

The Relationship between Service Failure Recovery and Customer Retention in the Telecommunication Industry: A Case Study of BSNL, J&K

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ABSTRACT

This study investigates the relationship between Service Failure Recovery and Customer Retention in the telecommunication industry with a focus on Bharat Sanchar Nigam Limited (BSNL) J&K. A total of 230 respondents participated in the study. Research questions and objectives were set, alongside the hypotheses that were formulated and tested. Descriptive statistics comprising the simple percentage and tables were used for data presentation and analysis. Regression analysis and Pearson product moment correlation coefficient were employed in testing our hypotheses. The study reveals that Service Failure Recovery has effect on Customer Retention and that there is a positive relationship between Service Failure Recovery and Customer Retention. The researcher concluded by recommending that organisations should focus more attention on Service Failure Recovery, because of its effects on Customer Retention. To ensure that Customer Retention level is high, organisation must first of all know the expectations of the customers and how they can meet such expectations. Customer Retention helps in customer loyalty. It has been discovered that it costs to attract new customer than to retain existing ones. It is also recommended that organisations should welcome suggestions from customers and more programmes should be designed to measure Service Failure Recovery and Customer Retention.

Keywords: Customer, Customer Retention, Customer Loyalty, Service, Service Failure Recovery

I. INTRODUCTION

Service Failure Recovery today has become not only the rhetoric of every business enterprise, but also occupies eminent position in every discourse. No business organisation can survive without building its Customer Retention and brand loyalty; likewise, no organisation can make a healthy living without meeting the needs of its customers. That is what organisations do: they serve people's needs. Service Failure Recovery helps in cementing the relationship between customers and the organisation and it is a two-way flow of value. This means that customer derives real value from the relationship which translate into value for the organisation in the form of enhanced profitability and sustainability over a long period of time. A number of empirical studies have been conducted on the subject of Service Failure Recovery and Customer Retention. Research on this subject shows that most of the studies were conducted in industrialised countries. This implies that there is dearth of relevant literature on underdeveloped and developing countries, including J&K which has to be covered by research. In addition, despite the existence of these studies, very little attention has been given to the communication industry. This means that the impact of Service Failure Recovery on Customer Retention in the communication industry has not received adequate research attention in J&K. Thus, there is a major gap in the relevant literature on J&K, which has to be covered by research. This research attempts to fill this gap by studying the situation of the J&K telecommunication industry and providing more empirical evidence on the effects of Service Failure Recovery on Customer Retention. In this backdrop three hypothesis are formulated. They are: (i) H_1 : Customer service has effect on quality perception. (ii) H_1 : Customer service has effect on Customer Retention. (iii) H_1 : There is a relationship between Customer Retention and quality perception.

II. REVIEW OF LITERATURE

This section dwells on the theoretical and systematic analysis of documents containing information about the research problem on customer service. It is the relation of the existing literature on the research topic to the study and thus defines the boundary of this article.

Service Failure Recovery

Service recovery can be defined as actions designed to resolve problems, alter negative attitudes of dissatisfied customers, and ultimately retain these customers (Miller et al., 2000). Service recovery has received considerable attention from both academics and practitioners in the recent past and has also become an important topic of research within services marketing. Service recovery is the response of the service provider to a failed service experience. Failed service is the specific event that occurs when service providers do not fulfil the promise to their customers. Researchers seem to agree that failure of service is inevitable in most service settings. Once a service fails, customers react to service failure in various ways such as complaining, seeking redress, negative voice and stopping the business relationship with the service organisation. Tax and Brown (2000) define service recovery as a process-oriented approach. It is a process that identifies service failures, effectively resolves customer problems, classifies their root cause(s), and yields data that can be integrated with other measures of performance to assess and improve the service system. As observed by Michel (2001), service recovery differs from complaint management in its focus on service failures and a company's immediate reaction to it. Existing literature has also identified that customers' future intentions are likely to be negative towards the service organisation following an unsatisfactory service experience.

This leads to negative consumer outcomes, which are unfavourable to the service organisations. In the literature it has been acknowledged that retaining existing customers in long term business transactions is more profitable than recruiting new customers. Therefore, to regain lost customer support, service organisations need to overcome the negative impact of poorly performed service. In other words, organisations need to have service recovery activities ready for action. There is a range of activities that a firm can include in service recovery. Further, service encounters are situation specific. Therefore, service recovery attempts shall vary with each failure situation. Existing studies do not seem to acknowledge that consumer outcomes could differ with service recovery activities in different failure situations. Service recovery is not limited to customers who voice their dissatisfaction (Smith et al., 1999). The purpose of service recovery is to 'seek out and deal with service failures (Johnston, 1995).' It is the 'seeking out part that distinguishes recovery from complaint handling, as a vast majority of dissatisfied customers do not bother to complain. Instead, they vote with their feet and switch to another service provider. Recovery management is considered to have a significant impact on customer evaluations because customers tend to be more emotionally involved in recovery service than in routine service encounters (Bitner et al., 1990). Service failure and recovery encounters represent critical moments of truth for organizations in their efforts to satisfy and keep customers. Service recovery activities are initiated either by service employees who are involved in service performance, or by the direction of management combined with managers' discretion and organisational guidelines. The recovery action including managerial involvement and a firm's policies are organisational recovery actions. Policies implemented at the organisational level could include compensation. Firms need to undertake recovery actions in order to deal with a service failure and regain consumer confidence (Kelley et al., 1993).

Customer Retention

Reichheld's (1996) study was one of the first to empirically document the relationship between lifetime and profitability. He reported a significant increase in profits from small increases in customer retention rates. For example, he showed that as little as a 5% increase in retention had a significant impact on the net present value of the firm ranging from 95% in the case of advertising agencies to 35% in telecommunication industry. Extant literature in marketing has looked into the various aspects of customer relationship. While some studies are concerned with formulating methods to model customer retention (Reinartz and Kumar, 2003), other studies are interested in studying the drivers of customer retention such as satisfaction (Bolton, 1998) and competitors' offerings (Rust, Lemon & Zeithaml, 2004). Gerpott, Rams and Schindler (2001), described the Customer retention (CR), loyalty (CL), and satisfaction (CS) were important (intermediate) goals for telecommunication network operators on their way to superior economic success in the liberalized German market. Therefore, they had drawn a sample of 684 residential customers of digital cellular network operators in Germany.

This study tests hypotheses and suggested that CR, CL, and CS should be treated as deferential constructs which were causally interlinked. LISREL analyses support a two-staged model in which overall CS has a significant impact on CL which in turn influences a customer's intention to terminate the contractual relationship with his mobile cellular network operator ("CR). Mobile network operators' perceived customer care performance had no significant impact on CR. The findings suggest that an important lever for regulators to promote competition in cellular markets was the enforcement of efficient number portability procedures between mobile network operators. Silva and Yapa (2017), described about the landscape of the telecommunication industry in Sri Lanka that has changed drastically since the deregulation of telecommunication sector in early 1990s. Number of service providers had been increased from one, i.e state monopoly, to more than 70 within a short period of time. With the increased competition telecom service providers find it difficult to retain the existing customers. The objective of this explanatory study was to identify the main factors that determine the customer loyalty of corporate telecommunication customers. A questionnaire survey was done among 131 users of corporate sector. However, it was found that relative importance of the factors were not

the same between two different groups, i.e. IT personnel and Non-IT personnel. Therefore, the findings of this research provide a guideline for service providers in designing customer loyalty programmes.

III.METHODOLOGY

The study population consists of the customers of BSNL J&K. In selecting our sample for this study, a simple random sampling method was used. This ensures that every member of the population has equal chance of being part of the sample. Primary data collected through questionnaires were used in this study. In this study the coefficient alpha (Cronbach Alpha) was used to test the reliability of the measurement scale. The Cronbach alpha for this study is .871. This implies that data collected are highly reliable. To test the validity of this work, the questionnaire was subjected to evaluation by experts and other scholars. For the purpose of this study, 250 copies of the questionnaires were administered to the customers of BSNL J&K. The questionnaire was given to individual respondent who were given time to complete them objectively and honestly. However, only 230 respondents filled the questionnaire adequately and were used for our data analysis. Analysis of data was done through appropriate descriptive statistics procedure while the hypotheses were tested with the help of linear regression correlation analysis.

IV. DATA PRESENTATION AND ANALYSIS

Table 1: Sex Distribution of Respondents

	Frequency	Percent
Male	106	46.1
Female	124	53.9
Total	230	100

Source: Field Survey, 2017

Table 1 above shows the sex distribution of the respondent the researcher's questionnaires which indicates that male respondents were 106 (46.1%), while female respondent were 124 (53.9%). This implies that there are more female respondents than male respondents.

Table 2: Preferred Form of Customer Service

	Frequency	Percent
Telephone Line	105	45.7
Service Desk	66	28.7
Web Page	59	25.7
Total	230	100

Source: Field Survey, 2017

This table shows that overwhelming majority of the respondents (45.7%) prefer Telephone line, 28.7% prefers service desk while remaining respondents (25.7) prefers webpage. The inference that can be drawn here is that most customers prefer and use the Telephone form of customer service.

Table 3: Behaviour of the Customer Service Personnel Instils Confidence

	Frequency	Percent
Poor	3	1.3
Fair	35	15.2
Fairly Good	76	33.0
Good	75	32.6
Excellent	41	17.8
Total	230	100

Source: Field Survey, 2017

The table above indicates that only 1.3% of the respondents assume that the behaviour of customer service in instilling confidence in them is poor. 15.2% of the respondents assume that it is fair, 33.0% assume that it is fairly good, 32.6% of the respondents assume that it is good, while the remaining 17.8% of the respondents assume that it is excellent. This implies that the behaviour of service personnel is fairly good.

Table 4: Performance Rating of Telephone Line

	Frequency	Percent
Poor	3	1.3
Fair	34	14.8
Fairly Good	84	36.5
Good	84	36.5
Excellent	25	10.9
Total	230	100

Source: Field Survey, 2017

The table above shows the performance rating of the Telephone. 1.3% of the respondents assume that performance rating of the Telephone line is poor, 14.8% of the respondents assume that it is fair, 36.5% of the respondents assume that it is fairly good, 36.5% of the respondents assume that it is good while the remaining 10.9% of the respondents assume that it is excellent. This implies that the performance of Telephone line is good.

Table 5: Performance Rating of Webpage

	Frequency	Percent
Poor	3	1.3
Fair	20	8.7
Fairly Good	90	39.1
Good	79	34.3
Excellent	38	16.5
Total	230	100

Source: Field Survey, 2017

The table above shows the performance rating of the webpage. 1.3% of the respondents said that performance rating of webpage is poor, 8.7% of the respondents said that it is fair, 39.1% of the respondents assume that it is fairly good, 34.3% of the respondents assume that it is good and 16.5 % of the respondents said that it is excellent. What we can deduce from here is that the performance rating of the webpage is fairly good.

Table 6: Performance Rating of the Service Desk

	Frequency	Percent
Poor	1	0.4
Fair	20	8.7
Fairly Good	95	41.3
Good	72	31.3
Excellent	42	18.3
Total	230	100

Source: Field Survey, 2017

The above table shows the performance rating of the service desk. 0.4% of the respondents said that the performance rating of the service desk is poor. 8.7% of the respondents said that it is fair, 41.3% of the respondents said that it is fairly good, 31.3% of the respondents said that it is good while the remaining 18.3% of the respondents said that it is excellent. This means that the performance of service desk is fairly good.

Table 7: BSNL Provides Services as Promised

	Frequency	Percent
Poor	6	2.6
Fair	35	15.2
Fairly Good	77	33.5

Good	86	37.4
Excellent	26	11.3
Total	230	100

Source: Field Survey, 2017

The table above shows the provision of service as promised. 2.6% of the respondents said that service provision of the company is poor, 15.2% of the respondents said that it is fair, 33.5% of the respondents said that it is fairly good; 37.4% of the respondents said that it is good while the remaining 11.3% of the respondents said that it is excellent. By and large, the inference we can draw here is that BSNL is good at providing services as promised.

Table 8: Prompt Service Delivery to Customers

	Frequency	Percent
Poor	8	3.5
Fair	32	13.9
Fairly Good	84	36.5
Good	75	32.6
Excellent	31	13.5
Total	230	100

Source: Field Survey, 2017

Table 8 above shows that 3.5% of respondents said that prompt service delivery of BSNL to customers is poor, 13.9% of respondents said that it is fair, 36.5% of respondents said that it is fairly good, 32.6% of respondents said that it is good while the remaining 13.5% of respondents said that it is excellent. The inference that can be drawn from here is that prompt service delivery of BSNL is fairly good.

Table 9: BSNL Staff Are Dependable in Handling Customer Service Problems

	Frequency	Percent
Poor	5	2.2
Fair	26	11.3
Fairly good	74	32.2
Good	87	37.8
Excellent	38	16.5
Total	230	100.0

Source: Field Survey, 2017

Table 9 above shows the responses of the respondents on how dependable BSNL staffs are in handling customer service problems. 2.2% of the respondents said that it is poor, 11.3% of the respondents said that it is fair, 32.2% of the respondents assume that it is fairly good, 37.8% of the respondents said that it is good, while the remaining 16.5% of the respondents said that it is excellent. The inference that can be drawn here is that BSNL staffs are good and dependable in handling customer service problems.

Table 10: BSNL Staff Are Always Courteous and Friendly With Customers

	Frequency	Percent
Poor	4	1.7
Fair	25	10.9
Fairly good	81	35.2
Good	76	33.0
Excellent	44	19.1
Total	230	100.0

Source: Field Survey, 2017

From the table above, 1.7% of the respondents said that BSNL staff's courteousness and friendliness to customers is poor, 10.9% of the respondents assume that it is fair, 35.2% of the respondents said that it is fairly good, 33.0% of the

respondents said that it is good, while the remaining 19.1% of the respondents said that it is excellent. This implies that staff's courteousness and friendliness is fairly good.

Table 11: Feelings of Customers towards BSNL Services

	Frequency	Percent
Very Unsatisfied	2	0.9
Unsatisfied	12	5.2
Indifferent	58	25.2
Satisfied	97	42.2
Very Satisfied	61	26.5
Total	230	100.0

Source: Field Survey, 2017

Table 10 above shows that 0.9% of respondents feelings be can be described as very unsatisfied, 5.2% of respondents can be described as unsatisfied, 25.2% of respondents can be described as indifferent, 42.2% of respondents can be described as satisfied while 26.5% of respondents can be described as very satisfied. This implies that customers have satisfied feelings towards BSNL services.

Table 12: Overall Customer Service Delivery of BSNL

	Frequency	Percent
Very Unsatisfied	2	.9
Unsatisfied	13	5.7
Indifferent	55	23.9
Satisfied	98	42.6
Very Satisfied	62	27.0
Total	230	100.0

Source: Field Survey, 2017

This table shows that only 0.9% of respondents are very unsatisfied with the overall customer service delivery of BSNL. 5.7% of respondents are unsatisfied, 23.9% of the respondents are indifferent, 42.6% of the respondents are satisfied and 27.0% respondents are very satisfied. This implies that customers are satisfied with the overall service delivery of BSNL

V. TESTING OF HYPOTHESES

The hypotheses formulated for the purpose of this research are directional in nature. The alternate hypothesis H_1 is directional and it specifies different relationships between the variables under the study. In the testing and analysis of the hypotheses, the statistical test adopted is Regression analysis and correlation.

Hypothesis 1

H_1 : Customer service has effect on quality perception Multiple $R = 0.636^a$

R square = 0.405; Adjusted R square = 0.392

Standard Error of the estimate = 0.41064

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.636 ^a	0.405	0.392	0.41064

a. Predictors

The above table is the model summary. It shows how much of the variance in the dependent variable (quality perception) is explained by the model (which includes the variables of behaviour, when services will be performed, service package, problem solving, and courtesy). In this case the R square value is .405. Expressed by a percentage, this

means that our model (which includes behaviour, when services will be performed, service package, problem solving and courtesy) explains 40.5% of the variance in the quality perception of services.

ANOVA

ANO
VA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	25.707	5	5.141	30.491	.000 ^a
Residual	37.772	224	.169		
Total	63.480	229			

^a. Predictors

^b. Dependent Variable: Quaper

Since $F_{cal} (30.491) > F_{tab} (2.26)$ at 0.05 level of significance, therefore we accept our alternative hypothesis H_1 and conclude that customer service has effect on quality perception.

Table 13: Linear Regression Coefficient for Customer Service and Quality Perception

Coefficients ^a					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.787	.156		11.469	.000
BSNL keeps customers informed about when services will be performed	.075	.031	.134	2.384	.018
BSNL shows sincere interest in solving problems	.160	.032	.296	5.040	.000
How will you rate the customer service package of BSNL	.140	.033	.244	4.214	.000
Courtesy of customer service personnel	.046	.032	.085	1.436	.152
Behaviour of customer service personnel instills confidence	.097	.030	.184	3.262	.001

^a. Dependent Variable: Quaper

The B coefficient shows a positive relationship between customer service and quality perception, when services will be performed and quality perception, problem solving and quality perception, rating of customer package and quality perception, courtesy of personnel and quality perception and behaviour of personnel and quality perception. This confirms that the higher the level of these variables, the higher its significance on quality perception. This table shows which of the variables included in the model contributed to the prediction of the dependent variable. The study is interested in comparing the contribution of each independent variable; therefore beta values are used for the comparison. In this table, the largest beta coefficient is 0.296 which is BSNL shows sincere interest in solving problems. This means that BSNL shows sincere interest in solving problems makes the strongest unique contribution to explaining the dependent variable- quality perception.

Hypothesis 2

H_1 : Customer service has effect on Customer Retention

The standard multiple regression was used to generate results that will indicate how well the set of variables representing customer service has effect on quality perception.

Multiple R =0.401^a

R square = 0.161; Adjusted R square = 0.142

Standard Error of the estimate =0.59905

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.401 ^a	.161	.142	.59905

^a. Predictors

The above is the model summary. It shows how much of the variance in the dependent variable (Customer Retention) is explained by the model (which includes the variables of behaviour, when services will be performed, service package, problem solving, and courtesy). In this case the R square value is .405. Expressed by a percentage, this means that our model (which includes behaviour, when services will be performed, service package, problem solving and courtesy) explains 40.5% of the variance in the Customer Retention of services.

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.385	5	3.077	8.574	.000 ^a
	Residual	80.385	224	.359		
	Total	95.770	229			

^a. Predictors

^b. Dependent Variable: Csat

Since F cal (8.574) > F tab (2.26) at 0.05 level of significance, therefore we accept our alternative hypothesis H₁. Thus, concluding that customer service has effect on Customer Retention.

The B coefficient (see Table 14) shows a positive relationship between customer service and Customer Retention, when services will be performed and Customer Retention, problem solving and Customer Retention, rating of customer package and Customer Retention, courtesy of personnel and Customer Retention and behaviour of personnel and Customer Retention. This confirms that the higher the level of these variables, the higher its significance on quality perception.

This table (Table 14) shows which of the variables included in the model contributed to the prediction of the dependent variable. The study is interested in comparing the contribution of each independent variable; therefore beta values are used for the comparison. In this table, the largest beta coefficient is 0.249 which is Behaviour of customer service personnel. This means that Behaviour of customer service personnel makes the strongest unique contribution to explaining the dependent variable- Customer Retention.

Table 14: Determination of the Multiple Regression Equation for the Data for Hypothesis 2

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	2.467	.227		10.852	.000
BSNL keeps customers informed about when services will be performed	.107	.046	.156	2.345	.020
BSNL shows sincere interest in solving problems	.010	.046	.016	.223	.824
How will you rate the customer service package of BSNL	.097	.048	.138	2.009	.046
Courtesy of customer	.016	.046	.024	.345	.731

service personnel Behaviour of customer service personnel instills confidence	.162	.043	.249	3.718	.000
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^a. Dependent Variable: Csat

Hypothesis 3

H₁; There is a relationship between Customer Retention and Service Failure Recovery.

Table 15: Simple Correlation for Quality Perception and Customer Retention

Correlations

		Quaper	Csat
Quaper	Pearson Correlation	1	.386**
	Sig. (2-tailed)		.000
	N	230	230
Csat	Pearson Correlation	.386**	1
	Sig. (2-tailed)	.000	
	N	230	230

** . Correlation is significant at the 0.01 level

Quality perception was found to be significantly correlated with Customer Retention ($r=.386$, which has a .000 level of significant which is less than .01 and .05 level of significant There is a positive relationship between Service Failure Recovery and Customer Retention. We therefore accept our alternative hypothesis which says Service Failure Recovery has a positive relationship with Customer Retention.

VI. RESULTS AND MANAGERIAL IMPLICATIONS

- The correlation computation for the first, second and third hypothesis shows that there is a relationship between customer service, Service Failure Recovery and Customer Retention.
- Table 2 shows that 45.7% of the respondents prefer Telephone, 28.7% of the respondents prefer service desk and 25.7% prefers webpage. Most preferred form of customer service is Telephone.
- Table 8 shows that a large percentage of the respondents are satisfied with the overall service delivery of BSNL.
- Table 9 show that a large percentage of the respondents are of the opinion that BSNL shows sincere interest in solving customers' problems
- Table 11 shows that 0.9% of the respondent feelings be can be described as very unsatisfied, 5.2% of the respondents can be described as unsatisfied, 25.2% of the respondents can be described as indifferent, 42.2% of the respondents can be described as satisfied and 26.5% of the respondents can be described as very satisfied.

VII. RECOMMENDATIONS

The following are recommended for BSNL

- BSNL should improve its Telephone, since it is the most preferred form of customer service.
- BSNL should also ensure that staffs are knowledgeable of customers' requests and problems.
- BSNL staff should always listen to what your customer wants because customers don't buy products or services, they sometimes buy solutions to problems.
- BSNL staff should encourage and welcome suggestions on improving Customer Retention
- Many programs should be designed to measure Service Failure Recovery and Customer Retention, and also to improve customer service.

CONCLUSIONS

The general objective of this study is to determine the relationship between Service Failure Recovery and Customer Retention, and also investigate the strategies utilised by an organisation to deliver exceptional Service Failure Recovery and Customer Retention through customer service. These objectives were tested by three hypotheses. It is also clear from this research that customer service has impact on Service Failure Recovery perception and Customer Retention. Conversely, telecommunication industry in J&K is the fastest growing sector, especially the mobile market. This

development has become a catalyst for the growth of the nation's commercial and industrial sectors. This telecommunication sector contributed much to the nation's economic development. The growth rate in the use of telecommunication facilities has increased tremendously, especially in the increasing number of telephone subscribers

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