) to additional factors like conflict resolution and cooperation (Olavarría-Jaraba et al., 2018).

2.10 Repurchase intentions

Repurchase Intentions are crucial to a company's success, significantly impacted by effective service recovery, which boosts customer satisfaction and future engagement (Bakar, 2017). Service organizations can enhance repurchase intentions by offering fair recovery and improving perceived recovery satisfaction, leading to repeat business (Bunniran, 2010). Repurchase intentions, defined as a customer's intention to repurchase a product or service, is vital for retaining customers at a lower cost than acquiring new ones (Polat & Seyrek, 2022). Hence, it encompasses recurring purchases, loyalty, and the likelihood of recommending the service. Real-world factors influence repurchase intentions, necessitating marketing managers to focus on predicting sales and profitability (Wilkins et al., 2019). Repurchase intentions are a key measure of satisfaction, loyalty, and trust, although it may stem from a lack of alternatives rather than genuine loyalty (Suetrong et al., 2018). This highlights the importance of positive word-of-mouth and promotion of the firm (Wesson et al., 2018).

2.11 Word of mouth

Repurchase intentions may not always reflect true loyalty but could be driven by repeated satisfaction rather than genuine commitment (Lin et al., 2011). Scholars have sought to measure customer loyalty, focusing on favorable attitudes, preferences, and positive word-of-mouth. word-of-mouth is a key indicator of loyalty, influencing consumer decisions and brand reputation (Nazir et al., 2023). Effective service recovery can enhance word-of-mouth, as customers who feel fairly treated are likely to speak positively about the service provider (Tarofder et al., 2016). Conversely, inadequate recovery can lead to negative word-of-mouth, harming the company's reputation and customer acquisition efforts (Choi & Choi, 2014). word-of-mouth significantly impacts customer behavior and business outcomes, making it a critical focus in service recovery research (Kau & Wan-Yiun Loh, 2006).

2.12 Literature review gaps

The current study addresses several gaps identified in the literature on service recovery. Previous research has varied in the number and importance of service recovery strategies, focusing mainly on the travel, hospitality, and restaurant sectors (Chiou et al., 2021). Tsao, (2018) suggested re-evaluating strategies such as problem-solving and apologies, which this study incorporates by examining five strategies (compensations, explanation, problem solving, empathy, and quick response) in one model. Additionally, there is a lack of research on banking service failures and recovery strategies. Previous studies have shown mixed results regarding the impact of perceived justice dimensions (distributive, procedural, and interactional) on customer satisfaction and behavioral intentions (Lin et al., 2011; Santos-Vijande et al., 2013). This study aims to clarify these relationships and investigate the influence of emotional aspects and gender differences, which have been underexplored (Eagly, 1997; Powell, 1999). Moreover, the study seeks to address the gap in understanding service recovery in different cultural contexts, specifically Egypt and Spain, enhancing knowledge on how recovery strategies and perceived fairness affect customer emotions, satisfaction, and behavioral intentions.

CHAPTER 3 CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

3.1 Study model

This research first investigates the effect of each dimension of service recovery strategies (compensations, explanations, problem-solving, empathy, and quick response) on (distributive, procedural, and interactional) (H1a- H1e) and (H2a-H2e) and (H3a-H3e). Subsequently, investigate the impact of (distributive, procedural, and interactional) on (positive emotions, negative emotions) (H4a-H4c) and (H5a - H5c). Subsequently, the impact of (distributive, procedural, and interactional) on post-recovery satisfaction (H6a-H6c). Moreover, the impact of (positive emotions, negative emotions) on post-recovery satisfaction (H7a- H7b). Furthermore, the impact of post-recovery satisfaction on (customer trust and affective commitment) (H8a- H8b). Then. the effect of customer trust on affective commitment (H9), Besides the effect of customer trust, post-recovery satisfaction, and affective commitment on repurchase intentions (H10a- H10c). Furthermore, the impact of customer trust, post-recovery satisfaction, and affective commitment on word of mouth (H11a-H11c).

Besides, the mediating effect of (positive emotions, negative emotions) in the link between (distributive, procedural, and interactional) and post-recovery satisfaction (H12a-H13c) and the mediating effect of post-recovery satisfaction in the relationship between (distributive, procedural, and interactional) and repurchase intentions and word of mouth (H14a- H14c, H15a- H15c). Further, the mediating effect of (customer trust and affective commitment) in the relationship between post-recovery satisfaction and repurchase intentions and word of mouth (H16a- H16d). Lastly, the moderating roles of service failure severity (H17a–H17f) on the relationships between (distributive, procedural, and interactional) and (positive emotions, negative emotions) will be investigated. Figure 1 visually represents the research conceptual framework, including the hypotheses and the interrelationships between the constructs that determine the relationships of interest

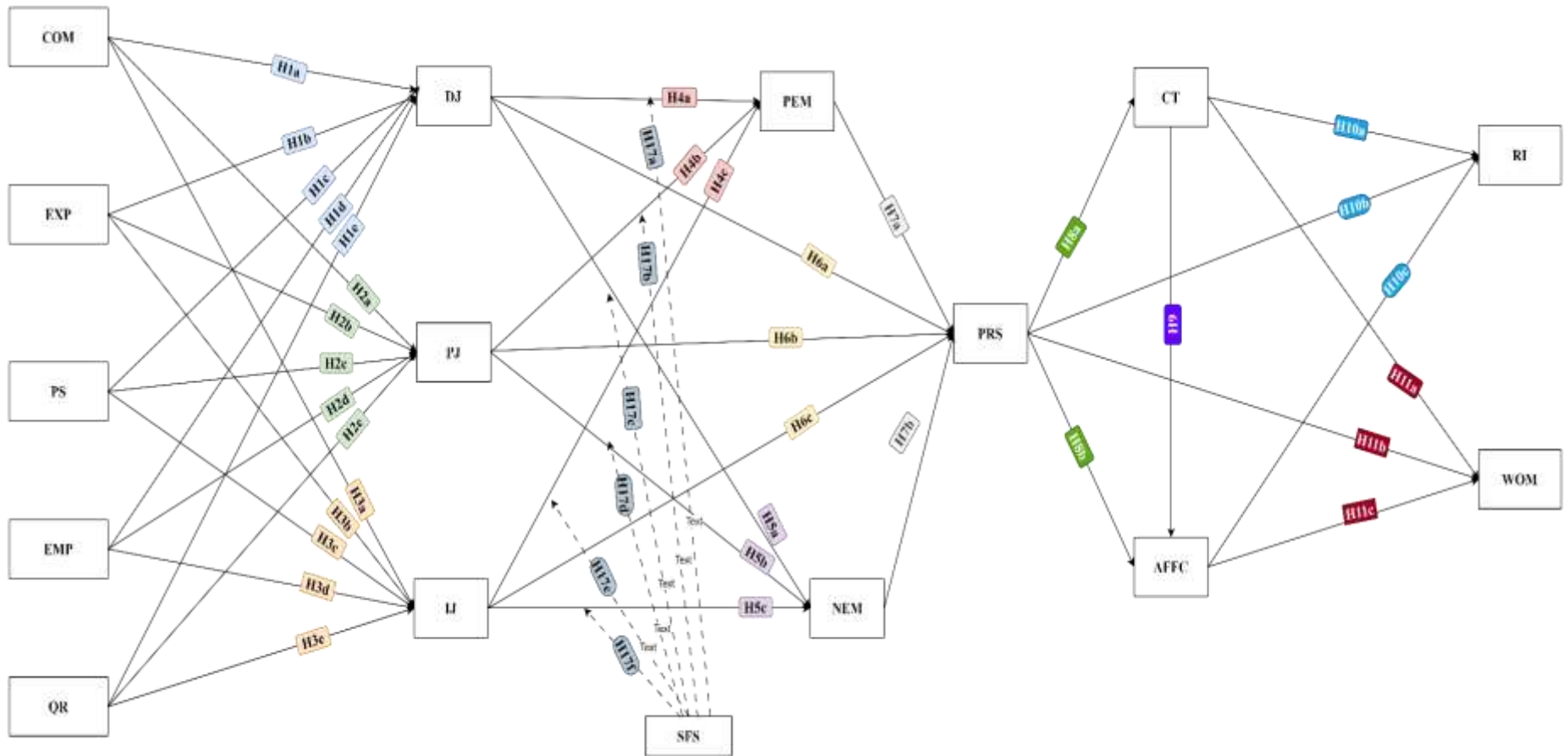


Figure 1 Proposed study model

Note: COM: Compensations; EXP: Explanations; PS: Problem-solving; EMP: Empathy; QR: Quick response; DJ: Distributive justice; PJ: Procedural justice; IJ: Interactional justice; PEM: Positive emotions; NEM: Negative emotions; PRS: Post-recovery satisfaction; AFFC: Affective commitment; CT: customer trust; RI: Repurchase intentions; WOM: Word of mouth; SFS: Service failure severity.

CHAPTER 4 METHODOLOGY

4.1 Research philosophy

This study adopts a positive research philosophy, focusing on the objective measurement of service recovery strategies and their impact on customer satisfaction and behavioral intentions. Positivism is chosen because it emphasizes quantifying variables and testing hypotheses through statistical analysis. It aligns with the study's aim to empirically analyze the effects of service recovery tactics in the banking sector. This approach is suitable for assessing the complex relationships between service recovery strategies, perceived recovery satisfaction, and customer behavior, providing rigorous empirical evidence to support the study's hypotheses.

4.2 Research Approach

This study adopts a deductive research approach, consistent with its positivist philosophical foundation. The deductive method was selected for its ability to examine existing theories, formulate hypotheses, and test them empirically, aligning well with the research aims and objectives. Following the stages outlined by Bell et al., (2022) the research process begins with an extensive review of theoretical foundations in customer behavior, service recovery, and service failure. This leads to the development of a conceptual framework based on supported theory, followed by the formulation of hypotheses for empirical examination. Data will be collected and statistically analyzed to verify or disprove these hypotheses. Finally, conclusions will be drawn to validate the theory and enable broader extrapolations based on the empirical results. This approach facilitates logical reasoning and empirical verification, supporting the study's objectives and theoretical grounding.

4.3 Research Design

The research design employs quantitative methodology, aligning with the deductive approach and positivist philosophy. This method allows for statistical testing of hypotheses and examination of variable relationships. The research plan follows a systematic approach: theoretical framework development, hypothesis formulation, survey-based data collection, statistical analysis, and results interpretation. A cross-sectional time horizon is adopted, capturing data at a single point in time. This design choice suits the study's aims to examine current perceptions and behaviors in customer

service recovery and failure, while also considering practical time and resource constraints. This carefully structured design ensures methodological consistency and enhances the reliability of findings, as emphasized by (Collis & Hussey, 2021; Saunders et al., 2009).

4.4 Design of the Questionnaire

Using the Critical Incident Technique (CIT) to assess service recovery effectiveness through actual customer experiences, the survey included screening questions about being a customer of an Egyptian or Spanish bank, service failures in the past 12 months, and the type of failure. A five-point Likert scale from "totally agree" to "totally disagree" was used. The survey has seven components: service recovery strategies, justice perceptions, emotional responses, service failure severity, post-recovery satisfaction, relationship quality, and repurchase intentions and word of mouth. The final section collects demographic data like age, gender, occupation, education level, and yearly income, ensuring all measurement questions are answered before demographic questions.

4.5 Ethical Considerations

This research endeavor got authorization and approval and conformed to the ethical standards established by Brunel. Therefore, the study questionnaire included the informed consent procedure to examine ethical concerns. Furthermore, the study's objective has been included in the informed consent form and disclosed to the participants. "The present study has been authorized by the Brunel Research Ethics Committee for academic use only, guaranteeing the absence of any potential dangers or discomforts." Furthermore, the survey ensures that participants remain anonymous since all answers are treated as private and evaluated collectively rather than individually. Moreover, this survey is not mandatory, and participants can discontinue their involvement anytime. Furthermore, individuals will be expected to verify that they have read and comprehended the questionnaire, indicating their voluntary consent to participate in the research.

4.6 Data collection method

A web-based questionnaire was used in the Egyptian and Spanish banking sectors to investigate customer viewpoints about service disruption and recovery. Thus, the survey respondents were exclusively selected based on their service recovery experience with the bank since service failure can happen unpredictably and anywhere. Consequently, to verify that the participants comprised the intended audience of the study, questions 3 and

4 were used to confirm whether the respondents had a banking relationship and had experienced any service-related problems or failures. The respondents were selected based on their consent to participate in the survey, their understanding of the purpose of the study, and assurance of confidentiality. Respondents without sufficient knowledge of the investigation topic were excluded. The web-based survey used a questionnaire to record participants' responses, graded from "strongly disagree (1)" to "strongly agree (5)" on a five-point Likert scale.

In addition, to address potential biases that may arise from non-probability sampling, a representative sample was meticulously chosen and screened to guarantee that the participants were pertinent to this investigation. As a result, a pretest was conducted with 60 Egyptian participants and 45 Spanish participants who had bank accounts and had experienced problems with banking services. Thus, the objective of this pretest was to detect any possible concerns or deficiencies in the questionnaire and provide an opportunity to rectify them before implementing the comprehensive survey.

After completing the validation process, the questionnaire was electronically disseminated across several means, including social media and email, using a link stored on the Google Forms platform. The collection of survey data spanned the months of February to March 2024. In conclusion, an overall total of 560 responses were gathered from Egypt. Thus, 43 were deemed invalid because of errors or incomplete information; thus, 517 responses remained valid, resulting in a response rate of 92.32%. Moreover, 580 responses were collected from Spain, and 80 responses were incomplete and had errors and lack of information. As a result, 500 responses were valid for the analysis, with a response rate of 86.21%. This curation aimed to guarantee the quality and integrity of the dataset for further interpretation and analysis.

4.7 Data Analysis Techniques

This study uses Structural Equation Modeling (SEM), combining regression and factor analysis to examine multiple relationships between variables (Hair & Hult, 2017). SEM is popular in social sciences for its flexibility with complex theories. There are two SEM methods: Covariance-Based SEM (CB-SEM) and Partial Least Squares SEM (PLS-SEM). PLS-SEM, used in this study, maximizes variance explained for dependent variables and is effective for causal-predictive analysis in complex models (Vinzi et al., 2010; Hair et al., 2014). The analysis will be conducted using Smart PLS 4 software.

CHAPTER 5 STUDY FINDINGS

5.1 Data analysis

This research used the Structural Equation Modeling (SEM) technique in conjunction with (Smart PLS) to analyze the data. Furthermore, the data for this investigation were rigorously examined in two stages using Smart PLS 4.1.0.5 and SPSS 28. Hence, this method is effective for assessing path models with composites and is suitable for large datasets with non-normally distributed data. The approach aligns with guidelines from (Hair et al., 2021; Kock, 2015). Data preparation in SPSS included checks for common method bias and linearity before hypothesis testing and PLS-SEM analysis with Smart-PLS 4.1.0.5. In the first phase, the constructs' internal consistency, convergent validity, and discriminant validity were assessed using a measuring model. The second stage involved the examination of the structural model and hypotheses. The structural model was also examined across the three datasets (complete, Spain, and Egypt) through multi-group analysis tests (Henseler et al., 2009). Regarding addressing the issue of incomplete data, it was discovered that several indicators only contain a limited number of missing values. As a cure, the mean imputation approach in SPSS and Smart PLS was used to effectively address this issue (Hair & Hult, 2017).

5.2 Demographic characteristics

In Egypt, 53.2% were male, with most aged 21-30 (50.7%). In Spain, 54% were female, with most aged 41-50 (29.2%). Education-wise, most Egyptians had bachelor's degrees (60.3%), as did Spaniards (38.2%). Employment status varied, with full-time workers dominating both samples (Egypt 37.1%, Spain 62%). Marital status differed: most Egyptians were single (47.6%), while most Spaniards were married (51.4%). This summary captures key demographic differences between the two samples across gender, age, education, employment, and marital status.

5.3 Analysis of Measurement Model

The measurement model underwent a comprehensive examination of reflective and latent variables to ascertain the constructs' reliability and validity, using various criteria as recommended by (Hair et al., 2014). The construct reliability and convergent validity were assessed using factor loadings, Cronbach's Alpha, and composite reliability (CR) (Hair & Hult, 2017).

All item loadings exceeded the suggested value of 0.5, Cronbach's Alpha values were greater than 0.7, and construct CR values were above 0.7, demonstrating acceptable internal consistency reliability and convergent validity (Byrne, 2013; Nunnally, 1994). Discriminant validity was evaluated using the Fornell-Larcker criterion ((Fornell & Larcker, 1981). Multi-collinearity was assessed using the inner Variance Inflation Factor (VIF), with all values meeting the established threshold of less than 5 (Hair & Hult, 2017). Overall, the measurement model successfully met rigorous requirements for convergent validity, discriminant validity, reliability, and collinearity, demonstrating its adherence to widely acknowledged standards for data validation (Hair et al., 2010) and allowing the researcher to proceed with assessing the structural model. As a result, convergent validity was met for the three datasets (completer, Spain, and Egypt). Discriminant validity can be evaluated by analyzing the relationships between the research questions, as well as the variability and interdependence among distinct constructs (Fornell and Larcker, 1981).

5.5 Assessment of structural model

Before assessing structural models, complete collinearity among constructs was checked using variance inflation factors (VIFs). All VIF values were below the threshold of 5, indicating no multi-collinearity issues (Hair Jr et al., 2021). The models effectively explained substantial variation in key constructs across complete, Spain, and Egypt datasets. Service recovery strategies explained 60-80% variation in justice dimensions. Perceived justice dimensions explained 23-75% of emotion variation and post-recovery satisfaction. Moreover, post-recovery satisfaction and relationship quality constructs explained 36-79% variation in repurchase intentions and word-of-mouth.

The models' predictive relevance was confirmed using Stone-Geisser's Q^2 PLSpredict/CVPA, with all Q^2 values for endogenous latent variables greater than zero (Hair & Hult, 2017). Effect sizes (f^2) were analyzed, with all values exceeding 0.02, indicating small to large effects (Kock, 2010). The Standardized Root Mean Square Residual (SRMR) values ranged from 0.068 to 0.072 across datasets, meeting the criteria of less than 0.08 and suggesting a good model fit.

Service recovery strategies showed varying effects on perceived justice dimensions. Compensation positively affected distributive justice across all datasets but had no significant impact on procedural or interactional justice. Explanations positively influenced all justice dimensions except for distributive justice in Egypt.

Problem-solving consistently showed positive effects on all justice dimensions across datasets. Empathy positively affected distributive and procedural justice, except in Spain, and positively influenced interactional justice in all datasets. Quick response demonstrated strong positive effects on all justice dimensions across all datasets. Perceived justice dimensions generally had positive effects on customer emotions and satisfaction. Distributive, procedural, and interactional justice positively influenced positive emotions across all datasets. Distributive justice negatively affected negative emotions in the complete and Spain datasets but not in Egypt. Procedural and interactional justice did not significantly impact negative emotions in any dataset. Regarding perceived recovery satisfaction, distributive justice showed positive effects across all datasets, while procedural and interactional justice positively influenced satisfaction in the complete and Egypt datasets but not in Spain.

Customer emotions played a significant role in perceived recovery satisfaction. Positive emotions positively influenced satisfaction across all datasets, while negative emotions had a consistent negative effect. Perceived recovery satisfaction, in turn, showed strong positive effects on relationship quality (customer trust and affective commitment) and behavioral intentions (repurchase intentions and word-of-mouth) across all datasets.

The study also revealed important relationships within relationship quality constructs and their impact on behavioral intentions. Customer trust positively influenced all datasets' affective commitment, repurchase intentions, and word-of-mouth. Similarly, affective commitment positively affected repurchase intentions and word-of-mouth across all datasets. These findings highlight the complex interplay between service recovery strategies, customer perceptions of justice, emotions, satisfaction, relationship quality, and behavioral intentions. The variations observed across datasets suggest potential cultural differences in how customers perceive and respond to service recovery efforts, underlining the importance of considering cultural context in service recovery strategies.

5.6 Mediating Effects and Moderating Effects

Positive emotions mediated the relationship between all three justice dimensions (distributive, procedural, and interactional) and perceived recovery satisfaction across all datasets (complete, Spain, and Egypt). This consistently supports hypotheses H12a, H12b, and H12c. Negative emotions showed mixed results as a mediator. In the complete and Spain datasets, negative emotions mediated the relationship between distributive

justice and post-recovery satisfaction (supporting H13a), but not for procedural and interactional justice (rejecting H13b and H13c). In the Egypt dataset, negative emotions did not mediate any justice- post-recovery satisfaction relationships, rejecting H13a, H13b, and H13c.

Post-recovery satisfaction mediated the relationship between justice dimensions and repurchase intentions and word-of-mouth with some variations. In the complete dataset, all justice dimensions indirectly affected repurchase intentions and word-of-mouth through post-recovery satisfaction, supporting H14a-c and H15a-c. In the Spain dataset, only distributive justice showed this mediation effect, while in the Egypt dataset, all justice dimensions showed indirect effects on repurchase intentions and word of mouth through post-recovery satisfaction. Customer trust and affective commitment consistently mediated the relationships between post-recovery satisfaction and repurchase intentions and word of mouth across all datasets, supporting H16a-d. Service failure severity showed varied moderating effects across datasets. In the complete dataset, service failure severity negatively moderated the relationship between distributive justice and positive emotions (supporting H17a) but showed no significant moderation for other relationships.

In the Spain dataset, service failure severity moderated the relationship between distributive justice and positive emotions (supporting H17a) and negatively moderated the relationship between interactional justice and positive emotions (supporting H17c). Other moderating effects were not significant. In the Egypt dataset, service failure severity showed no significant moderating effects on any relationships between justice dimensions and emotions, rejecting all hypotheses (H17a-f17b).

These findings highlight the complex nature of service recovery processes, with emotions and satisfaction mediating crucial roles and service failure severity moderating some relationships, particularly in the complete and Spain datasets. The variations across datasets suggest potential cultural differences in how these mediating and moderating effects manifest in different contexts.

A multi-group analysis using SmartPLS compared path coefficients between Egyptian and Spanish samples, revealing significant differences in customer perceptions and behaviors. The study found that affective commitment, customer trust, distributive justice, and empathy had stronger effects on various outcomes in Egypt compared to Spain. Specifically, affective commitment more strongly influenced repurchase intentions,

customer trust had a greater impact on affective commitment, distributive justice more significantly affected negative emotions, and positive emotions had a stronger effect on procedural justice in Egypt. Conversely, positive emotions had a greater impact on post-recovery satisfaction in Spain. Problem solving strongly influenced distributive justice in Spain, while relationship quality was more effective in Egypt. The moderating effect of service failure severity on the relationship between IJ and positive emotions was stronger in Egypt, while the mediating effect of negative emotions between distributive justice and post-recovery satisfaction was more pronounced in Spain. These findings highlight the importance of tailoring service recovery strategies and customer relationship practices to specific cultural contexts, as banks must consider unique customer perceptions and behaviors in each market to effectively address service failures and maintain customer loyalty.

5.7 The impact of demographic variables

ANOVA results revealed significant gender differences across datasets. In the complete dataset, females showed higher levels of post-recovery satisfaction, repurchase intentions, and word-of-mouth compared to males. The Spain dataset showed similar trends for post-recovery satisfaction, while the Egypt dataset demonstrated significant gender differences in all variables: post-recovery satisfaction, affective commitment, customer trust, repurchase intentions, and word-of-mouth. In all cases where differences were significant, females consistently exhibited higher levels than males. No significant gender differences were found for affective commitment, customer trust in the complete dataset or Spain dataset. These findings highlight the importance of considering gender-specific preferences and perceptions when developing marketing strategies and handling service failures in banking services across different cultural contexts, particularly in Egypt.

Moreover, the ANOVA analysis revealed significant age-related differences across multiple variables in the complete dataset and the Egyptian subset. Older age groups, particularly those 51 and above, consistently demonstrated higher levels of post-recovery satisfaction, affective commitment, customer trust, repurchase intentions, and word-of-mouth compared to younger age groups. This trend was especially pronounced in the Egyptian context. Significant age differences were observed in the Spanish dataset for affective commitment, customer trust, repurchase intentions, and word-of-mouth but not for post-recovery satisfaction.

Regarding banking service types, the analysis uncovered significant differences in the complete dataset and the Egyptian subset for all variables. Customers who utilized offline banking services consistently reported higher levels of post-recovery satisfaction, affective commitment, customer trust, repurchase intentions, and word-of-mouth than those who used online services or a combination of both. This pattern was particularly evident in the Egyptian context, suggesting that customers in this cultural setting may view traditional physical banking services more favorably than online or mixed service offerings. Interestingly, the Spanish dataset showed no significant differences based on banking service type.

These findings highlight the importance of considering age and banking service preferences when developing service recovery strategies and marketing approaches in the banking industry. The results suggest that tailored approaches may be necessary for different age groups and service channels, with particular attention needed in the Egyptian market, where these differences appear more pronounced.

CHAPTER 6 CONCLUSIONS

6.1 Study summary

Banks are crucial for global economic development and face challenges in meeting evolving customer expectations. Due to human error and the complex nature of financial services, service failures are inevitable in banking. Effective service recovery strategies are essential to mitigate negative consequences and maintain customer relationships. This study examines the impact of bank service recovery strategies on customer perceptions of justice, emotions, satisfaction, and outcomes such as repurchase intentions, word-of-mouth, and relationship quality. It also analyzes the influence of external factors like service failure severity and demographic variables on these relationships. The research compares findings between Spain and Egypt, aiming to provide insights for banks to maintain lasting customer connections during service failures efficiently. The study's objectives are addressed throughout various chapters, contributing to the fields of services marketing and service recovery literature.

This study builds upon previous research by examining service failure and recovery in the banking sector of Egypt and Spain. It investigates how service recovery strategies (compensation, explanations, problem-solving, empathy, and quick response) influence customer perceptions of justice (distributive, procedural, and interactional), emotions (positive and negative), post-recovery satisfaction, and behavioral outcomes (customer trust, affective commitment, word of mouth, and repurchase intentions).

Data was collected from 517 Egyptian and 500 Spanish bank customers who had experienced service failures in the past year using a questionnaire survey method. The study employed structural equation modeling with partial least squares (PLS-SEM) using Smart PLS 4 to analyze the data. Three main models were formed: the complete dataset, the Spain dataset, and the Egypt dataset.

Key findings include:

1. Service recovery strategies generally positively affect justice perceptions, with some variations between countries. For example, explanations did not affect procedural and interactional justice in the complete dataset.

2. Perceived justice dimensions positively influence positive emotions and post-recovery satisfaction across all datasets.
3. Positive emotions positively affect post-recovery satisfaction, while negative emotions have a negative effect.
4. Post-recovery satisfaction positively affects customer trust, affective commitment, repurchase intentions, and word-of-mouth across all datasets.
5. Emotions and satisfaction mediate the relationships between justice perceptions and outcomes.
6. Service failure severity moderates some relationships, particularly in the Spanish context, but its role was not supported in the Egyptian context.

6.2 Theoretical Contributions

The study contributes to service recovery literature by presenting an integrated model and cross-cultural insights. It highlights the importance of effective recovery strategies and considers cultural context in service failure situations. These findings can guide banks in developing tailored approaches to maintain customer relationships after service failures. Moreover, the research opens new horizons for further investigation in different environments and sectors. Future studies could modify the proposed model by adding or removing variables to help reach a more comprehensive framework for understanding service failure and recovery problems.

The cross-cultural approach, analyzing data from Spain and Egypt, provides valuable insights into potential cultural differences in observed outcomes. This emphasizes the significance of contextual factors when studying service failure and recovery, suggesting that banks need to consider cultural nuances when designing their service recovery strategies. This study significantly contributes to service marketing literature, particularly in service failure and recovery within the banking sector. It validates justice theory in understanding service recovery within exchange relationships, building on justice and social exchange theory. The research enhances our comprehension of consumer recovery satisfaction, emotions, and behavioral intentions by examining relationships between service recovery strategies, justice perceptions, emotions, satisfaction, and behavioral outcomes.

This research provides valuable insights into how social and cultural differences impact customer behavior after service failures by conducting a cross-cultural study in Spain and Egypt. It explores five basic service recovery strategies, combining material and psychological techniques, addressing a gap in previous literature. A novel contribution is the examination of service failure severity as a moderating factor between perceived justice and customer emotions. The research also incorporates customer emotions and relationship quality as immediate outcomes of service recovery strategies and perceived justice, addressing a significant gap in previous investigations.

The study investigates the mediating roles of perceived justice and post-recovery satisfaction, revealing differences between Egypt and Spain. It uncovers patterns in gender and age differences across different cultural settings, highlighting the necessity for customized marketing and customer service strategies. Additionally, the research reveals disparities in client perceptions among different banking services, emphasizing the importance of developing tailored service strategies for various markets and channels, particularly in enhancing online banking experiences. Methodologically, this study contributes by being the first to analyze banking customers in Egypt and Spain using a multi-group approach, opening opportunities for future research on the impact of nationality in growing banking markets.

This research provides a comprehensive framework for understanding service failure, recovery, and post-recovery behavior. It establishes a theoretical model illustrating the influence of external variables on the recovery encounter, offering a nuanced understanding of how service recovery strategies and justice dimensions impact customer relationships. This holistic approach fills a crucial gap in existing literature and provides valuable insights for academics and practitioners in the banking sector.

6.3 Practical contributions

This study offers crucial insights for Spanish and Egyptian bank managers seeking to develop effective customer relationship marketing strategies, particularly in the context of service failures. Given the inherent complexity of financial services, eliminating service failures is unrealistic. Therefore, understanding customers' attitudes towards service failures and recovery expectations is vital for maintaining positive relationships. The research underscores the importance of implementing comprehensive service recovery strategies that account for the interplay between recovery tactics, perceived

justice dimensions, customer emotions, post-recovery satisfaction, and behavioral intentions. Banks must establish holistic frameworks encompassing these elements to foster customer loyalty and build long-lasting partnerships.

Key recommendations and insights include

1. Customer Relationship Management: Implement a comprehensive customer relationship system beyond transaction recording. This includes establishing a dedicated digital/online department for complaint management. Such a department can improve accountability, enhance service personnel performance, and boost consumer trust.

2. Specific Strategies for Spanish Banks:

- Prioritize quick responses, effective problem-solving, and explanation strategies.
- Focus on improving distributive justice perceptions to reduce negative emotions resulting from service failures.
- Optimize service recovery processes, enhance accessibility, and train employees to address failures with empathy, courtesy, and proficient communication.

3. Specific Strategies for Egyptian Banks:

- Emphasize empathy, quick response, and problem-solving strategies.
- Train employees to exhibit empathy by actively listening to customers, recognizing their emotions, and offering personalized attention during service issue resolution.
- Focus on distributive and interactional justice as they are essential for mediating relationship effects.

4. Emotion Management:

- Both Spanish and Egyptian banks should promote positive emotions during service recovery.
- Show respect and empathy, provide necessary explanations for service failures, offer sincere apologies, and create positive interactions with customers.
- Implement employee emotional intelligence training to effectively manage customer emotions and foster positive experiences during service recovery interactions.

5. Justice Perceptions:

- Ensure that customers perceive the outcomes of service recovery (such as compensations or problem-solving) and service-provider interactions as fair and equitable.
- Implement explicit procedures and directives for service recovery and communicate them efficiently to customers during recovery.

6. Severity-Based Approach:

- Adjust recovery plans according to service failure severity, particularly in Spain, where it moderates the relationship between justice perceptions and emotions.
- For substantial failures, consider offering more significant compensation, providing more comprehensive explanations, and prioritizing individualized contact to address heightened emotional reactions.

7. Continuous Improvement:

- Consistently gather consumer feedback, analyze instances of service failure, and assess the efficacy of recovery efforts.
- Use this data to identify areas needing enhancement, revise recovery procedures, and ensure strategies remain relevant and efficient in meeting evolving customer demands.

8. Post-Recovery Satisfaction:

- Implement service recovery strategies that enhance post-recovery satisfaction, as it directly influences customers repurchase intentions and positive word-of-mouth, particularly evident in the Egyptian dataset.
- Continuously monitor and improve post-recovery satisfaction levels through regular customer feedback and service quality assessments.

The study provides valuable insights into key aspects that can enhance customer satisfaction following negative service encounters. It offers banks ways to mitigate negative impacts, maintain their customer base, and safeguard market standing. Moreover, it sheds light on the underlying motives driving consumer complaints about service breakdowns, presenting three fundamental concepts specific to the banking sector: customer emotions, affective commitment, and customer trust. By establishing

comprehensive service recovery frameworks that consider all these aspects, banks can augment consumer loyalty, foster enduring relationships, and effectively navigate the challenges posed by service failures. This holistic approach not only helps in retaining customers but also in transforming potentially negative experiences into opportunities for strengthening customer relationships and enhancing overall service quality.

6.4 Limitations and future studies

Despite its theoretical and practical contributions, this study has several limitations. The research is confined to the banking industry in Egypt and Spain, potentially limiting its generalizability to other sectors and cultures. Future studies could expand the scope to include various service sectors like hospitality, travel, mobile services, and insurance, enhancing the model's applicability across different countries and cultures. The study employed a quantitative approach using online survey questionnaires, which, despite thorough pre-testing, carries inherent limitations. Qualitative methods like interviews might reveal factors not identified in this study.

The cross-sectional design limits observations of temporal changes, suggesting that future longitudinal studies could offer valuable insights into the long-term impacts of service recovery measures and changing patterns of customer perceptions and emotions. While the study examined service failure severity as a moderating variable, future research could incorporate additional factors such as brand reputation, service failure attribution, perceived switching costs, and failure habit. The study didn't comprehensively include all potentially significant cultural aspects, suggesting future research should examine a broader range of cultural elements to provide a more nuanced understanding of how culture impacts service failure and recovery dynamics in banking.

Additionally, contextual variables like the type of service failure, complexity of the recovery process, and extent of customer engagement were not specifically considered. Future studies could also explore determinants of service failure, such as front-line employee empowerment, customer engagement, and complaint behavior. Examining pre-recovery emotions and their impact on recovery could provide further insights. Lastly, as this study dealt with online and traditional banking services, future research could focus on one or the other to yield different results and determine which services experience the most failures and problems.

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