THE EFFECTIVENESS OF SERVICE RECOVERY IN ADDRESSING SERVICE FAILURES AND IN ACHIEVING CUSTOMERS’ ADVOCACY, RETENTION AND PURCHASING LOYALTY WITHIN THE UAE LUXURY RETAIL INDUSTRY

A Management Research Dissertation submitted in partial fulfilment of the requirements of Cardiff Metropolitan University for the degree of Master of Business Administration

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May 2018

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DECLARATION

This work is being submitted in partial fulfilment of the requirements for the degree of MBA and has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature for any degree.

Signed: Oussama Hamana
Date: 17/05/2018

STATEMENT 1

This dissertation is the result of my own work and investigations, except where otherwise stated. Where correction services have been used, the extent and nature of the correction is clearly marked in a footnote(s).

Other sources are acknowledged by footnotes giving explicit references. A bibliography is appended.

Signed: Oussama Hamana
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STATEMENT 2

I hereby give consent for my dissertation, if accepted, to be available for photocopying and for inter-library loan, for deposit in Cardiff Metropolitan University’s e-Repository, and that the title and summary may be available to outside organisations.

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ACKNOWLEDGMENTS

This paper presents a journey filled with hard work, dedication and commitment.

This journey couldn't have been achieved without the support of those involved. Therefore, I would like to thank Cardiff Metropolitan University for the outstanding learning experience and support offered.

I would also like to express my sincere gratitude to my supervisor, who has guided me and shared his precious knowledge and provided prompt responses to all my questions and concerns.

Similarly, special thanks goes to Dr. Mukul for his motivating words shared during first sessions which been the driver and motivator to work harder and present this piece of work.

Moreover, my sincere gratitude goes to those who were involved in this research, including the participants who spared their valuable time to participate and enabled me to succeed in completing this research and Seddiqi management for their unwavering support.

Last but not least, I want to thank my family who taught me to think big, dream big and aim big. I am grateful for their prayers, support, and encouragement, so this is undoubtedly dedicated to all of you.
Student Name: Oussama Hamana

Supervisor's Name: Stephen Bibby

I acknowledge that the above-named student has regularly attended the planned meetings and actively engaged in the dissertation supervision process. He has provided regular timely draft chapters of the dissertation and followed given guidance.

Signed .................................................

Date ..................................................
ABSTRACT

Within the current hyper-competitive market, attracting new customers and retaining the existing ones is paramount to the success of any business and to its ability to control more market shares and achieve a competitive edge. Nonetheless, despite the efforts made by firms across the globe that aim to provide an excellent service, many companies are subject to service-related failures affecting customers’ satisfaction, loyalty and in turn, put an end to the relationship between both parties. It is for this reason; the following paper has explored the effectiveness of service recovery in responding to service failures and in achieving customer loyalty.

Previous studies on this topic have focused on classification development and several typologies, including service failure (e.g. outcome-related service failure and/or process-related service failure) and service recovery (psychological recovery or tangible recovery). This study, therefore, followed the same concept by investigating a gap within current literature through the development of a service failure classification and by exploring the effectiveness of service recovery in response to first and repeated service failures.

To achieve the aims of this study, both primary and secondary data was collected. The secondary data consists of analyzing more than 1024 complaints logged within 2017/2018, while the primary data was gathered through mixed method approach by using questionnaires taking perspective of both customers and organization. A qualitative interview was also conducted with a senior management to generate in-depth information.

The study revealed that regardless of severity and magnitude of first service failure, if an effective service recovery in line with perceived justice is implemented, the organization can achieve higher satisfaction level which lead to service recovery paradox and impacting customers’ loyalty and commitment toward the firm by spreading positive word of mouth and repurchase intentions. Contrariwise, in event of repeated service failure, Service recovery process gets impacted wherein customers spread negative word of mouth and demand tangible recovery in the shape of compensations. Additionally, despite the efforts and implications of tangible recovery, almost 50% of customers’ put an end and terminate their relationships with the firm.
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“Every company’s greatest assets are its customers, because without customers there is no company”

Michael LeBoeuf, Author of: How to Win Customers and Keep Them for Life
CHAPTER 01 INTRODUCTION

1.1 Chapter introduction

Chapter 01 provides an overview and introduction to the topic that to be investigated in this master thesis presenting insights about the topic providing a rationale on why this topic to be investigated.

The Chapter 01 also highlights the aim, the purpose of this study and reveals research objectives as well as research questions that the researcher aims to answer. Also, the chapter presents structure and outline of the dissertation to highlight to the reader what to be covered in this master dissertation.

1.2 Rationale and Background of the Study.

In recent years, organizations across the globe aim to provide unforgettable service experiences in every service interaction to satisfy consumers, thereby, gaining loyalty and maintaining long-term relationships between the firm and its customers (Makau, 2013). However, every service experience consists of a set of service encounters which can be affected by numerous factors such as: service quality, operational quality, policies, guidelines, customer expectations and consumer demands (Liang, et al., 2013). Hence, despite the organizational exertions to have zero-defect service failures, the latter appears to be challenging, given that no organization can provide a zero-defect service (Barlow & Møller, 2008).

Although service failure is inevitable, service recovery can be adopted by organizations as a corrective measure to address negative consequences and to rectify poor consumer experiences (Cecilia & Emma, 2010). When service providers achieve a high level of service, then customer satisfaction ensures an organization can attract more customers, gain loyalty, and generate a higher value in regard to financial resources (Cook, 2012) (Barlow & Møller, 2008).

According to (Chahal & Devi, 2015), customer voices and complaints are no longer considered as an unnecessary evil consuming organizational time and efforts, yet, nowadays, service failures are used by firms across the globe as a performance indicator for service quality (Cook, 2012). This provides organizations with the chance to rectify and recover customer satisfaction and change negative experiences to positive ones (Claesson & Dijnér, 2017). It is because of this; service recovery has become one of the most discussed topics of marketing relationship strategies and has attracted a vast amount of attention from scholars worldwide. In fact, there are now numerous studies focusing on various markets, referring to hotels (Mohamad, et al., 2017), banks (Makau, 2013), online shopping (Cheung & Lee, 2012), low-cost travel carriers (Chou, 2015), retail banking, higher education (Chahal & Devi, 2015), retail (Fayos-Gardó, 2017), and telecommunication (Shah, et al., 2018). Thus, showing the relevance and the importance of this topic and service recovery strategies as part of strategic relationship marketing.
While imperative to current literature, the topic has not gone without debate amongst scholars who debated the effectiveness of service recovery and its role to promote consumer satisfaction and achieving customers' loyalty. The researchers who investigated the topic can be categorized into two categories:

Scholars such as (Maxham, 2001) (McCollough & Bharadwaj, 1992) (Garg, 2013) who emphasized on how service recovery is crucial to customer retention strategies being the best corrective measure to service failures that lead to higher satisfaction and customer loyalty. Other scholars such as (Fayos-Gardó, 2017) (Magnini, et al., 2007) (Michel & Meuter, 2008) have speculated that there is a lack of knowledge for the service recovery as the effectiveness of service recovery is impacted by many factors.

Hence, studying this topic by investigating exploring new markets, will add knowledge to the current literature. Therefore, this study focuses on luxury retail and the UAE market, due to the lack of research on this chosen topic area and market. In addition, the researcher has a wide management experience in luxury retail customer service department, this topic is of high interest and will be used to identify the impact of the service recovery process on service failures; thus, outlining its use as an effective tool for customer satisfaction and as a corrective method for obtaining consumer loyalty.

Congruently, the literature has shown limitation to studies related to the impact of service recovery on repeated service failures. Therefore, this study aimed to explore the topic in the contexts of two scenarios which are first and repeated service failure by assessing the effectiveness of service recovery whether the impact, if any, is the same or the effectiveness changes.

1.3 Case study: SEDDIQI Holding

Seddiqi Holding is a family-owned organization established in 1940 by the late founder Mr. Ahmed Seddiqi. Despite the humble beginning by having one store in the 1950s in Dubai Old Souq (Market), the organization has now become one of the most reputable holdings within the UAE and has a diversified business portfolio including the retail of luxury watches, jewelry, cosmetics, and real estate.

The firm is considered the leading organization of luxury retail within the region by controlling largest markets shares of both locals and tourist customers. The firm has currently 80 boutiques retailing Swiss watches and jewelry across the UAE, Seddiqi Holding thus trades with approximately 50 high-end brands, such as Rolex, Chopard, Bulgari, Chanel, and Dior (Anon, 2018), and was chosen for this research due to its competitive edge within the market – the result of controlling this niche market and introducing luxurious brands and services.
1.4 Overview of Luxury Retail within the UAE

Despite a decrease in the condition of the global market, luxury retailers within the GCC and UAE now have potential growth opportunities due to the number of luxurious malls in Dubai and Abu Dhabi attracting consumers worldwide (Deloitte, 2017). The UAE is, therefore, considered as a significant prospect for luxury brands, given the notable role that tourism plays in the economy in Dubai. Contributing to luxury markets, tourists have also increased their purchasing intent by 70% within the last five years and have since, become addicted to shopping for luxury brands (Chalhoub-Group, 2016). This large ratio and demand have thus led to the UAE being deemed as a hyper-competitive market, wherein every organization trying to control a larger market share than its competitors.

1.5 Research Purpose, Aim, Questions and Objectives

1.5.1 Research Purpose

This study has a clear direction with an explicit purpose which is to evaluate service recovery effectiveness in response to first and repeated service failures and the impact of service recovery on consumer advocacy, retention, and purchasing loyalty within the UAE luxury retail industry.

1.5.2 Research Aim

The aim of this study is to assess service recovery effectiveness in response to service failures and to what extent is considered as a corrective measure that goes beyond being a remedy and whether service recovery impact customer loyalty. The study will be exploring the perspectives of both organizations and consumers to draw empirical findings that include all slants.

1.5.3 Research Questions

1. What, if any, are the major critical service failures and customer responses to service failures within the luxury retail industry?
2. What, if any, are the impacts of service failures, customer responses and perceived justice impact on the effectiveness of service recovery?
3. What, if any, are the effects of service recovery on customer advocacy, retention and purchasing loyalty within the UAE luxury retail industry?
4. Does service recovery resolve any service failure regardless of severity and repetition?
1.5.4 Research Objectives

To discuss the questions provided above, the researcher will focus on service failure, consumer responses to this failure, the role of perceived justice and effectiveness of service recovery as a corrective measure for the both first and repeated service failures. With this in mind, the following objectives have been set:

1. **To understand service failures, customer responses to service failures and the role of perceived justice within the luxury retail industry and their impact on service recovery process.**

   - (Cecilia & Emma, 2010) In order to evaluate the effectiveness of service recovery in building customer loyalty, it is recommended to explore the role of service failure, customers’ responses to service failure and the perceived justice. Hence, this objective aims to explore whether service failure, customer responses, and perceived justice impact the effectiveness of service recovery process in achieving customers’ loyalty.

2. **To assess the effectiveness of service recovery in response to service failure and the achievement of consumer advocacy, retention, and purchasing loyalty.**

   - This objective form the core of the aim of the study which is to assess and evaluate whether service recovery goes beyond being a remedy option to the extent of impacting customer loyalty and play the corrective measure role in responding to service failures within the luxury retail industry in the UAE.

3. **To evaluate whether repeated failure constrains recovery effectiveness when achieving customer loyalty.**

   - Since the literature has shown limitation concerning studies on the effectiveness of service recovery specifically in response to repeated failure, the study adopted classification of service failures to be investigated. Thus, this objective aim to explore and evaluate whether service recovery is effective in response to “any” service failure or the impact of service recovery changes while discussing the repeated ones.
1.6 Scope of the Study

Despite the topic outlined, the research has chosen to focus primarily on the effectiveness of service recovery in response to first and repeated service failures in achieving consumer advocacy, retention, and purchasing loyalty. Therefore, other factors or venues will not be explored.

From the geographical perspective, this research was limited to the UAE, given the focus on luxury market within the UAE as the chosen Market. Therefore, the researcher has limited the study to Seddiqi Holding considering it as a case organization. It is for this reason; the following study will be limited to this case and will only consider Seddiqi employees, managers, and customers through the collection of data; as described in Chapter 3. Hence, other markets or organizations will not be involved or included in this research.

1.7 Proposed Methodology

The methodology of this research was carefully chosen to ensure achieving the objectives of the study. In terms of research philosophy, the study adopted pragmatic research philosophy which enabled the researcher to take various techniques, approaches, and methods to achieve the aim of the study.

The selected approach for this study is deductive by testing the findings of collected data with the existing theory and the current literature. The research strategy and research design were based on survey questionnaire which was shared with participants to collect data that will answer the research question of the study and followed by an interview which enables the researcher to generate in-depth information. The data collection methods were impacted by themes of the literature review. Thus, data collection method was designed to collect data on Service failures, Customer responses to service failure, Service recovery process, Impact of service recovery on customer loyalty. Secondary data in this study is a crucial source of information as over 1024 complaints were analyzed which added value to this study.

Both, Primary and Secondary data were analyzed and interpreted by adopting techniques such as tables and graphs which helped the researcher to illustrate and describe the findings of the arguments on the data collected. Then, the data were analyzed thematically since the aim is to compare the findings with the literature and previous studies by findings common themes such as Service failure, Customer responses to Service failure, Service recovery process, Service recovery Paradox, and Service Recovery and Customer Loyalty. Also. The findings were Cross-triangulated with theories presented in the literature reviewed aiming to assess whether the findings support existing theory, or it reveals new findings. The limitation of the methodology of this study is related statistical significance which was due to time constraints which affected the sampling.
1.8 Dissertation Outline

1.8.1 Chapter 1 – Introduction

Chapter one introduces this research by providing a background on the study and outlines the purpose of the topic to be explored.

1.8.2 Chapter 2 – Literature Review

Chapter 2 explores available literature based on the topic in question and discovers whether there are any gaps in knowledge that should be addressed in this research.

1.8.3 Chapter 3 – Methodology

Chapter 3 highlights the methodology used, including research philosophy, approach, design, and strategy. This chapter also presents and justifies the methods used for data collection and analysis.

1.8.4 Chapter 4 – Findings

Chapter 4 analyzes the primary and secondary data findings and links these results to previous literature outlined in the literature review chapter.

1.8.5 Chapter 5 – Conclusions and Recommendations

Chapter 5 analyzes the findings obtained and concludes by addressing the research objectives and questions.

1.9 Chapter 1 Summary

Chapter 1 introduced this study by clearly outlining the background and rational of the study highlighting relevance and importance of the topic in question and by identifying the case to be explored in an in-depth manner. Overviewing the research aim, questions, objectives and the scope of this study, the reader now has the ability to understand the purpose behind and of this report. A chapter outline was also provided to summarize each part of this work for the reader.
CHAPTER 2 LITERATURE REVIEW

2.1 Introduction

This section aims to explore the chosen topic by providing the reader with up-to-date information on service failure, consumer responses and effectiveness of service recovery in response to service failures.

In Chapter 2, the researcher conducts a critical review of the relevant academic literature and presents literature in accordance with the study variables, including service recovery and customer loyalty. In this case, service recovery is the independent variable and customer loyalty is the dependent variable.

While focusing primarily on current literature, older publications will not be ignored – as they are considered as the grounded theory for this topic.

2.2 Service Failure: Triggering Service Recovery Strategies

Many organizations nowadays aim to have a zero-defect service but are often impacted by service failures, which are both unavoidable and unexpected (Chou, 2015). Primarily coined in 1984 by Grönroos, service failure was deemed as a misshapen service divided into two categories: technical (what was delivered) and functional (how it was delivered). In support of these findings, Zeithaml et al., (1993) highlighted how organizational services should be designed to meet consumer expectations. However, as not all products and services meet these needs, it has increasingly led to gaps within the retailing industry (Figure 1) and is now crucially linked to service failure prevention.

![Figure 1. Diagram based on theories outlined by Grönroos (1984) and Zeithaml et al., (1991) (Own constructed).]
(Lewis & McCann, 2004) and (Liang, et al., 2013), however, highlighted how service failure does not result from gaps between perceived and expected services alone. Instead, there are many factors that must be considered by organizations to ensure this situation is avoided.

In their study (Lewis & McCann, 2004), they categorized service failures into different typology, highlighting how service failure can result from employee behavior when responding to consumer requests (e.g. personalized services). As well as this, they found that failure can result from a core service, policy or product failure, due to unreasonable consumer demands that are difficult to satisfy. (Liang, et al., 2013) Similarly argued that there are three main factors affecting service quality, including core service failure, high prices, and ethical problems. It is thus, these factors which impact the overall impression of the customer towards service quality.

In light of the above, it appears that despite the efforts made or to be made, there are and will be many factors that cause service failures, thus, organizations must consider analyzing failures to avoid service failure occurrences and repetition.

2.3 Customer Responses to Service Failure

Psychologists, such as (Tugend, 2012) stated that people often remember negative experiences more than positive ones and are more likely to share this with others. Thus, customers’ responses to service failures have become of high importance to many scholars around the globe such as (Zeithaml, et al., 2006; Augusto de Matos, et al., 2009; Wang, et al., 2011), exploring both emotional and behavioral responses to service failures.

In a study by Wang et al., (2011) it was indicated that consumer responses were primarily based on either emotions or behavior. Emotional responses, for example, are based on disappointment, frustration, regret, betrayal and the feeling of being cheated by an organization. Behavioral responses, on the other hand, focus on complaints and termination of a relationship between the firm and customers (e.g. a consumer switching their service provider). With this in mind, businesses must not only address behavioral responses but must also strive to respond to emotional responses by conducting surveys so that customers are able to voice their opinions. This, in turn, prevents service failure and corrects are misshapen services available. (Wang, et al., 2011)

Furthermore, Zeithaml et al., (2006) presented a map simplifying the types of responses provided by consumers towards service failure (Figure 2).
After being subject to service failure, response maps show how consumers are negatively impacted in regard to emotion and thus, will react accordingly. Similar findings were also found by Memarbashi (2012), who highlighted the magnitude of service failure and how it drives customers to complain or end their relationship with a firm. Parallel to Zeithaml et al., (2006) study, Siddiqu & Tripathi (2010) categorized consumer responses into four different types:

- Complainers: the category of customers who voice their concerns.
- Non-complainers: customers who let it go/ignore the situation.
- Positive thinkers: customers who give the organization another chance.
- Switchers: the customers who terminate their relationship with an organization.

In a book by Cook (2012), she indicated how only a minority of customers (1 out of 25) will complain and raise their voices (Figure 3). Yet. This is not great news as non-complainers are causing more harm to the firm by spreading negative word of mouth and every service failures reach 1200 person.
Cook (2012) added that in addition to the negative impact of customer responses to service failure on firm reputation (e.g. spreading negative word of mouth and continues criticizing of the firm), service failures have a direct impact customers' loyalty, trust, and commitment toward the brand since clients end the relationship with the firm.

Alongside this research, Lala & Priluck (2012) and Shah et al., (2018) argued that service failures can drive customers to terminate their relationships and switch service providers, even if the negative experience had only occurred once. Therefore, customers' responses to service failures have a significant impact on organizational growth and profitability.

The literature discussed above highlights that customer responses to service failures, impact organization whether by losing customers or by having a bad reputation within the market due to negative word of mouth. Thus, firms are left with no option but to strive to rectify any service failure and respond to customers' responses to resolve the situation.
2.4 Service Recovery and Recovery Elements.

Many authors have proposed that service failure can no longer be avoided (Chou, 2015; Cook, 2012, Barlow & Møller, 2008) and that it will occur regardless of how good the service standards are. This means, it will be difficult to eliminate errors and mistakes. Therefore, organizations primarily seek to present tactics and strategies that avoid, resolve complaints and decreases the overall dissatisfaction levels of their consumers (Barlow & Møller, 2008; Cook, 2012; Fu, et al., 2015). These tactics are, therefore, often considered as a service recovery enabling the organization to overcome service failure. In doing so, it provides an organization with the ability to regain consumer trust and increase retention (Michel & Meuter, 2008).

Service recovery has been defined by previous researchers (McCollough & Bharadwaj, 1992; Miller, et al., 2000) as a reaction that can shape the actions and decisions of an organization’s consumers (Grönroos, 2001). Such actions may include: sincere apologies, compensation (Fu, et al., 2015), being helpful and redressing customer concerns (Scanlan & McPhail, 2000). Service recovery is, therefore, the action and solution used for the dissatisfaction that customers are subjected to (Krishna, et al., 2014) and is used to addresses any unsatisfactory experiences that may lead to complaints (Michel, 2001). It is because of this, service recovery strategy is a proactive approach that can help to overcome failure, even when the customer is not aware of the failure or before it reduces satisfaction rates (Roschk & Kaiser, 2013) (Miller, et al., 2000).

Cook (2012) presented in her book a study conducted by The Stairway Consultancy’s that explored customer expectations as service recovery actions presenting the main service recovery actions expected by customers are a speedy resolution, taking their concerns seriously, understanding and empathizing with the situation, apologies and redress which can be financial or non-financial redress.

(Cook, 2012) While service recovery process and elements seem to be not too complex and easy to implement, many organizations across the globe fail in providing the right service recovery which worsens the situation. Figure number 4 shows that difference between expected recovery action and received one based on the study of Stairway Consultancy’s cited in Cook (2012).
In a study by Johnston & Clark (2008), they indicated that service recovery not only involves solving complaints but is a strategy consisting of three separate elements (Figure 5), including:

I. Customer recovery: A strategy that is used to regain the trust of customers by following a set of procedures and activities in line with the customer’s perceived justice. This may involve: explanations, acknowledgments, apologizing, quick actions and compensation.

II. Process recovery: A strategy using the experience of service recovery to overcome challenges and to enhance the service provided.

III. Employee recovery: A crucial strategy for employees who are blamed for service failures. They must be empowered to deal with customer complaints in order to have the confidence for tackling these issues and reducing stress.

Considering the above literature, it appears that service recovery can thus be considered as a set of strategies consisting of actions and elements that overcome service failures and the negative impact and consequences of service, such as anger, disappointment, dissatisfaction, complaints and help to readdress

Figure 4 Difference between expected and received service recovery action cook (2012, page 43)

Figure 5 Diagram of service recovery elements based on the concept from Johnston and Michel (2008) (Own constructed)
the situation and in turn, prevents a firm from losing customers to other market competitors (Miller, et al., 2000) (Ok, et al., 2005).

2.4.1 The Role and benefits of Complaint Management in the Service Recovery Process

In their study (Bendall-Lyon, & Powers, 2001) highlighted that complaints management system is crucial and must be adopted as part of service recovery strategy by the firms. The proposed complaints management consisted of 6 steps as follows: (1) encourage customers to voice their concerns (2) ensure that employees are empowered to deal with complaints (3) ensure system in place that resolves customers' concerns quickly and effectively (4) create database of complaints (5) identify failures in the service provided (6) use information from previous failure to improve service provided. By following this system, the firm can achieve high customer retention ratio and customer loyalty and avoid losing customers' to competitors.

In their book (Barlow & Møller, 2008) supported the theory of (Bendall-Lyon, & Powers, 2001) indicating that failing to assess complaints handling management roles can lead to repeated dissatisfaction and 5-15% loss in revenue. This also impacts the visibility of weakness for certain products and services, as the organization may not be aware of the challenges that its customers face.

On the other hand, (Rothenberger, et al., 2008) highlighted that dealing with complaints is important for both customers and an organization, as it saves time, money and the relationship between both parties. Once customers feel that their concerns are addressed and resolved accordingly, then it will impact on their purchasing decision and retention rate – increasing it by 5%. This will also lead to a positive word-of-mouth and will reduce negative feedback (Cook, 2012). Reducing customer dissatisfaction and service failure by 5% can thus, impact the organization and increase its profit by up to 85% (Rothenberger, et al., 2008).

Interestingly, studies have shown that 54%–70% of the clients, who voice their concerns, receive a resolution and are more likely to do business with the organization again. This number can also increase to 95% when a firm resolves a complaint quickly and fairly. A customer who receives a good service recovery will, therefore, become a promoter and will impact on a large population of potential clients while increasing profitability (Barlow & Møller, 2008).

The above literature reviewed preset arguments highlighting that it is crucial and vital to implement complaints management system to resolve complaints and ensure the success of service recovery strategies to achieve customer loyalty and avoid failing customers' twice.
2.4.2 Justice Theory and Justice Dimensions Role in Service Recovery

One of the most discussed theories in correlation to service recovery is the justice theory, which has been considered substantially throughout previous literature. In fact, numerous scholars (Ok, et al., 2005; McCollough, et al., 2000; Clark, et al., 2009) have linked successful service recovery to fairness – the process by which customer demands are fulfilled by understanding their perceived justice, leading to a positive and satisfactory outcome (McCollough, et al., 2000). It is more tailoring a solution that meets customers’ expectation than trying to fix the problem at hand (Zemke, 2001).

The three-justice dimensions are described below.

I. Interactional Justice: is the way in which an organization reacts and responds to customers after a service failure (Clark, et al., 2009). Behaviors, such as courtesy, empathy, and helpfulness, thus often help to shape the way complaints are handled (McColl-Kennedy & Sparks, 2003). In most cases, apologies are the bare minimum and must be incorporated into all service recovery strategies to demonstrate a feeling of fairness (Ok, et al., 2005).

II. Procedural Justice: refers to the consumers’ perception of the handled problem and it how it can lead to complaints, promptness, and flexibility (McColl-Kennedy & Sparks, 2003). In other words, this term is based on how quick an organization responds to a customer’s claims (McColl-Kennedy & Sparks, 2003). Typically, customers tend to link the effectiveness of procedural justice if their complaints have been resolved promptly (Palmer, et al., 2000). To do so, organizations must ensure that the service recovery process is consistent, unbiased and impartial; thereby meeting all procedural justice needs (Hocutt, et al., 2006).

III. Distributive Justice: are the tangible outcomes or responses to service failure, such as: vouchers, coupons, discounts, unique/exceptional services, and in some cases, free services (Río-Lanza & Vázquez, 2009). Distributive justice is usually the preferred outcome for clients who find it satisfactory and is described as a fair-fix for service failure (Fu, et al., 2015).

Given the above, it appears that justice recovery is crucial factors that play an important role in service recovery process by positively effects clientele satisfaction and present resolutions that meet their perceived fairness toward the faced failures.
2.5 Customer Loyalty

Despite the in-depth knowledge of previous literature, the concept of loyalty has more than 53 definitions that have continued to evolve in recent years. It is for this reason; there is no universally agreed definition (Terblanche, 2017). However, many investigations have confirmed the relationship between customer loyalty and satisfaction; given that satisfied clients often remain with a service they are satisfied with. Providing services and products that meet customer expectations can then lead to customer loyalty (Mohamad, et al., 2017). With this in mind, present-day researchers have now divided loyalty into two separate aspects, including behavior loyalty and emotional loyalty.

- Behavior loyalty refers to customers who act loyally by conducting business with the organization on multiple occasions.
- Emotional loyalty is when a client feels loyal and only does business with the service provider.

Additional theories, however, have also presented true loyalty as neither behavioural nor emotional or a mixture of the two (Figure 6) (Söderlund, et al., 2001).

![Composite loyalty](image)

Hayes (2009) similarly presented a theory based on several companies, highlighting how customer loyalty is divided into three distinct types:

- Advocacy loyalty: referring to what extent a customer will an advocate for an organization, sharing positive information like a promoter.
- Purchasing loyalty: reflecting the consumers repurchase intention (increasing purchases, repurchasing from the organization, and ignoring other competitors).
- Retention Loyalty: reflecting the degree to which a customer will remain doing business with the organization.
With this in mind, researchers (Hayes., 2009) (Söderlund, et al., 2001) (Mohamad, et al., 2017) (Terblanche, 2017) have debated the loyalty concept which presents different theories and typologies. Nonetheless, all scholars have agreed on business-related benefits coming from loyalty, including those outlined below.

2.5.1 The Benefits of Advocacy Loyalty and Word-of-Mouth Publicity

According to Cheung & Lee (2012), word-of-mouth publicity is a type of loyalty that an organization aims to achieve for the purpose of attracting new clients and to strengthen the relationship between the firm and its customer.

Word-of-mouth has thus become the word-of-click in today’s modern society, with consumers impacted by online reviews and feedback shared by previous customers (Cook, 2012). Therefore, word of mouth became very important and played a vital role to decide the position of the firm within the market as the current mindset of many customers, it is often mandatory to check reviews and feedback prior to doing business with any firm (Cheung & Lee, 2012) – a mindset which has the ability to impact negatively or positively on a business.

The above literature highlight that ensuring having a wide base of customers to spread positive word of mouth is crucial and mandatory to ensure having a competitive advantage and of course, word of mouth cannot be purchased rather can be gained by providing services that meet customers’ expectations.
2.5.2 The Benefits of Purchasing and Retention Loyalty

Loyal customers’ means repeated purchases and repeated purchases lead to the increased generation of more revenue. Thus, when loyal customers repurchase goods or services, they also increase their purchasing values (Smits, 2018).

In a study by Shah et al., (2012) it was argued that loyal customers are easy to understand and through repeated purchases, shows which products/services are preferred amongst those on offer. This, in turn, reduces the cost spent by the organization and allows them to understand consumer preferences.

2.5.3 Service Recovery Paradox (SRP): Impact of Service Recovery on Customer Loyalty

The service recovery paradox was coined in 1992 by McCullough & Bharadwaj (1992) and led to numerous scholars investigating the existence of SRP (Figure 8) to confirm its relevance to the case in question. McCollough et al., (2000), for example, concluded that an effective and efficient service recovery would, in turn, lead to a higher customer satisfaction than a service experience without a failure.

![Figure 8](Own constructed) the service recovery paradox (Adapted from Schindlholzer, 2008).

(McCollough & Bharadwaj, 1992) In the past, service recovery has helped organizations to regain trust and satisfaction and has improved the word-of-mouth provided by consumers. In line with this, it is also thought that loyalty and satisfaction are significantly higher than for customers who did not face service failure (Garg, 2013).


The second theory represent scholars such as (Nikbin, et al., 2013) (Magnini, et al., 2007) complaints (Claesson & Dijnér, 2017) who have indicated that service recovery paradox relays on numerous
factors (Nikbin, et al., 2013). This includes the severity of service and control, and stability attributions (Magnini, et al., 2007). As well as this, (Claesson & Dijnér, 2017) argued that for the service recovery paradox to happen, service recovery must first match with the expectation of clients and their complaints. The organization must, therefore, consider the situation correctly and must propose a resolution that matches the severity of the complaint. Only when the organization can achieve these high expectations, a service paradox can happen (Claesson & Dijnér, 2017).

The third and final theory represents the authors who did not conclude the existence of the service recovery paradox. This includes Priluck & Lala (2009) (Fayos-Gardó, 2017) who highlighted that service recovery does not lead a service recovery paradox or a higher satisfaction, but instead, only regains the satisfaction of customers. Like the initial service, customers have a set of expectations, such as understanding the situation, resolving the issue, quick responses, and failing to meet their expectations, which can lead to a bigger disappointment for an organization’s clientele (Teresa , et al., 2017).

In light of the above, Service recovery paradox is considered the aim and the goal of service recovery strategies and action that every firm strive to achieve which help the organization retain its customers and strengthen the relationship between the firms and clients.

2.6 Repeated Service failure and Service Recovery Effectiveness

In a recent study, it was identified that despite repeated service failure, service recovery has impacted on customer satisfaction and has led to more customers continuing business-related relationships; proposing that service recovery effectiveness is not impacted by repeated service failure (Radzi, et al., 2014).

From a different perspective, even with a high service recovery effort in response to repeated service failure, it will not lead to similar satisfaction results as shown beforehand (Maxham, & Netemeyer, 2002). This was also shown by Hui (2007), who stated that repeated service failure only mitigates the positive effects of service recovery but does not actually impact on SRP or perceived justice.

The repeated service failure literature has shown remarkable limitation due to lack/few studies that considered repeated service failure impact on service recovery effectiveness.
2.7 Summary and Literature Gap

In conclusion, the researcher in Chapter 02 aimed to present relevant theoretical ideas, concepts, debates and issues in relation to service recovery topic by including peer-reviewed studies to establish a ground for this research. Thus, in light of the presented theories and literature reviewed, the general consensus seems to be that service failure cannot be avoided which negatively impact on the relationship between customers and organizations. Therefore, service recovery is a must to restore customer satisfaction.

The main debate in the literature reviewed was about the effectiveness of service recovery in achieving customer loyalty. Furthermore, although there is an abundance of literature, scholars have been unable to identify the impact of service recovery on an organizations response to multiple service failures, and whether it has the same impact as the first service failure or not. Therefore, the areas that need to be explored more would be the impact of service recovery in response to both first and repeated service failures and whether service recovery impact customers’ loyalty.

2.8 Research Model and Proposed Theoretical Model

The above model summarizes the literature reviewed and reflects the central assumptions of this research. In the event of service failure, effective service recovery can, therefore, impact on customer advocacy, retention, and purchasing loyalty. Therefore, the research will be selecting the appropriate research methodology in the next chapter to investigate this theory in line with objectives of the study addressed in chapter 01.
CHAPTER 03: METHODOLOGY

3.1 Introduction

This chapter outlines the methodology chosen to achieve the objectives of this research to translate theory into practice, explaining how, when, who and why each is necessary.

All methodologies used were based on the natural progression from the previous chapters and a result of adopting several techniques and approaches adopted by previous scholars that proven useful such as in studies of (Cecilia & Emma, 2010) (Makau, 2013) (Shah, et al., 2018). Additionally, the researcher has taken the book of Research Methods of Business Students by Mark et al., (2016) as a reference by adopting methodologies in line with research onion theory.

Below diagram (Figure 10), summarizes what procedures have been carried out to complete this work.

![Figure 10](image)

**Figure 10** diagram explains the research onion of this study based on research onion concept of Saunders et al. (2016) (Own construction).

3.2 Research Philosophy

The research philosophy enables the researcher to adopt tools of data collection, and interpreting the information via executing the appropriate research process (Mark, et al., 2016). The research philosophy of this paper is based on the pragmatist philosophy, which is flexible and focuses on relevant approaches and whether the approaches will support or not support the researcher in achieving the purpose of the study. Therefore, the pragmatist philosophy thus enables the researcher to work with different approaches and methods to reach the proposed outcome, unlike other philosophies that their ontological, epistemological and axiological do not suit the purpose of this study (Mark, et al., 2016).
3.3 Research Approach

There are two main approaches for completing business-related research, including the inductive and deductive approaches. As this study aims to determine the relationship between two study variables (service recovery and customer loyalty), the deductive approach will be followed. This helps to explain the causal relationship between concepts and variables by generalizing the data collected in a deductive manner and is primarily aimed at evaluating the findings of current theories and literature (Mark, et al., 2016).

3.4 Research Design

This research implements an exploratory research design, which is considered as the most chosen used method in business management; given its flexibility to change. It is also regarded as the most useful research design for understanding issues, problems and phenomenon’s (Mark, et al., 2016).

3.5 Research Strategy

In regard to the research strategy, a case study has been used to analyze one specific organization (Seddiqi Holding) and explore the topic in an in-depth manner. As one of the most used methods in business, a case study can either be focused on one case or on a mixture of organizations (Bryman & Bell, 2011). In this case, however, one organization is sufficient. Both primary and secondary data will also be used to ensure results provided are up-to-date, and mixed methodology will be implemented through a survey quantitative questionnaire and a qualitative interview.

i. Survey Quantitative Questionnaire

Survey questionnaire used to quantify the effect of service recovery on customer loyalty through the perception of management, employees, and customers. This is a creative approach using scenarios with multiple selections. The themes of the questionnaires were influenced by previous literature and were designed so that the results could be compared accordingly. Using multiple questions, each was based on three distinct elements: (1) ensuring the questions were clear, (2) understandable, and (3) encouraging. In total, 10 questions were created, and the average time spent on the survey was 3 minutes per participant.
ii. Qualitative Interview

After analyzing questionnaires and secondary data, in-depth information in relation to previous literature was also required to support the findings. Thus, an interview with an expert was conducted to generate data in support of the prior results.

3.6 Sample Selection

Used as a way of selecting feasible participants, several different sampling methods can be implemented throughout such research; including, probability sampling and non-probability sampling. Due to time and money constraints, it was not possible to research the entire UAE luxury market and thus, non-probability sampling was chosen.

The researcher narrowed the sample selection by taking SEDDIQI Holding as its case organization and due to being an employee within this organization, was able to get the consent from both management and employees. Sample selection was, therefore, based on convenience sampling due to accessibility.

For the survey questionnaire, however, Survey Monkey was used [the best online survey site (Malhotra & Birks, 2007)] to design two separate surveys, one for customers and one for employees. Each survey was based on themes taken from previous literature and was altered to ensure the aims of the study were met. In total, 1024 customers who had lodged complaints (secondary data) were sent the questionnaire and, in turn, provided 96 responses. The employee questionnaire was sent to all 26 employees working as part of the contact center team, the sales team, and the CRM team. All 26 provided a response, based on their own daily previous experience.

In regard to the qualitative interview, the after sales manager was chosen, following judgment sampling out of 6 managers. This was due to his role and his years of experience as the head of after-sales and customer relations and support in luxury retail. The interview was conducted in-person and was used to elaborate on the findings from secondary data.

In brief, the researcher has chosen from Sampling techniques, the non-probability sampling by adopting both judgmental and convenience sampling. The sampling framework for this study was the luxury retail and sampling the size are customer and employees/organization of luxury retail within the UAE.
3.7 Data collection

3.7.1 Primary data collection

(Malhotra & Birks, 2007) Described primary data as the data collected by the researcher while investigating the topic.

The primary data in this research was based on two online Survey questionnaires and one interview.

I. The survey questionnaire was collected from participants by using SurveyMonkey which is considered one of the best online questionnaire to design survey and to collect data since it is trusted by people around the globe.

II. The qualitative interview was conducted in person with Manager of aftersales which helped to generate in-depth information from an expert person to elaborate more and ensure that findings of the secondary data study and Survey are properly interpreted.

3.7.2 Secondary data

The secondary data in this study is more important and crucial as was collected from CRM reports after getting the access approval from CRM director. The shared report from CRM department consisted of all data for the year of 2017/2018 and reflects around 1024 cases/complaints which was analyzed and provided both width and in-depth findings of this topic.

3.8 Data Analysis

Data analysis is crucial to answering the previously established research questions and since a mixed methods approach is used, both quantitative and qualitative research has been carried out.

To present the quantitative data, descriptive techniques (e.g. tables, graphs, and statistics) are used to explore, illustrate, present, describe and demonstrate the findings/arguments from the data collection. Qualitative data (Qualitative interview) was transcribed into a Word document and then segregated into themes according to in line with literature reviewed and findings of both questionnaire and secondary data to ensure that all findings are harmonized.

Following this, data is then thematically analyzed to compare findings from both this study and from literature identified in Chapter 2. This looks at common themes in regard to service failure, customer responses, service recovery process, service recovery paradox, and customer loyalty.
As the secondary data (tables and statistics) was obtained from the CRM team at Seddiqi Holdings, this helped to ease the overall analysis process and included approximately 1024 data points.

3.9 Reliability and Validity

(Mark, et al., 2016) Reliability and validity are used to measure the quality of research wherein the researchers must address both internal and external concerns.

To ensure validity and reliability, the researcher has designed the research to avoid errors or bias by adopting methods and technique to ensure addressing all concerns related to reliability and validity of this study.

Firstly, the researcher has selected several methods of data collection using a mixed method which was supported by large secondary data to ensure consistency of results if repeated. Therefore, address the reliability concerns. Moreover, the design of both questionnaire and interview questions was vital to increase reliability by presenting clear questionnaires and interview questions providing as well definition to ensure eliminating errors.

The validity of this research was also taken into consideration by demonstrating the accuracy in achieving a favorable outcome in line with study objective and aim. The external Validity: is usually related to whether the results can be generalized. External validity is, therefore, met by ensuring that the selected sample represents a population that can achieve generalizability.

3.9.1 Pilot

As mentioned previously, questionnaires have the ability to produce accurate and reliable data, which is crucial to reaching a favorable finding and achieving the aims of the study. It is for this reason; the researcher has followed the following three techniques for all questionnaires.

I. **Pilot Testing:** Pilot tests were used to assess the questions and responses which helped in highlighting areas that required changes or fine-tuning.

II. **Debrief and Revise:** after conducting the test-retest and pilot stages with participants, feedback was used to finalize the questionnaire in accordance with language use. This version of the questionnaire is then distributed for data collection.
4.0 Ethical Considerations

Ethics in this research were considered during the early stages of a study (aims and methodology) to prevent any adverse consequences. Moreover, in line with university requirement and as indicated in ethic form (appendix 1) all foreseen risks were addressed while designing questionnaires, collecting and analyzing data.

Data in this paper were collected voluntary and with the consent and refrained from using pressure to acquire results. The researcher also used secure storage to maintain the confidentiality of both the participants and the organization. Questionnaires and interview responses were coded, and participants were made anonymous for privacy purposes. Secondary data was also acquired following consent from the organization to do so. This confirmed that in no way, confidentiality would be affected or would risk the organization’s reputation.

Also, customers’ details were deleted from complaints report by keeping relevant data that serve purposes of the study.

Ethics was also considered during data analysis. Here, the researcher ensured to not misrepresent the data by guaranteeing statistical accuracy. This was done by conducting the statistical analysis twice, ensuring the integrity of the research findings were high.

4.1 Summary

Chapter 03 has presented the considered methodologies that the researcher have found will prove useful to achieve the aim and objectives of the study with justification for the final methods selected such as the research philosophy, research approach, research strategy, sampling techniques, sampling framework, data collection and data analysis. Chapter 03 also addressed Reliability and Validity and the Ethical Considerations.
CHAPTER 04: RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

Chapter 04 involves presenting and critically discussing the primary and secondary data in accordance with the objectives of this study.

The data findings in this chapter are analyzed, presented and discussed through cross triangulation, using the literature reviewed in Chapter 02, to identify whether there are any new prominent findings. With this in mind, the following chapter will be structured as follows:

- Secondary Data Findings
- Survey Questionnaire Findings
- Qualitative Interview Findings

4.2 Secondary Data Findings

The voice of customers (VOC) report for the year 2017/2018 was generated from Seddiqi database following access approval from the organization's management. A total of 1024 complaints and service recovery cases were analyzed to improve the researcher's understanding of the topic prior to the conduction of questionnaires.

Secondary data was analyzed using descriptive analyses to ensure all of the results obtained could be compared to literature through the establishment of common themes; such as service failure, customer responses, service recovery, and its effects on customer loyalty.

4.2.1 Section A - Typology of Complainers: 1024 Complaints

All secondary data was based on three demographic variables, including residency, gender, and age, and provided a greater understanding of complainers’ typology within luxury retail. Figure 1 highlights that the majority of the complainers analyzed were between the ages of 41 and 60-years-old (70%), whereas the smallest group were 61 and over (1%). Figure 2, on the other hand, shows that most complainers are...
residents/Expats (68%), local/Emirati citizens (26%) or tourists (5%). Lastly, Figure 3 highlights that male customers complained more than females, with 578 lodged by males (69%) and 265 lodged by females (31%).

4.2.1 Factors Affecting Consumer Intentions to Complain

Although luxury retail invests in meeting the consumers’ expectations, Chou (2015) indicated that service failures are inevitable; regardless of whether luxurious services are offered. Linking this to the given case, Seddiqi Holding received approximately 1024 complaints in the 2017/2018 period.

The analyzed complaints were categorized into two categories: service failure from the customer’s perspective (Figure 4) and service failure from the organization’s perspective (Figure 5).

These findings showed that customers and organizations do not view service failure from the same viewpoint. In fact, 40% of the complaints were quality-related, followed by customer service-related issues and delay/processing issues. The organization, however, considered service failure as a lack of customer awareness and education in regard to the products/services creating a gap between their expectation and reality.

These findings are also in line with results from previous literature (Grönroos, 1984) (Zeithaml, et al., 1993) (Maxham, 2001) (Chou, 2015); all of which who found that service failure results from issues in relation to technical or functional quality, or due to differences between expectation and reality. The above data similarly concurred with findings from Liang et al. (2013), who suggested that service failure should be regarded as a core service, policy or product failure.
4.2.3 Consumer Complaining Process

Figure 6 illustrates that customers within luxury retail are not reluctant to complain. In fact, 30% of complaints received were from walk-in customers at the time of the failure. This was followed by 23% coming from email and 13% coming from surveys sent out by the organization to identify their own service experience (or dissatisfaction).

These findings confirm that unsatisfied customers within luxury retail often voice their concerns through different methods, which contradicts with theories outlined by Cook (2012) and Michel (2001). These theories both indicated that customers are always reluctant to complain, as they tend to ignore service failure when it occurs. However, this contradiction can also be due to the organization’s strategies, which encourage the customer to complain via a website, email, SMS or web page on social media.
4.2.4 Service Recovery Actions

As noted previously, this study sought to identify service recovery elements and approaches adopted by Seddiqi, as a method for rectifying service failures.

Figure 7 reveals that Seddiqi Holding adopted three service recovery strategies to resolve service failure and regain consumer trust. These included: apologies, explanations, and compensation, which is in line with literature suggesting service recovery shapes the decisions made (Cook, 2012) (Grönroos, 2001) (Scanlan & McPhail, 2000).

Procedural justice was found to solve 49% of service failure through the use of explanations, which appeared to be the best course of action for when the consumer lacked awareness (Figure 5). This, in turn, helped to create awareness for the customer and resolve any complaint they may have had. Compensation (26%), on the other hand, reflects distributive justice and is commonly in the form of vouchers or gifts. Last but not least, interactional justice involves written or verbal apologies (25%) as a key method for overcoming service failure.

4.2.5 Impact of Service Recovery

Analysis of customers purchase/service after service recovery action
4.2.6 Frequency of service failures within the luxury retail.

Figure 8 indicates that 25% of the customers who logged complaints, continued to purchase from the organization again once their complaint had been resolved. This was opposing to the 15% who switched providers or to the 60% who made no transactions. Since there is no fixed interval between purchases within the luxury market, it is impossible to confirm whether these results are positive or negative; thus, showing a need for primary data focused on the service recovery paradox, customer advocacy, customer retention, and their repurchasing loyalty.

Furthermore, figure 9 reveals the frequency of service failure within a year and shows that 88% percent of complaints were raised in response to first service failure wherein no previous complaints were registered for clients. The remaining 12% percent reflects complaints from clients who faced repeated service failure whether for the second time (9%) or for the third time (3%).

The above numbers highlight that similar to service failures, repeated service failures occur and almost 100 cases were registered within a year.

Furthermore, the figure reveals that 3rd service failure is the limit of failures which leads to the assumption that customers end their relationship in 3rd service failure wherein they stop giving any more chances to the organization.
4.3 Survey Questionnaire Findings

4.3.1 Introduction

The secondary data findings provided an understanding of service failure, customer responses, service recovery, and its effect on customer loyalty. To enforce this knowledge, primary data was collected using different questionnaires for both customers and employees; thus, generating both in-depth and width information in support of the research objectives/questions.

All findings have been presented coherently, using tables and graphs to aid one’s understanding, and looks at the effectiveness of service recovery on customer loyalty from both perspectives. A cross triangulation has also been established in accordance with findings from the literature presented in Chapter 02.

4.3.2 Service Failure Severity: Understanding what Drives Customers to Complain within the Luxury Retail Market

**Question**: As a customer of luxury retail, what service failure you consider as a severe/critical?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
<th>Frequency</th>
<th>Relative Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor Quality of Product</td>
<td>17.9%</td>
<td>18.3%</td>
<td></td>
</tr>
<tr>
<td>Poor Customer Service</td>
<td>55.8%</td>
<td>75.6%</td>
<td></td>
</tr>
<tr>
<td>Expensive Rate</td>
<td>14.7%</td>
<td>86.6%</td>
<td></td>
</tr>
<tr>
<td>Failing to meet customers' demands</td>
<td>10.5%</td>
<td>98.8%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>1.1%</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

**Table 1 Service failures based on severity - Customers’ Perspective.**

**Question**: Form your experience what is the most severe/critical service failure within luxury retail?

<table>
<thead>
<tr>
<th>Response</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Service related</td>
<td>46.20%</td>
</tr>
<tr>
<td>Product Quality</td>
<td>19.20%</td>
</tr>
<tr>
<td>Differences between customers’ expectations and service/quality</td>
<td>34.60%</td>
</tr>
<tr>
<td>Guidelines and Process related</td>
<td>0%</td>
</tr>
<tr>
<td>Others</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Table 2 Service failures based on severity - Management And Employees’ Perspective.**
Table 1 reflects the findings that aimed to categorize the factors contributing to service failure from the customer's point-of-view. Overall, it was found that 56% of the respondents related to service failure to poor customer service, 18% to poor product quality, 15% to high rates, and 10% to not fulfilling demands.

Table 2, on the other hand, focused on an employee and management-based perspective, with their responses being in line with those provided by the customers. In terms of service failure, customer service-related issues were regarded as the main factor behind customer complaints (46%); followed by the gap between expectation and quality (34.6%), and the service/product quality provided (19.20%).

These findings are in line with literature indicating that service failure is due to gaps between the expected and delivered service (Maxham, 2001; Zeithaml, et al., 1993; Chou, 2015), or because of the employee’s behavior when responding to unreasonable demands. Other issues include high prices and ethical problems, both of which have the ability to impact on the customer’s impression of service quality (Lewis & McCann, 2004; Liang, et al., 2013).

Despite these results, this study has revealed that within luxury retail, customer service-related issues are considered as more severe than core service failures, such as high price or poor quality.

4.3.3 Customer Responses to First and Repeated Service Failures Within The Luxury Retail Industry

<table>
<thead>
<tr>
<th>Variable</th>
<th>First Service failure</th>
<th>Repeated Service failure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Question</strong>: What action will you take in response to service failure?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complain</td>
<td>71.59%</td>
<td>49.44%</td>
</tr>
<tr>
<td>Share my experience with other</td>
<td>1.36%</td>
<td>46.07%</td>
</tr>
<tr>
<td>Let it go</td>
<td>17.05%</td>
<td>2.25%</td>
</tr>
<tr>
<td>Other</td>
<td>10%</td>
<td>2.25%</td>
</tr>
</tbody>
</table>

Table 3 Customer responses to first and repeated service failure – Customers’ Perspective.
**Question:** what is the main customers' reaction/response to service failure within the luxury retail industry?

<table>
<thead>
<tr>
<th>Responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complain to the organization</td>
<td>92.3</td>
</tr>
<tr>
<td>Ignore</td>
<td>4%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
</tr>
</tbody>
</table>

Table 3 and Table 4 confirm the findings of secondary data that customers within luxury retail are not reluctant to complain.

In the event of failure, 72% of customers and 92.3% of employees & Management highlighted that customers in luxury retail would reach out to the organization and complain about the organization.

Also, employees and management highlighted that only 4% of customers would ignore service failure and while 17% of customers indicated that they would not complain.

The same question was asked again to customers but in a scenario of repeated service failure as outlined in table 3, the findings revealed that 46% of customers’ changed their reaction toward failure as they have highlighted that they would not complain to the organization instead they would share their experience with others such as; colleagues, friends, and on social media to share a negative word of mouth and impact the organization and ensure that this time their voice is heard.

Also, the results have shown that 50% would continue complaining to the organization. However, ignoring the failure is no longer a preferred option as the number of customers who chosen to ignore the service failure has decreased from 17% to 2 %.

The above findings are in line with the theory of (Zeithaml, et al., 2006) (Siddiqui & Tripathi, 2010) (Kim, et al., 2010) that highlighted those customers’ responses to service failures are mainly: Complaint to the organization, ignoring the failure, and complaint to the third part or spreading negative word of mouth.

In literature reviewed indicated that service failure is the main drive to customers to end their relationship with the organization. However, this study presented more specific findings concluding that repeated service failures impact customer responses driving them to change their behaviors toward service failure. Also, the findings reveal that a large number of customers will not give more than one chance to the organization.
4.3.4 Service Recovery and Role of Perceived Justice in Response to First and Repeated Service Failures.

**Question:** What is the most effective service recovery that will resolve (First) (Repeated) Service failure?

<table>
<thead>
<tr>
<th>Service Recovery</th>
<th>First Service failure Percentage</th>
<th>Repeated Service failure Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>34.83%</td>
<td>38.20%</td>
</tr>
<tr>
<td>Apology</td>
<td>20.22%</td>
<td>25.84%</td>
</tr>
<tr>
<td>Quick action &amp; Explanation</td>
<td>43.82%</td>
<td>31.46%</td>
</tr>
<tr>
<td>Other</td>
<td>1.12%</td>
<td>4.49%</td>
</tr>
</tbody>
</table>

Table 5 Effective service recovery in response to first service failure - Customers’ Perspective

**Question:** What is the most efficient Service recovery action in response to First/Repeated service failure?

<table>
<thead>
<tr>
<th>Service Recovery</th>
<th>First Service failure Percentage</th>
<th>Repeated Service failure Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>23%</td>
<td>38%</td>
</tr>
<tr>
<td>Apology</td>
<td>11%</td>
<td>26%</td>
</tr>
<tr>
<td>Quick response/actions</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Other</td>
<td>4%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Table 6 Effective service recovery in response to first service failure - Management And Employees’ Perspective

Tables 5 & 6 consist of questions asked in correlation to justice dimensions, perceived fairness and service recovery response. Customers, employees, and management respondents agreed that customers prefer psychological recovery in the form of quick actions, explanations, and apologies (first service failure). Tangible recovery, however, is preferred in the form of compensation; particularly when referring to repeated service failures.

As shown in Table 5, following first service failures, 44% of customer respondents chose quick actions and explanations as for the expected service recovery action in response to service failure. This was followed by compensation (35%) and an apology (20%). Employees and management (Table 6) also agreed on this, with quick actions being equal to 50%, followed by compensation, explanations, and apologies.
For repeated service failure (Tables 5 and 6), on the other hand, the order of efficient service recovery from the customer’s perspective changed slightly. In this case, 38% selected compensation as the main service recovery expectation, followed by quick actions and explanations (31%), employee/management apologies (26%), and other actions (4.5%). Conversely, both employees and management highlighted that in the event of repeated service failure, compensation must be offered to the organization’s customers.

The above findings were supported by a question asked to employees and management (table 7- below) asking whether the perceived justice play any role in service recovery process or not.

| Question: Do you think that perceived justice is important. If yes, please chose what is the main perceived justice in response to Service failure? |
|---|---|---|
| Distributive Justice: Compensation, tangible outcome such as gifts discounts...etc. | Procedural Justice: quick action & explanations and minimal escalations...etc. | Interactional Justice: Apology, empathy, support, helpfulness…etc |
| 23.10% | 57.70% | 19.20% |

Interestingly, the results of table 7 identified that perceived justice is a pillar of effective service recovery that must be considered in all response actions which is in line with the theory of (Maxham, 1998).

Thus, taking the findings of table 5, 6 and 7, the study reveals that the perceived justice play a crucial role in service recovery. Also, the findings reveal that even if the same failure occurs, the perceived justice differs from one client to another. The findings support conclusions outlined in Río-Lanza & Vázquez (2009), indicating that perceived justice and fairness differ from one customer to the next. It is for this reason; there is a crucial need to analyze perceived justice prior to service response.

Overall, the study support the study of Stairway Consultancy’s cited in (Cook, 2012) that explored customer expectations as service recovery actions presenting the main service recovery actions expected by customers are a speedy resolution, taking their concerns seriously, understanding and empathizing with the situation, apologies and redress which can be financial or non-financial redress.

However, this study reveals new findings highlighting that in event of repeated service failure, the perceived justice changes wherein client demand more tangible recovery which contradicts with the study of Hui (2007) – which indicated that service recovery and perceived justice do not change in the event of repeated service failure.
4.3.5 The Impact of Service Recovery on Advocacy, Retention, and Purchasing Loyalty in response to both first and repeated service failures.

I. Service Recovery Paradox Existence Within Luxury Retail

<table>
<thead>
<tr>
<th>Question</th>
<th>Customers’ responses</th>
<th>Employee and Managements’ responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is satisfaction level after recovery higher than in service experience without service failure?</td>
<td>NO 1.12%</td>
<td>NO 0%</td>
</tr>
<tr>
<td></td>
<td>YES 98.88%</td>
<td>YES 100%</td>
</tr>
</tbody>
</table>

Table 8: the existence of Service recovery paradox within the luxury retail industry – Customers, and Management & Employees’ Perspective

As shown in Tables 8, 98.90% of customers and 100% of employees and management denote how efficient service recovery increases the consumer’s satisfaction level. These findings are in line with McCollough & Bharadwaj (1992) who coined the service recovery paradox theory supported by numerous scholars (McCollough, et al., 2000; Claesson & Dijnér, 2017). Overall, this highlights that service recovery provides a platform to achieve a higher satisfaction and loyalty than when compared to a service without failure.
II. The effectiveness of service recovery in addressing First and Repeated Service Failures and role of service recovery in achieving Customers’ Advocacy, Purchasing, and Retention Loyalty

<table>
<thead>
<tr>
<th>Question: Will service recovery impact a positive word-of-mouth</th>
<th>First Service failure</th>
<th>Percentage</th>
<th>Repeated Service failure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td>92.05%</td>
<td>53.49%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NO</td>
<td>7.95%</td>
<td>46.51%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 9 Impact of service recovery on advocacy and loyalty in response to service failures – customers’ perspective.

<table>
<thead>
<tr>
<th>Question: Will service recovery impact your repurchasing intentions?</th>
<th>First Service failure</th>
<th>Percentage</th>
<th>Repeated Service failure</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>YES</td>
<td>87.50%</td>
<td>54.55%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NO</td>
<td>12.50%</td>
<td>45.45%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 10 Impact of service recovery on repurchasing loyalty in response service failures – customers’ perspective.

As shown in Tables 09 and 10, 91.6% of customers highlighted that effective service recovery in response to first service failure (highlighted in green) impacts on the advocacy, retention and purchasing loyalty. It is clear from these findings that service recovery in response to first service failure goes beyond being a remedy option or action to resolve service failures or customers’ complaints but it is a way and chance to achieve and gain customer loyalty and commitment toward the firm.

These findings also confirm results from scholars (Michel & Meuter, 2008) (Krishna, et al., 2014)(Cook, 2012)(Rothenberger, et al., 2008) (Grönroos, 2001) who stated that effective service recovery
and complaint handling effects customer loyalty in the form of positive word-of-mouth and repurchasing intentions.

On the other hand, in the event of the repeated service failure (highlighted in red), regardless of efforts made from the firm, almost 45% and 50% of customers will end their relationship with the firm. The findings partially agree with (Maxham, & Netemeyer, 2002) who stated that even in the event of implementing effective service recovery in response to repeated service failure, the outcome will not be the same as in event of implementing service recovery in response to first service failure. However, the study of (Maxham, & Netemeyer, 2002) did not indicate that client will end their relationship in event of repeated service failure. Thus, the study reveals new findings that repeated service failures can have a negative impact on firms’ profitability by terminating the relationship between the organization and its customers.

<table>
<thead>
<tr>
<th>Question: Does service recovery impact customer advocacy, retention and purchasing loyalty?</th>
<th>Question: Does Service recovery in response to repeated failure impact customer loyalty?</th>
<th>Question: When does Service recovery stop impacting customer satisfaction and loyalty?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>100%</td>
<td>Agree</td>
</tr>
<tr>
<td>Disagree</td>
<td>0</td>
<td>Disagree</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>100.0%</th>
<th>0.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>Disagree</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>42.3%</th>
<th>57.7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agree</td>
<td>Disagree</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>42.3%</th>
<th>7.7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>19.2%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Starting from 3rd Service failure</td>
<td>Starting from 2nd service failure</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Recovery will always impact loyalty regardless of number of...</th>
</tr>
</thead>
<tbody>
<tr>
<td>on 4th Service failure and more</td>
</tr>
<tr>
<td>7.7%</td>
</tr>
<tr>
<td>0 5 10 15 20</td>
</tr>
</tbody>
</table>

Table 11 Employees and management perspective on the effectiveness of service recovery in response to both first and repeated service failures.

As shown in Tables 09, 10 results, similar questions (table 11) were asked to employees and management about the impact of effective service recovery in response to first service failure, 100% of respondents agreed that service recovery is the ultimate solution to regain customer satisfaction and achieve loyalty in the form of repeated purchases an positive word of mouth which is in line with customers point of view as well as with the literature reviewed.

Interestingly, as indicated in table 11, employees and managers mentioned that service recovery does not have the same impact when compared to the first failure and in some cases. Thus, the more the
failure is repeated, the more customers that are lost. These findings were supported by question when service recovery stop impacting customer satisfaction and loyalty and the findings highlighted that majority think that 3rd service failure is the end of effectiveness of service recovery which is in line with figure9 in secondary data findings which shown that 3rd failure is the limit of complaints as no client submitted or registered any complaint after the 3rd failure.

While important to this research, these findings do contradict the conclusions made by Radzi et al., (2014), who highlighted that service recovery continues to impact customer satisfaction and even after the service failure, most customers continue doing business with the organization. Maxham & Netemeyer (2002) also partially agreed with this research, suggesting service recovery efforts in response to repeated service failure does not result in the same satisfaction levels when compared to the first service failure.

Given the above, we understand that this study agrees partially with previous literature, highlighting that service recovery is effective for restoring customer trust and loyalty; particularly in response to the first service failure. However, the more this is repeated, the lower the effect of service recovery and the more customers lost.

4.6 The Qualitative Interview Findings

4.6.1 Introduction

A qualitative interview based on four central themes forming ten open-ended questions was conducted with one of Seddiqi management. Generating in-depth information based on wide experience extensive expertise within the service industry, the interview was transcribed, summarized, and analyzed to identify what luxury customers consider as a service failure, their responses to service failures, and the expected resolutions for maintaining customer loyalty.

4.6.2 Service Failures within Luxury Retail

The interview revealed that customers in luxury retail often assess service failure prior to responding. In other words, service failure from an organizational or customer-based perspective can be classified into either critical or minor categories.

- Critical or Severe Service Failure: refers to failure that impacts the customer satisfaction level and in turn, causes disappointment. These types of failures affect the trust and loyalty that a customer has for the given organization, and can result from: product or service delays, inferior
quality/manufacturing defects, poor service, rude employees, unhelpful staff, product unavailability, lack of commitment, and not fulfilling promises.

- Minor Service Failures: occur when the service is deemed as "okay." This type of failures may include: short delays, not offering discounts, system glitches, and uncontrollable circumstances; which have the ability to create small gaps between expectation and the actual service provided.

These findings adhere to literature published by Valenzuela et al., (2013), Memarbashi (2012) and Lala & Priluck (2012), who identified that service failure can be categorized as either severe or normal which customer categorize based on the magnitude of the failure and how the organization responded.

4.6.3 Response to Service Failure

From the interview conducted, it was revealed that critical service failure in luxury retail is typically linked to complaints made directly to the organization, through social media, or even through legal authorities. As well as this, responses also appear to be primarily affected by the repetition of failure and can be linked to a number of other factors impacting on both trust and loyalty. Minor service failures, however, appear to be ignored by clientele and organizations and are treated as feedback for future improvements.

Overall, from the questionnaire, both customers and employees (Tables 3 and 4) stated that complaints are the most common response provided following a service failure. This is because customers within the luxury retail industry are not reluctant to complain and voice their concerns.

4.6.4 Customer-Based Perceived Justice

In line with the questionnaire findings (Tables 5, 6 & 7) and theory of (Cook, 2012) presented in the literature reviewed, the interview revealed that customers within the luxury retail industry prefer psychological recovery more than tangibility; due to them being "rich" and not requiring a discount or gift. Thus, the majority of customers in this industry prefer apologies and quick actions.

When looking at repeated service failures, however, all justice dimensions must include an apology, a quick action, and compensation, regardless of whether the customer demanded it or not. If repeated failure continues, then the organization risks losing consumer trust and faces the impact of this on its reputation.
4.6.5 The Effectiveness of Service Recovery in responding to first and repeated Service failures

Additionally, to the results provided above, the interview showed that when customers receive an expected service, they are more likely to be satisfied and loyal to an organization. This, in turn, strengthens the consumer-business relationship and confirms that the service recovery is the best corrective measure for service failures.

However, Also, the interview revealed that repeated service failure impact the effectiveness of service recovery and the smaller the time gap between first and second failure, the more it is considered severe and unlikely the service recovery will be successful to restore the satisfaction or achieve the loyalty which is in line with the findings of surveys questionnaires of both management, employees, and customers highlighted on (Tables 10, 11, 12, 13 & 14). This confirms customers are pickier within the luxury industry and may not provide the organization with more than one chance.

4.7 Chapter 04 Summary

In Chapter 04, the researcher presented findings by ensuring that all claims are substantiated and that there are no weak assumptions by including both primary (quantitative and qualitative) and secondary data (1024 complaints, 124 participants).

The secondary data analysis provided a wide overview about complains and service failures and service recovery action adopted by the case organization which enriched the findings and discussion. The secondary data analysis was followed by primary data which consisted of both quantitative questionnaire and qualitative interview.

Questionnaires included both perspectives of customers and organization to have different slants and perspective which were statistically analyzed and validated using the cross-triangulation method, in line with literature from Chapter 2. All findings were supplemented by interviewing a SEDDIQI Holding management employee, who shared in-depth information based on his own experiences.
CHAPTER 05: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Chapter 05 provides final concluding remarks and recommendations in relation to this research and readdresses the objectives outlined in Chapter 01 to achieve the aim of the study which is the assess the role of effective service recovery in rectifying service failures and in achieving customers loyalty.

The conclusion and recommendation are presented in line with each objective of the study to ensure that each objective of the study is addressed.

Also, this chapter will include the managerial implications of the study and the implications for managerial decision-making.

5.2 Conclusions and Recommendations

Objective 1: The first objective of the study was designed to determine and explore whether service failure, customer responses and perceived justice impact on service recovery and its overall effectiveness.

- Customer responses impact on the service recovery process and its effectiveness.

Despite luxury retail being a niche market whereby every firm strives to deliver a zero-defect service, service failure has continued to occur due to: gaps between perceived and expected services, customer service-related issues, and poor quality products (Maxham, 2001) (Zeithaml, et al., 1993) (Chou, 2015) (Lewis & McCann, 2004) (Liang, et al., 2013). With this in mind, the following study has shown that severe service failure from an organizational and consumer viewpoint is based on poor customer services. However, this can be justified by the idea that customers within the luxury retail industry have higher expectations and in turn, they demand more and tolerate less.

This study mapped customers’ reactions to the service failure in line with the theory described by Zeithaml et al., (2006); stating that responses are generally divided into two main actions: complaints or ignoring the failure. Conversely, the study also showed that it is the severity of service failure which drives customers to complain and is now, the main action used to share one’s concerns. The issue only appears to
be ignored when the failure is deemed as minor. Moreover, the primary and secondary data revealed that customers within the luxury retail industry are not reluctant to complaining, which is dissimilar to results from other scholars (Cook, 2012; Michel, 2001).

This study outlined that organizations must strive to avoid severe service failures, given that it impacts on customer behaviour and results in more damage from both perspectives. Avoidance of this is not impossible, particularly when considering customer-related issues, and now denotes the need for employee training; which will provide them with the necessary tools and knowledge to resolve consumer concerns. In addition to creating a philosophy and adopting employee recovery strategies, an organization must also maintain an outstanding relationship with its customers to ensure service failures are decreased.

Furthermore, organizations within the luxury retail should also be open to complaints by providing different channels to do so. Although the findings revealed that customers are not reluctant to complain about service failures, feedback should be sought for both severe or minor issues in order to avoid negative word of mouth which impact organization reputation and also help the firm improve the service provided by eliminating failure.

❖ Perceived justice plays an important role in the effectiveness of service recovery.

The present study was designed to determine the role of perceived justice and fairness in Service recovery process. The results of this study indicated and confirmed the moderating effect of perceived justice and the important role, the three-justice dimensions play in the service recovery process. The study further revealed that customers within luxury market prefer interactional justice and procedural justice more than distributive justice which is in line with Maxham (1998) mentioned, customers often anticipate or prefer psychological recovery in the shape of quick actions and explanations more than tangible recovery (compensation) (Ok, et al., 2005). (Cook, 2012)

Despite, the findings which revealed that psychological recovery is the more preferred option or resolution, it is clear that there is no set formula for resolving service failure and instead, organizations must assess this perceived justice prior to providing a solution. This ensures effective service recovery processes are implemented to prevent failure of service recovery action and avoiding disappointing clients which may worsen the situation.

In line with research of Johnston & Clark (2008), organizations must also consider employee and process recovery, guaranteeing that there is a system in place to assess customer demands and to provide an immediate solution to consumer concerns.
Overall, perceived justice and expected fairness also play a vital role in the recovery process and service failures. Thus, an organization must assess its perceived service failure to ensure the correct action/resolution adheres to consumer expectations.

Objective 2: The second aim of this study was to investigate and assess the effectiveness of service recovery in response to service failure and the achievement of consumer advocacy, retention, and purchasing loyalty.

In accordance with previous literature and the aims of this study, this research investigated the impact of effective service recovery in response to service failure and whether service recovery leads to the service recovery paradox. Overall, this study complements those of earlier studies and revealed that the service recovery paradox occurs within the luxury retail industry in response to the first service failure. As expected, customer satisfaction then increases higher than services without failure; a finding which correlates to results identified in McCollough et al., (2000).

Moreover, customers also highlighted that effective service recovery influences the spread of positive feedback through word-of-mouth and increases repurchasing intentions. Hence, these findings confirm that service recovery has an impact on advocacy, retention and purchasing loyalty, and in turn, improves organizational revenue and reputation within the market (Garg, 2013) (Claesson & Dijnér, 2017) (Magnini, et al., 2007).

These findings have significant implications for the understanding of how service recovery is more than a remedy option that rectifies service failures but a chance to regain customer trust and achieve their loyalty in the form of positive word of mouth and repurchase intentions.

Taken together, these findings suggest and highlight that organizations must adopt service recovery strategies since SRP is the best solution for improving trust and loyalty and can be used to increase repurchasing and the spread of positive feedback. In doing so, this will impact on the organization’s revenue and will provide a larger market share and competitive advantage when compared to competitors.
Objective 3: To evaluate whether repeated failure constrains recovery effectiveness when achieving customer loyalty.

This paper distinguished between first and repeated service failure and as a result; this thesis has provided genuine and deeper insights into the impact of the repeated service failure on service recovery process and found that repeated service failures are more critical to a consumer's behavioral and emotional responses. This is because it drives customers to share negative feedback, lodge complaints and end their relationship with the organization.

Repeated failure also impacts on perceived justice, whereby tangible recovery becomes more demanded by customers and leads to the organizations offering discounts, gifts, and compensation to regain its customers' trust and satisfaction.

This study also revealed that despite tangible recovery and the implication of compensation, service recovery does not have the same impact on service failure when occurring for the first time. This is because 50% of customers will stop partaking in business with the organization and will switch to another competitor.

Lastly, satisfaction levels are also lower in response to repeated services failures; particularly when compared to experiences with no service failures or those with only one service failure (Maxham, & Netemeyer, 2002) (Hui, 2007). Thus, this study concludes that service recovery does help to regain consumer trust during the first failure. If this failure is repeated, then the recovery method chosen will not have the same impact and will lead to more customers ending their relationships with an organization.
The figures and diagrams presented in next page summarize the conclusions of this study and demonstrate the genuine findings that contribute to both practical and theoretical knowledge about the service recovery topic.

**Chapter05-Figure 01** is a completion of the research model presenting that an effective service recovery in line with perceived justice lead to service recovery paradox and achieve customers' loyalty but in event of repeated service failure, tangible recovery is more demanded and the result is not the same wherein customers can either end their relationship or continued doing business with the firm.

*Chapter 05- Figure 1 Explains the service recovery effectiveness in response to first and repeated service failure*
Chapter 05 - Figure 02  diagram was built on Service Recovery Paradox diagram which was coined by Schindholzer, 2008 wherein demonstrate the findings of this study that complete the graph and explain that service recovery paradox does occur and lead to loyalty but with a condition that service failure is not repeated as in event of repeated service failure, all efforts and achievements are lost.

<table>
<thead>
<tr>
<th>Service Recovery Paradox theory diagram by Schindholzer, 2008</th>
<th>The development of Service recovery Paradox model based on the findings of this study.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher Satisfaction</td>
<td>Repeated Service Failure</td>
</tr>
<tr>
<td>First Service recovery</td>
<td>Lower Satisfaction level than Service with no Failure or service with one failure</td>
</tr>
<tr>
<td></td>
<td>Second Service Recovery</td>
</tr>
</tbody>
</table>

Chapter 05- Figure 2 the impact of service recovery on customer loyalty in first and repeated service failure.
5.3 Managerial implications

Considering the above findings, discussion and conclusions highlighted in Chapter 04 and Chapter 05 and based on the implications for theory, the study has identified several benefits and implications for managerial decision-making.

The managerial implications of the study are straightforward highlighting that there is a big difference between failing once and failing on multiple occasions since customer responses, perceived justice and the effectiveness of service recovery changes depending on repetition of service failures.

First of all, managers and organizations must strive to provide zero defect service by avoiding any gap between service/product delivered and customer expectation. The gap can be avoided by analyzing customer demands and expectations regularly and implementing service recovery process that keep track of past failures and ensure avoiding repetition of service failures.

Another important result, the study highlighted that in event of service failure, managers and organizations must ensure that all employees are trained and empowered to implement service recovery quickly especially the study confirmed that psychological recovery is more important for customers within luxury retail than tangible recovery. Therefore, effective service recovery supported by complaint management system that provides a resolution in line with customers' perceived justice enables the managers to benefit from second opportunity to provide a service that exceeds customers' expectation and turn unsatisfactory experience to a pleasant one and gain customers' loyalty.

The study also raises an alarm for organization and managers that repeated service failure has more critical and severe impact on the organization in terms of profitability and reputation.

- In terms of reputation, in event of repeated service failures, customers tend to share a negative word of mouth.
- In terms of by profitability, customers demand monetary compensations which have direct implications on organization resources.

Moreover, regardless of efforts made in response to repeated service failures, the results showed that a large number of customers (almost 50%) will end their relationship even after receiving service recovery action in line with their expectations.

Therefore, the study highlight first service failure is considered as the second chance that enables managers and firm to regain customer satisfaction and achieve their loyalty. However, managers and firm must not to fail twice and avoid repeated service failure by adopting employee and process recovery supported by complaint management systems.
The following diagram (Figure 12) has been established to describe the main recommendations and procedures identified in this study.

5.4 Research Limitations and Future Initiatives

Similar to previous studies that investigated the impact of service recovery on customer loyalty, this study there are numerous limitations that must be considered within future research. The main limitations of this study were related to time and resources which impacted the study by narrowing the investigation to one organization instead of the entire luxury retail market. By having a large scope, it would have allowed for the generalization of this study. Also, the data was collected virtually which limit the ability to verify the status, condition, and authenticity of the respondents.

5.5 Opportunities for further research

There are many avenues for further research such as considering the effects of organization antecedents, such as leadership style, organizational culture and its effects on service recovery, as well as profiling factors like gender, education, and age. Also, the literature has shown the need for further research on the effectiveness of service recovery in response to repeated service failures and its impact on emotional reactions, behavioral reactions, perceived justice, and fairness.

Although the topic is one of the most discussed topics part of marketing relationship, there are more avenues that can be explored to present findings that can be beneficial for business across the globe.
5.6 Chapter Summary

Chapter 05 presented the conclusions and recommendation of this study by addressing each objective to confirm that the aim of the study is achieved.

Also, Chapter 05 has addressed the managerial implications by providing clear recommendations and procedures that impact managerial decision-making for the conduct of management followed by research limitation and suggestion about future researches direction.

In brief, the aim of the study has been achieved by confirming the effectiveness of service recovery in achieving customer loyalty. Also, the study developed a genuine understanding and findings of the repeated failure severity and its impact on service recovery effectiveness provide a foundation for further research.
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Appendices

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APPENDIX 1 – APPLICATION FOR ETHICS APPROVAL

When undertaking a research or enterprise project, Cardiff Met staff and students are obliged to complete this form in order that the ethics implications of that project may be considered. If the project requires ethics approval from an external agency (e.g., NHS), you will not need to seek additional ethics approval from Cardiff Met. You should, however, complete Part One of this form and attach a copy of your ethics letter(s) of approval in order that your School has a record of the project.

The document Ethics application guidance notes will help you complete this form. It is available from the Cardiff Met website. The School or Unit in which you are based may also have produced some guidance documents; please consult your supervisor or School Ethics Coordinator.

Once you have completed the form, sign the declaration and forward to the appropriate person(s) in your School or Unit.

PLEASE NOTE:
Participant recruitment or data collection MUST NOT commence until ethics approval has been obtained.

PART ONE

<table>
<thead>
<tr>
<th>Name of applicant:</th>
<th>Oussama Hamana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervisor (if student project):</td>
<td>Mr. Stephen Bibby</td>
</tr>
<tr>
<td>School / Unit:</td>
<td>Cardiff School of Management</td>
</tr>
<tr>
<td>Student number (if applicable):</td>
<td>ST20134561</td>
</tr>
<tr>
<td>Programme enrolled on (if applicable):</td>
<td>MBA</td>
</tr>
<tr>
<td>Project Title:</td>
<td>The effects of service recovery on customer loyalty within luxury retail industry in UAE.</td>
</tr>
<tr>
<td>Expected start date of data collection:</td>
<td>15/02/2018</td>
</tr>
<tr>
<td>Approximate duration of data collection:</td>
<td>10 weeks</td>
</tr>
<tr>
<td>Funding Body (if applicable):</td>
<td>N/A</td>
</tr>
<tr>
<td>Another researcher(s) working on the project:</td>
<td>NONE</td>
</tr>
<tr>
<td>Will the study involve NHS patients or staff?</td>
<td>No</td>
</tr>
<tr>
<td>Will the study involve human samples and/or human cell lines?</td>
<td>No</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Does your project fall entirely within one of the following categories:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper-based, involving only documents in the public domain</td>
</tr>
<tr>
<td>Laboratory-based, not involving human participants or human samples</td>
</tr>
<tr>
<td>Practice-based not involving human participants (e.g. curatorial, practice audit)</td>
</tr>
</tbody>
</table>
I have chosen the study of the impact of service recovery on customer loyalty as in the current hyper-competitive marketplace; customer satisfaction and loyalty are very important and crucial for success. Despite the efforts of every organization to provide an excellent service, many companies are subject frequently to service failures which affect customer satisfaction, loyalty and may end the relationship between the organization and customer. Therefore, this paper will explore the relationship between service recovery and customer loyalty within luxury retail in the UAE to understand to what extent the service recovery strategies are considered as an effective tool to retain the existing customers and achieve loyalty in shape of positive word of mouth and repurchase intentions.

The research objectives identified for the study are as follows:

- To evaluate the literature to investigate whether there is a relation between service failure and recovery strategies and customer loyalty
- To evaluate how the relationship between service failure and recovery and customer loyalty change when discussing luxury retail
PART TWO

A RESEARCH DESIGN

A1 Will you be using an approved protocol in your project? No

A2 If yes, please state the name and code of the approved protocol to be used

Click here to enter text.

A3 Describe the research design to be used in your project

Research philosophy: The selected philosophy for this research is Pragmatist Philosophy, which is the more flexible philosophy and focus on the relevance of the concepts and whether they support or don’t support the action.

Research Approach: Since this study aims to determine the relation between the study variables; which are service recovery and customer loyalty, the nature of the study leans to a deductive approach which seeks to explain causal relationships between concepts and variables by generalizing from the general to the specific and data collected in deductive approach aimed to evaluate the findings with the theory and current literature. (Saunders et al., 2016)

Research Design: The selected research design for this study descriptive research design since the aim of the researcher is to establish findings based on the perspective of both organizations and customers about the topic. The descriptive research design usually aims to find out Who, what, when were, and how questions. Also, the time allocated to this research which is 14 weeks only is another reason which led to selecting descriptive research design.

Research Strategy: Since the Research approach selected for this study is the deductive approach, the selected strategy is Survey which is in line with deductive research approach aiming to answer the research question "What is the effect of service recovery on customer loyalty". Also, the Survey is in line with descriptive research design to collect a quantitative data from the targeted population which can be analysed through descriptive and inferential statistics. Therefore, a quantitative questionnaire was developed aiming to quantify the perception of management, employees, and customer of the effect of service recovery on customer loyalty by using a point-Likert scale which will be analysed in descriptive analysing using pie charts. (Saunders et al., 2016). The theme of the questionnaire was influenced by the literature review to design question that generates information that is comparable to the literature review.

The survey will be piloted prior commencing collecting data to be able to make any changes that may help collect more accurate data.

Sampling:

Sample Selection: Sampling method is a way to select a feasible participant to respond to research question and achieve findings that help achieve the goal of the study. There are several sampling methods such probability sampling and non-probability sampling.

Because of time and money constraints, the whole luxury market within the UAE is couldn’t be researched. Therefore, the sampling in this research was based on non-probability sampling adopting judgment and convenient sampling techniques.

The researcher has narrowed the sampling for organization and employees by taking Seddiqi holding as a case organization since it's a leading company of Luxury watches and Jewellery within the UAE and the researcher is an
employee within the organization and was able to get consent of both management and employees to respond to the questionnaire. Thus, selection of the organization was based on convenience sampling because of its accessibility.

**Customers Sampling:**

The customers’ sampling is based on convenient sampling as the researcher selected Seddiqi customers who are customer of the Case organization without involving customer of other organizations.

The case organization is considered the leading company of luxury retail and the target population is larger than 20,000. Therefore, the required sample size for this population is 260 participants (Creative Research Systems, 2003).

Thus, an online questionnaire will be developed and sent via email to customers after getting consent from management to use their customer data base to obtain feedback from 260 respondents to cover .

| Population size: The sample size does not change much for populations larger than 20,000. | 20,000 |
| Number to invite: | 539 |
| Estimated response rate: | 70% |
| Required sample size | 100 |
| Confidence level | 95% |
| Margin of error | 7% |

**Employees Sampling:**

Management and employee are reflecting the organization stand and perspective concerning this topic. The sampling of employees was based on non-probability sampling based on judgement of researcher who selected the employees based on Job Role within the organization by involving all Customer relationship management employees, contact centre employees, aftersales service employees who are involved in complaints handling and service recovery strategies and process in daily basis. The number of employees within these departments is 24 employees. The researcher have eliminated employees from other departments around 800 employees such as marketing, sales, logistics etc. as their participation will not be based on experience rather point of view which will not add value to the study.

Population – Seddiqi Employees 800 Employee

Target population – 24 Employee

Sample – Customer relationship management employees, contact centre employees, aftersales service employees

Total Targeted population size: 24

Margin of Error – +/-5% or +/-3% margin of error.

Confidence Interval – Confidence level is 100%,

Estimated likely response rate 100%.

**Data collection:**

Primary data collection: Malhotra and Birks (2007, p.152) described primary data as the data collected by the researcher while investigating the topic. The study adopted online survey questionnaire to collect the data through question using points likert-scale and data will be analyzed using statistical techniques to achieve the goal by assessing the relation of service recovery and customer loyalty.
Secondary data: According to Kumar et al. (2002) the secondary data is easy to access, obtain and can provide more reliable information than primary data which will be the case in this study. The data in this study will be collected from CRM reports containing data for the year of 2017 and reflect data collected for more than 800 cases.

The secondary data will be limited to Seidiqi holding data because of its accessibility.

Data Analysis: Data analysis is a crucial part of the study as it will reveal the findings that will answer the research question. Since the study adopted Quantitative research by online using questionnaires, the data will be analysed and interpreted by adopting techniques such as tables, graphs, and statistics which will help us to explore, illustrate, present, describe and demonstrate the findings of the arguments on the data collected.

The questionnaire will be shared with participants in person, the data will be coded and then analysed by using Excel and SPSS software to confirm the findings.

Then, the data will be analysed thematically since the aim is to compare the findings with the literature and previous studies by findings common themes such as Service failure, Customer responses to Service failure, Service recovery process, Service recovery Paradox, Service Recovery and Customer loyalty. Also, cross tabulating the findings with keywords and content of literature review by using software’s NVIVO which will enrich the data analysis.

Validity and reliability: Validity and reliability is an important element in every research. Therefore, I will be taking many measures to ensure that all data collected is valid and reliable such as:

I will ensure that the participants will provide relevant information with no bias or mistake. All interviews will be taken in person and analysed through the most accurate technique using software’s such as Excel and SPSS.

Test re-tests: The questionnaire will be tested till the questions will be refined and clear for participants to avoid any mistakes during answers.

Pilot testing: method to test the questionnaire questions which include conducting pilot questionnaire and assess questions and responses which will highlight if any of the questions need refining and this step will help fine-tune usability to ensure reliable results.

Debrief and Revise: after conducting several pilot tests with participants, I will ask if any of the questions are not relevant or if it can be modified and if of any question can be added to add value to interviews questions.

External validity: My research database will be collected and sourced from Cardiffmet library which contains academic journals some other data will be collected from google scholar and most of it was cited by many authors during past years and it is peer-reviewed. Therefore, the information sourced is reliable and valid. The secondary data will be taken from real life data that I have access to with an approval from senior management to allow me to use this data for my research.

Internal validity: Sampling was based on many factors such as seniority, the reputation of the employee with the organization.

Secondary data Validity and reliability: the data that will be used will be gathered from CRM reports directly from the system. The data is verified and has high credibility, validity and reliability as all actions and strategies of the organization are based on these data.

The access: I was granted the access by senior management to conduct interviews and questionnaires with the employees as well as the employees are willing to participate. Also, I obtained consent for using company reports as a secondary data.

A4 Will the project involve deceptive or covert research? No
A5 If yes, give a rationale for the use of deceptive or covert research
Click here to enter text.
A6 Will the project have security sensitive implications? No
A7 If yes, please explain what they are and the measures that are proposed to address them
Click here to enter text.

B PREVIOUS EXPERIENCE
B1 What previous experience of research involving human participants relevant to this project do you have?
I have done research method and conducted questionnaires and interviews as part of my level 7 diploma with Edexcel

B2 Student project only
What previous experience of research involving human participants relevant to this project does your supervisor have?

My supervisor is a member of Academic faculty within Cardiff Metropolitan University. In this role, they meet University requirements and standards for MBA dissertation supervision including research involving human participants

C POTENTIAL RISKS

C1 What potential risks do you foresee?

Every research who is conducting a study in every subject must foresee any potential risks that may occur during or because of the study. The risks can be:

Risk to the researcher in undertaking the research, risks to participants (personal, professional, location privacy), risks to any employers involved (reputation, data, confidentiality) and risks to the Cardiff met (reputation)

After considering all protentional risks, I can confirm the followings:

Physical risk: I do not foresee any physical discomfort, pain, injury, illness or disease brought about by the methods and procedures of the research.

Psychological risk: I do not foresee any psychological risks such as the production of negative affective states such as anxiety, depression, guilt, shock and loss of self-esteem and altered behavior.

Socio / Economical Risk: I do not foresee any Social/Economic risks include alterations in relationships with others that are to the disadvantage of the subject, including embarrassment, loss of respect of others, labelling a subject in a way that will have negative consequences, or in some way diminishing those opportunities and powers a person has by virtue of relationships with others.

Loss of Conformity: In all research involving human subjects, confidentiality of identifiable information is presumed and must be maintained unless the investigator obtains the express permission of the subject to do otherwise.

Legal Risk: Legal risks exist when the research methods are such that the subject or others will be liable for a violation of the law, either by revealing that the subject or others have or will engage in conduct for which the subject or others may be criminally or civilly liable, or by requiring activities for which the subject or others may be criminally or civilly liable. Therefore, I don’t foresee any legal risks as a result of my study.

Other Risks:

- The employees may not feel comfortable sharing their input concerning strategic decision of the organization
- Risk associated the privacy of the interviewees
- Data may get lost which is quite a frequent risk that may face any researcher.
- Risk associated with privacy of the company
- The number of participants might be low as customer may not accept to conduct interviews and I may have not enough participants

C2 How will you deal with the potential risks?
As a researcher, achieving the goal and aim of the study is very important. However, the safety of all participants will always come first by addressing every potential risk properly to avoid any negative impact on any of participants.

**Consent:** Consent of participants is very important. Although I was granted the access by the management to conduct questionnaires with the employee, every employee consent is as well important for me to ensure voluntary participation. Also, I will try to convince people to participate highlighting the importance of the study and I may change my sampling method from non-probability to convince sampling if people refuse to participate. The employee will be assured that their information will not be shared and whatever information they share will be confidential- The employees and customer privacy will be protected by not declaring their information or details under any circumstances.

**Data protection:** Data will be stored on the cloud and flash drive creating multiple backups.

**Organizations privacy concerns:** The privacy concerns related to the organization, the data and findings will be shared with senior management of Seddiqi to seek their consent to include the same and to confirm that the findings will not have any impact on organization privacy.

**Low number of participants:** I obtained the consent of the management to conduct interviews with them and their team members. Also, the employees were assured that interviews are voluntary. I will try to persuade the customer to convince them to conduct interviews voluntary and obtain their consent.

When submitting your application, you **MUST** attach a copy of the following:

- All information sheets
- Consent/assent form(s)

An exemplary information sheet and participant consent form are available from the Research section of the Cardiff Met website.
Whitfield, Stephanie
Tue 27/02, 08:44
Hamana, Oussama; hamsana.sws@gmail.com; Bibby, Stephen; MBA

Dear Oussama

I am pleased to inform you that your Ethics Application has been approved, and you have been allocated the Ethics number 2016D5702.

Kind regards, Steph
APPENDIX 2 ACCESS CONSENT

Dear Sir/Madam,

I am an MBA student at Cardiff Metropolitan University. The title of my thesis is “the effects of Service Recovery on Customer Loyalty”. Its aim is to explore the topic of service recovery and service recovery paradox in the context of Luxury retail. As part of my research, I intend to undertake research with your organization as I am aiming to include the perspective of both organization and employees. Thus, I seek your consent to conduct an interview or questionnaires with you and your team members.

I am writing to you because your organization is considered one of luxury retailer within the UAE and the perspective of the management and employee is very important for my study to cover the perspective of the organization. This research project has received approval from Cardiff Metropolitan University and all data collection will be in accordance with the university’s ethics code of practice.

My purpose in writing is to ask if you would permit me to conduct an interview or issue a questionnaire to your employees. Their participation would be entirely voluntary, neither they nor the company would be identified in the research and it would only take 10 to 15 minutes for each employee to complete a questionnaire. I would hope to gain 30 responses from your employees.

The areas which would be covered by the questionnaire include:

- Service failure and customer responses to service failure
- Service recovery strategies and process
- The perspective of the organization about the impact of service recovery on customer loyalty

I shall be very happy to make the results of my research available to the organization as a participant in the research when it is complete. If you would like to participate in this project and are interested in discussing it further please contact me on

Thank you in anticipation.

Yours sincerely

Oussama Hamana
Appendix 3 INFORMATION SHEET TO PARTICIPANTS

Dear Sir/Madam,

You are invited to take part in a research study to investigate the effect of service recovery on customer loyalty within luxury retail. If you allow, would like to ask you few questions about how service recovery is considered as an effective strategy to achieve customer loyalty. Please spare your precious time for the interview and feel free to ask (O.hamana@outlook.cardiffmet.ac.uk) for additional information or further clarification.

This research will aim to add value to current knowledge about this topic by understanding the effects of service recovery on customer loyalty.

Your participation in this study is voluntary and you are not obligated to take part in this study. If you agree to participate in the study that means you have provided your consent to be involved. Any and all data collected will be strictly confidential and only used for research purposes. You are free to withdraw at any point and you will not be required to provide any explanation for doing so.

I encourage you to answer the questions truthfully. I hope that you will be able to help me with this study. Thank you for sharing your time and opinions with me.

If you have any questions please do not hesitate to contact me at the above-mentioned email address.

Yours Sincerely,

Oussama Hamana

Cardiff Metropolitan University
APPENDIX 4 QUESTIONNAIRE SHARED WITH EMPLOYEE & MANAGEMENT OF THE CASE ORGANIZATION.

Dear Team,

Trust this email finds you well,

I am an MBA student at Cardiff met University conducting a research approved by Cardiff met under Ethic committee approval number : ST20134561. I rely on your kind participation by answering 10 questions.

The aim of my research is to identify the impact of Service recovery on Advocacy, retention and purchasing loyalty.

Please complete each question by selecting the answers indicated or by choosing other if your answer is not indicated as an option.

Completion of this survey will be taken as voluntary informed consent.

All your responses are confidential and will only be used for the purposes of this research.

Thank you in advance for taking the time to complete this survey.

School of Management, Cardiff Metropolitan University

Student Name: Oussama Hamana

Student Number: ST20134561

Ethics Committee Approval Number: 2016D5702

Cardiff School of Management
Cardiff Metropolitan University
Llandaff Campus, Western Avenue,
Cardiff, CF5 2YB

Mobile 00971503504703
Email: o.hamana@outlook.cardiffmet.ac.uk

Link: https://www.surveymonkey.com/r/VL2QVTS

Impact of Service Recovery on customer loyalty: Survey Questionnaire for Employees.

RESPONDENTS: 26 of 26

DEFINITIONS:

- **SERVICE FAILURE**: is when the service provided/performance fails to meet customer’s expectations.
- **SERVICE RECOVERY**: The action(s) taken by an organization to rectify service experiences and regain customer satisfaction and loyalty.
**Question 1:** From your experience, which one of the below service failures is considered as severe by customers?

- Customer service-related, such as rude employees, lack of follow-up, miscommunication, mis-commitment...etc.
- Product Quality: poor quality, defective items
- Differences between customers’ expectations and service/quality
- Guidelines and process-related
- Other (please specify)

**Question 2:** From your experience, what is the main action taken by clients when they are subject to service failure?

- Complain
- Ignore
- Other (please specify)

**Question 3:** Do you think that perceived justice is important. If yes, please chosen what is the main perceived justice in response to Service failure?

- Distributive Justice: compensation in shape of gifts, discounts, vouchers...etc
- Procedural Justice: in the form of quick action and immediate solution such as empowered employees who take immediate actions without escalation of customer concerns
- Interactional Justice: in shape of apologies, empathy, and helpfulness.
- Other (please specify)

**Question 4:** What is the Most effective Service Recovery action in response to service failure?

- Quick response/actions
- Apology
- Compensation
- Explanations
- Other (please specify)

**Question 5:** Do you think that level of satisfaction after a Service recovery is higher than service without a service failure?

<table>
<thead>
<tr>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Question 6:** Do you think that effective Service recovery impacts Purchasing loyalty and Retention Loyalty in shape of repurchase intentions?

<table>
<thead>
<tr>
<th>Agree</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In scenarios wherein repeated service failure happen and when customers are subject to multiple service failure more than one. Kindly note that Question 8, 9 and 10 are related to scenario 2 (multiple service failure)

**QUESTION 8:** From your experience what is the best service recovery action for this scenario?

<table>
<thead>
<tr>
<th>Answer Choices –</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apology</td>
</tr>
<tr>
<td>Quick action</td>
</tr>
<tr>
<td>Compensation</td>
</tr>
<tr>
<td>Explanation</td>
</tr>
<tr>
<td>Other (please specify)</td>
</tr>
</tbody>
</table>

**QUESTION 9:** Do you think that effective service recovery applied in response to 2nd or 3rd, etc service failure will have the same impact result from service recovery at the first service failure?

<table>
<thead>
<tr>
<th>Agree –</th>
<th>Disagree –</th>
</tr>
</thead>
<tbody>
<tr>
<td>○</td>
<td>○</td>
</tr>
</tbody>
</table>

**QUESTION 10:** When do you think that customer resolution of service failure will stop impacting customer loyalty in form of repurchase intentions and positive word of mouth/recommendations?

| Service Recovery will always impact loyalty regardless of number of service failures – |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Starting from 2nd service failure – | Starting from 3rd service failure – | Starting from 4th service failure – |
| ○                                | ○                                | ○                                |


APPENDIX 5 QUESTIONNAIRE SHARED WITH SEDDIQI CUSTOMERS.

Dear Respected Sir/Madam,

I am an MBA student at Cardiff met University conducting a research approved by Cardiff met under Ethics committee approval number: ST20134561. I rely on your kind participation by answering 10 questions.

You are invited to take part in a research study to investigate the effect of service recovery on customer loyalty within luxury retail. If you allow, would like to ask you few questions about how service recovery is considered as an effective strategy to achieve customer loyalty. Please spare your precious time for the interview and feel free to ask (O hamana@outlook.cardiffmet.ac.uk) for additional information or further clarification.

This research will aim to add value to current knowledge about this topic by understanding the effects of service recovery on customer loyalty.

Your participation in this study is voluntary and you are not obligated to take part in this study. If you agree to participate in the study that means you have provided your consent to be involved. Thus, completing this survey is considered as informed consent to use your answers in my study. However, any and all data collected will be strictly confidential and only used for research purposes.

I encourage you to answer the questions truthfully. I hope that you will be able to help me with this study. Thank you for sharing your time and opinions with me.

If you have any questions please do not hesitate to contact me at the above-mentioned email address.

Yours Sincerely,

Student Name: Oussama Hamana

Student Number: ST20134561

Ethics Committee Approval Number: 2016D5702

Cardiff School of Management
Cardiff Metropolitan University
Llandaff Campus, Western Avenue,
Cardiff, CF5 2YB
Scenario 1: You have visited a boutique to purchase a luxury item i.e. watch, necklace...etc. However, the purchase experience did not meet your expectations.

Question 1: In your opinion what of below, you consider it as severe service failure:

<table>
<thead>
<tr>
<th>Answer Choices –</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor Quality of product (1)</td>
</tr>
<tr>
<td>Poor customer Service (Rude, impolite, unhelpful...etc.) (2)</td>
</tr>
<tr>
<td>Expensive rate (3)</td>
</tr>
<tr>
<td>Not fulfilling special request/demands (4)</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

Question 2: What will you do in case of service failure?

<table>
<thead>
<tr>
<th>Answer Choices –</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaint</td>
</tr>
<tr>
<td>Let it go</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

Question 3: What will be the best resolution of service failure?

<table>
<thead>
<tr>
<th>Answer Choices –</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation; Voucher, discount, gift...etc.</td>
</tr>
<tr>
<td>Apology from staff or management</td>
</tr>
<tr>
<td>Quick action &amp; Explanation</td>
</tr>
<tr>
<td>Other</td>
</tr>
</tbody>
</table>

Question 4: If you receive the expected resolution, will you be satisfied more than a situation wherein no service failure occurs?

<table>
<thead>
<tr>
<th>Not Satisfied –</th>
<th>Satisfied –</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

Question 5: If you receive the expected solution, will you purchase again from the organization?

<table>
<thead>
<tr>
<th>No, I will not repurchase</th>
<th>I will definitely repurchase</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Question 6: If you receive the expected solution, will you recommend the organization to other customers?

<table>
<thead>
<tr>
<th>No, I will not recommend the firm to others –</th>
<th>Yes, I will recommend and spread positive word of mouth –</th>
</tr>
</thead>
</table>
**Scenario 2:** You have visited the same boutique in another occasion and you have been subject to "Service failure" such as; i.e.: rude employee or unhelpful staff, poor service, defective item ...etc.

**Question 7:** What will you do in case of service failure?

<table>
<thead>
<tr>
<th>Answer Choices –</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Submit a Complaint to organization through Email, phone...etc (1)</td>
</tr>
<tr>
<td>b) Share my experience with others i.e. friends, colleagues or with people on social media (2)</td>
</tr>
<tr>
<td>c) Let it go (3)</td>
</tr>
<tr>
<td>d) Other (please specify) (4)</td>
</tr>
</tbody>
</table>

**Question 8:** What will be the best resolution of service failure?

<table>
<thead>
<tr>
<th>Answer Choices –</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Compensation in shape of gifts, vouchers, discount etc(1)</td>
</tr>
<tr>
<td>b) Apology from management or employees (2)</td>
</tr>
<tr>
<td>c) Quick action &amp; explanation (3)</td>
</tr>
</tbody>
</table>

**Question 9:** If you receive the expected solution, will you purchase again from the organization?

<table>
<thead>
<tr>
<th>No, I will not repurchase again or use the firm</th>
<th>Yes, I will repurchase again</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Question 10:** If you receive the expected solution again, will you recommend the organization to other customers?

<table>
<thead>
<tr>
<th>No I will not recommend and I will share negative word of mouth</th>
<th>Yes, I will recommend the company and share positive word of mouth</th>
</tr>
</thead>
</table>
APPENDIX 6 INTERVIEW QUESTIONS WITH SENIOR MANAGEMENT.

The effectiveness of service recovery in addressing service failures and achieving customers’ loyalty.

Cardiff Metropolitan University Protocol Number

Project summary

The purpose of this research project is to establish an understanding of the effectiveness of service recovery in addressing service failures and achieving customers’ loyalty within luxury retail industry in the UAE.

Why have you been asked to participate?

You have been asked to participate because you fit the profile since you have wide experience in service industry and being working with Seddiq holding for more than 10 years. Thus, you have the knowledge and experience. Therefore, your comments will add value to this research.

Project risks

The research involves the completion of an interview that consist of 10 closed ended questions. We are not seeking to collect any sensitive data on you or the firm you work for; this study is only concerned with the effectiveness of service recovery action in addressing failures and achieving customer loyalty. However, if you do feel that any of the questions are inappropriate then you can stop at any time. Furthermore, you can change your mind and withdraw from the study at any time – we will completely respect your decision.

Also, a summary of the interview will be shared to seek your consent whether the transcription have covered all your comments and inputs and that the content will not cause any harm to you for to the firm.

How we protect your privacy

All the information you provide will be held in confidence. We have taken careful steps to make sure that you cannot be directly identified from the information given by you. Your personal details (e.g. signature on the consent form) will be kept in a secure location by the research team. When we have finished the study and analysed all the information, the documentation used to gather the raw data will be destroyed except your signed consent form which will be held securely for 10 years.

YOU WILL BE OFFERED A COPY OF THIS INFORMATION SHEET TO KEEP

If you require any further information about this project then please contact:

Andrew Nother, Cardiff Metropolitan University
Cardiff Metropolitan University email: another@cardiffmet.ac.uk

Amend to include principle researcher’s details
PARTICIPANT CONSENT FORM - INTERVIEW

Cardiff Metropolitan University Ethics Committee Approval Number: 2016D5702
Student Number: ST20134561
Ethics Committee Approval Number: 2016D5702
Title of Project: The effectiveness of service recovery in responding to service failures and achieving customers’ loyalty.
Name of Researcher: Oussama Hamana

Participant to complete this section: Please initial each box.

1. I confirm that I have read and understand the information sheet for the above study. I have had the opportunity to consider the information, ask questions and have had these answered satisfactorily. [✓]
2. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving any reason. [✓]
3. I agree to take part in the above study. [✓]
4. I agree to the interview / focus group / consultation being recorded [✓]
5. I agree to the use of anonymised quotes in publications Yes [✓] No [ ]
Or *I agree to my quotes being attributed to me

6. I would like my organisation’s name to be anonymised in all publications
Or *I agree to my organisation being named in all publications [✓] [ ]

__________________________ ______________ 15/03/2017 ______________ 
Signature of Participant Date

__________________________ ______________ 15/03/2017 ______________ 
Name of person taking consent Date

Signature of person taking consent

*These alternate phrases are probably most useful only when you want to be able to directly attribute your quotes. When the participant or organisation are to be anonymised the standard phrase is likely to be the most appropriate to use.

When completed, 1 copy for participant & 1 copy for researcher site file
<table>
<thead>
<tr>
<th>Interview Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name : Role:</td>
<td></td>
</tr>
<tr>
<td>Age: Years of experience.</td>
<td></td>
</tr>
<tr>
<td>Q1 It is known that Luxury retail in Niche market that every organization provide excellent service, can you explain what drive customers in of Luxury retail to complain?</td>
<td></td>
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<tr>
<td>Q2 What actions customers in luxury retail take when you are subject to service failure?</td>
<td></td>
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<tr>
<td>Q3 What are customers' expectations and perceived justice when they are subject to service failure? What do they expect as solution?</td>
<td></td>
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<tr>
<td>Q4 What organization in luxury retail consider while responding to service failure</td>
<td></td>
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<tr>
<td>Q5 Do you think that service recovery lead to higher satisfaction than a service experience without service failure?</td>
<td></td>
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<tr>
<td>Q6 Do you think that service recovery impacts customer loyalty in shape of repurchases intention and positive word of mouth?</td>
<td></td>
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<tr>
<td>Q7 What actions customers usually would take?</td>
<td></td>
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<tr>
<td>Q8 What are their expectations?</td>
<td></td>
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<tr>
<td>Q9 What is the reaction of the organization?</td>
<td></td>
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<tr>
<td>Q10 Do you think that service recovery will have the same impact as service recovery in response to first service failure? Why?</td>
<td></td>
</tr>
</tbody>
</table>
Portfolio of Evidence of this research has been sent by email attachment to the MBA Office at the address below:

Many thanks; this has been received.

Kind regards,

Rebecca

Rebecca Toozer
MBA Support Officer (Full-Time Programme) / Swyddfa Gynorth MBA (Rhyglon Llawn-Ames)
Cardiff School of Management / Ysgol Reali Caerdydd
Cardiff Metropolitan University / Prifysgoi Metropolitan Caerdydd
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