

# The Impact of Service Recovery on Customer Satisfaction at PT Andalas Citra Elektrindo Medan

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## ABSTRACT

The goal of service recovery is to address customer complaints, restore customer satisfaction and prevent customer exits. A successful service recovery has a positive impact on the overall satisfaction towards the company which ultimately leads to positive word-of-mouth and repeat purchase behaviour. After the service failure, service recovery should be done by the company in order to avoid the negative impacts of service failure on the customers. The process of service recovery is a part of quality management that intends to maintain business relationships with the customer. The process of service delivery has high chances to fail due to the presence of human element in it especially for company. The purpose of this research is to know whether service recovery has impact on customer satisfaction at PT Andalas Citra Elektrindo Medan. Research design used in this research is descriptive research design and correlational research design. Research methods which used are descriptive statistic analysis, validity and reliability test, normality test, coefficient correlation, coefficient of determinant, simple linear regression analysis and Z testing. The result of this research is the service recovery has impact on customer satisfaction at PT Andalas Citra Elektrindo. From Z test, it can be known that  $Z_{count} > Z_{table}$ . The coefficient of correlation value is 0.879. There is strong and positive relationship between service recovery and customer satisfaction in PT Andalas Citra Elektrindo. The coefficient of determination value is 77.2%. It means that 77.2% of customer satisfaction can be explained by service recovery in PT Andalas Citra Elektrindo. From result of regression analysis, it can obtain linear regression equation  $Y = 2.196 + 0.837 X$ . The increasing of 1 unit of the service recovery can make increasing of 0.837 unit of customer satisfaction. Most of respondent is disagree about the service recovery dimension in PT Andalas Citra Elektrindo. Most of respondent is disagree about the customer satisfaction dimension in PT Andalas Citra Elektrindo.

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## 1. INTRODUCTION

The goal of service recovery is to address customer complaints, restore customer satisfaction and prevent customer exits. Customers increasingly express their dissatisfaction by giving negative comments. When the company fails the first time, service recovery provides company with a second chance to create and improve relations with customers. A successful service recovery has a positive impact on the overall satisfaction towards the company which ultimately leads to positive word-of-mouth and repeat purchase

behaviour. The errors are more common in service operations due to the complexity and heterogeneity of the consumer's needs. Service failure is as a variety of errors happened during the operation. Service failure can be the unavailability of the person, long waiting time and so on. After the service failure, service recovery should be done by the company in order to avoid the negative impacts of service failure on the customers. The Customer who is dissatisfied and does not complaint will have more negative words of mouth than the customer who is dissatisfied even after complaints. Service recovery is important because it may impacts the customer satisfaction which will leads to positive word of mouth and attracts more customers. Though it is unlikely that companies can eliminate all service failures, they can learn to effectively respond to failures once they do occur. This response is often referred to as service recovery and is defined as the process by which a company attempts to improve a service delivery failure.

The process of service recovery is a part of quality management that intends to maintain business relationships with the customer. The process of service delivery has high chances to fail due to the presence of human element in it especially for company. Service recovery is crucial during a service setting as it is expensive to create a new customer as compared to the cost of retaining and satisfying an existing customer. Thus companies prefer retaining old customers rather than making new customers. Effective service recovery also has a positive influence on the perceptions related to the quality of products and services, perceptions of the company's competence and a favourable image in terms of perceived quality and value. The company that considers recovery activity as a form of service encounter should have some predetermined set of actions and management activities for undertaking such service recovery in order to meet the customer expectations. This can help in achieving the recovery process in a better way.

This research is done at PT Andalas Citra Elektrindo Medan. The company is engaged in distributor of electrical component product such as industrial control automation, main switch board, synchron panel, AMF & ATS Panel, capasitor, motor control center, distribution panel, lighting panel, soft starter, inverter panel, cable ladder, eletrical component and cable supply. The company provides the product for many customers such as office, factory, restaurant, hotel, shop, palm estate and so forth.

The increasing day of the sales return process shows that the company doesn't have high response for complaint from the customer. The company doesn't want to solve the problem quickly with accelerating the sales return process. The company should improve the procedural of service recovery in order that there is simple and comfortable procedure in giving sales return to the customer. The decreasing of maintenance cost shows that the company rarely conduct regular interactional of service failure to customer. The customer doesn't get regular maintenance of product from the company. The company's employee should regularly visit the customer for maintenance of product in order to improve the service failure. The writer will focus on service recovery as variable independent (X) which has dimension that consist of distributive, procedural and interactional (Wahab, 2012, p.101). The writer will focus on customer satisfaction as variable dependent (Y) which has dimension that consist of service quality, perceived value and customer expectation (Forozia, 2013, p.4330).

## 2. LITERATURE REVIEW

### 2.1. Service Recovery

According to Wahab (2012, p.101), dimensions of service recovery are as follows:

Distributive Organizations need to develop effective service recovery strategies that can recognize the inconvenience that the service failure has created to its customer, hence conforming to notions of procedural justice and outcome fairness which is sometimes called as distributive justice. Distributive justice can be referred to as customer perception of fairness in the complaint outcomes - notions of equity, equality and need consistency and it involves the perception of equality and fairness when the resources are exchanged among parties. Distributive justice refers to the customer's perception of the equity towards the company resources allocation and the tangible outcomes of the service encounter which the company will offer to the customers in order to overcome the service failure. There were specific outcomes produced by distributive justice which the organizations and service providers did to recover what mistakes they have made to the customers and this outcomes included compensations which consist of discounts, coupons, refunds, free gifts and apologies. In order to know whether the customer receives the appropriate compensation, it can also be determined by looking at how the customers are being treated and how much loss that they have faced. Thus, by being given the same amount of recovery, customers in a high low quality relationship with the company will perceive lower fairness compared to those individuals in a low quality relationship and it is because of their exacerbated negative disconfirmation. Each customer may expect that they will receive different levels of compensation depending on how the service failure affects them for example an annoyed customer would expect a fair fix to the problem, while a customer who feels that he is a victim may expect some value-added atonement.

Procedural Procedural is the customer's perception regarding the equity of the policies and procedures used by an organization in the recovery process that led to the desired outcome. Procedural justice consists of

timeliness and process control as the perceived fairness of customer complain handling process. Procedural justice refers to the fairness of the processes by which outcomes are determined. Procedural justice will influence customer satisfaction and trust with an organization's products or services and in the retail context, procedural justice (timeliness) did not have significant influence on customers' re-patronage intentions and negative word of mouth. Different context on procedural justice suggests that people use procedural justice beliefs as a surrogate for determining whether they can trust the organization and accept its authority because procedural fairness beliefs act as a heuristic or mental shortcut for more complex trust judgment which the process called the procedural fairness heuristic. Therefore, in considering the customer's needs, it is advisable that the service providers and front liner officers provide a timely response in managing the service failure situation. It is said that procedural justice can help in determining the process of handling customer complaints, decision making, accessibility timing or speed, process control and flexibility to be included in the service recovery. Most of the procedural justice aims to solve the conflict that appears between the company and the customer and even the outcomes will be unsuccessful. From customer complaint perspective, if a customer finds it difficult to engage in a process, prolonged time involvement or cost, a complaint can be classified as falling into procedural justice dimension. Another part of procedural justice is by providing a timely feedback about decisions, which is applicable to any service recovery situation. The delivery of timely feedback has been discussed in the management literature whose procedures allow individuals to feel that their interest is being protected. Due to that, it is appropriate if the front-line employees who are empowered to manage a service failure situation can serve better in order to meet the customer's wants and needs.

Interactional Interactional is defined as dealing with interpersonal behavior in the enactment of procedures and the delivery of outcomes or in other words, it refers to how the recovery outcomes and process are being implemented and presented. Interactional justice is also related to the customer's perception of the equity of the personal treatment that the customer receives from the company in terms of respect, honesty, education and dignity when they suffer from service failure. There are five elements of interactional justice which are explanations and causal accounts, honesty, politeness, effort and empathy and in a service recovery context, interactional justice refer to the method of service recovery process which is being operationalized and recovery outcomes presented. Interactional justice had a significantly large impact on word of mouth intentions as satisfaction with service recovery strategy would encourage positive word of mouth communication. Higher levels of interactional justice will lead to more favorable re-patronage intentions and decreased likelihood of negative word of mouth. Customers who complain will become more loyal with the service provider when only a partial refund, exchange, or discount is given, provided that they are treated with courtesy and respect. In order to achieve a sense of interactional fairness it is necessary for the organization to include apology and empathy as it associated with customer perceptions so the customer will feel fairly treated. Sources of unfair interactional perceptions include unjustified blame, violation of promises, failure to admit an error, and insults. If the company shows a lack of concern to their customers during service recovery effort, the customer will suffer with negative emotion.

## 2.2. Customer Satisfaction

According to Foroza (2013, p.4330), dimension of customer satisfaction are as follows:

Service quality In most of the service industries, service quality plays a fundamental role for companies to achieve success. Service quality cannot be objectively measured like manufactured goods and therefore it remains a relatively elusive and abstract construct. Commonly, most of the marketers agree with this issue that service quality is predecessor to customer satisfaction and customer loyalty is linked to customer satisfaction. The concepts of service quality, which consists of central and relational service quality, have relationship with general service quality and customer satisfaction noted that there are two significant aspects of the general service quality, which consists of central and relational quality. Both of these aspects are interrelated to customer satisfaction, which focus on defining the aspects of service quality against the insertion of other possibilities of factors of satisfaction.

Perceived value Perceived value is as a measurement of the function of product, which was derived from the discernment on given and received services. Perceived value is the advantage, which is received by customer versus the total costs. It is generally viewed as a comparative calculation of the costs and the rest of the economic facets of services. Nonetheless, what comprises value emerge to be extremely personal, characteristic, and it might broadly vary among customers. Thus, the term of value has a mature concept, which is not separated from the treats of consumers. Today perceived value is asserted as a significant variable to lead the service provider to attain appropriate competitive rank in the market. When new approaches are offered to the consumer behaviour surrounding the quality, price might be a trades-off; therefore customer value might expose the forces by making decisions about purchases and the loyalty of the brand. There are many variables in which customers try to evaluate perceived value such as brand image, advertising, class, price and many other criteria. Moreover, they stated that perceived value has a significant role in customer decision-making. Managers would make an effort to promote customer satisfaction model

during developments in relations to core service quality when they assume perceived value as a function of customer satisfaction. Finally, the conclusion of these strategies might have an influence on customer satisfaction. When managers care about the function of perceived value, customer satisfaction will advance properly.

**Customer expectation.** Customer expectation is defined as beliefs and sensitivities that each customer has about service derived from what they require from it and supposes it to do. Customer expectation is as the primary picture about product that is supplied as ideals or indicated positions aligned with which services are evaluated. The three domains are identified as cultural-social, private-domestic and commercial domains. Customer expectations are the opinions about services, which are provided for customers to deliver as the criterion, or ideals versus which the real performance is assessed. Within the demographic or personal factors that might shape these expectations are age, gender, ethnicity, and income.

### 3. METHODOLOGY

#### 3.1. Research Design

The methods used by the writer in this research are descriptive method and correlational method. According to Johnson (2015, p.366), descriptive research is research focused on providing an accurate description or picture of the status or characteristics of a situation or phenomenon. The purpose of descriptive method is to study intensely a phenomenon to discover patterns and themes about events when researcher has specific questions about the phenomenon. According to Martella (2015, p.207), correlational research method is closely related to the causal comparative research method in that the primary goal is to explore relationships among variables. Correlational research is research that measures two or more variables to determine the degree of relationship between them.

#### 3.2. Research Object

According to Sabo (2013, p.1), population is defined as the totality of any group of subjects sharing some characteristics. The population in this research is customer of PT Andalas Citra Elektrindo Medan that is 192 customers. According to Sabo (2013, p.2), sample are subgroups of populations. Sample is determined using simple random sampling. According to Sabo (2013, p.2), simple random sampling is the process used to identify subjects ensured that every subject in a population had an equal chance of being selected into the sample. The sample size in this research is 129 customers

### 4. RESULTS

#### 4.1. Correlation Test

The writer uses the correlation test to know the relationship between variable. Correlation analysis is applied to know the relationship between service recovery and customer satisfaction PT Andalas Citra Elektrindo Medan. The result of correlation test can be seen as follows:

**Table 1.** Correlation Test

		Service Recovery	Customer Satisfaction
Service Recovery	Pearson Correlation	1	,879**
	Sig. (2-tailed)		,000
	N	129	129
Customer Satisfaction	Pearson Correlation	,879**	1
	Sig. (2-tailed)	,000	
	N	129	129

\*\* . Correlation is significant at the 0.01 level (2-tailed).

From table above, it shows the the correlation between the variables of study. There is strong and positive relationship between service recovery and customer satisfaction. It can be seen from the results that coefficient of correlation value is in 0.879. An increase in service recovery will also increase customer satisfaction.

#### 4.2. Determination Test

Test in the coefficient of determinant (R<sup>2</sup>) is statistical method that explains how much of the variability of a variable can be caused or explained by its relationship to another variable. The result of determination test can be seen as follows:

**Table 2.** Determination Test

Model	R	R Square	Adjusted RSquare		Std. Error of the Estimate
1	,879 <sup>a</sup>	,772		,770	1,96482

a. Predictors: (Constant), Service Recovery

From table above, the coefficient of determination is 77.2%. It means that 77.2% of customer satisfaction can be explained by service recovery variable. The remains in 22.8% can be explained of another factor that not is included in this research.

#### 4.3. Linear Regression Analysis

Linear regression analysis is an equation which show the impact of independent variable to dependent variable. The result of linear regression analysis can be seen as follows:

**Table 3.** Linear Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2,196	,643		3,417	,001
	Service Recovery	,837	,040	,879	20,734	,000

a. Dependent Variable: Customer Satisfaction

From table above, it can be obtained linear regression equation as follows:  $Y = 2.196 + 0.837 X$  The linear regression equation can be explained as follows: a. Constant (a) is in 2.196. It shows that if service recovery in zero then customer satisfaction will be in 2.196 unit b. Coefficient regression (b) is in 0.837. It shows that the increasing of service recovery in 1 unit will make increasing of customer satisfaction in 0.837 unit.

#### 4.4. Z test

Z test is done to know whether service recovery has impact on customer satisfaction at PT Andalas Citra Elektrindo. From calculation above, it can be known that service recovery has significant impact toward customer satisfaction. It can be seen that Zcount in 9.94 is higher than ZTable in 1.96. It can be stated that hypothesis alternative is accepted that means that service recovery has significant impact toward customer satisfaction. Therefore, the company should improve the service recovery in order that the company can increase customer satisfaction.

## 5. DISCUSSION

In validity test, the validity value of the service recovery and customer satisfaction is in high and very high validity. It can be stated that all the questions is valid as instrument in this research.

In validity test, the validity value of the service recovery and customer satisfaction is in very high reliability. It can be stated that all the questions is reliable as instrument in this research.

In normality test, the significant value of service recovery and customer satisfaction are higher than 0.05 with result that data of service recovery and customer satisfaction are in normal distribution.

In mean, median and mode calculation, the most of respondent answer is disagree about service recovery and customer satisfaction dimension in PT Andalas Citra Elektrindo.

In correlation test, the coefficient of correlation value is in 0.879. It means that there is strong positive relationship between service recovery and customer satisfaction in PT Andalas Citra Elektrindo.

In determination test, the coefficient of determination value in 77.2%. It means that that customer satisfaction in PT Andalas Citra Elektrindo can be explained by service recovery in 77.2%.

From linear regression analysis, regression equation is  $Y = 2.196 + 0.837 X$ . It means that increasing of 1 unit service recovery can make increasing of customer satisfaction in 0.837 unit.

In Z test, the value of Zcount is 9.94. The Zcount in 9.94 is higher than Ztable in 1.96. Therefore, it can be stated that service recovery has significant impact toward customer satisfaction in PT Andalas Citra Elektrindo.

## 5. CONCLUSION

From result and analysis in this research, the conclusion of this research is that the service recovery has impact on customer satisfaction at PT Andalas Citra Elektrindo. From Z test, it can be known that  $Z_{count} > Z_{table}$ . The coefficient of correlation value is 0.879. There is strong and positive relationship between service recovery and customer satisfaction in PT Andalas Citra Elektrindo. The coefficient of determination value is 77.2%. It means that 77.2% of customer satisfaction can be explained by service recovery in PT Andalas Citra Elektrindo. From result of regression analysis, it can obtain linear regression equation  $Y = 2.196 + 0.837 X$ . The increasing of 1 unit of the service recovery can make increasing of 0.837 unit of customer satisfaction. Most of respondent is disagree about the service recovery dimension in PT Andalas Citra Elektrindo. Most of respondent is disagree about the customer satisfaction dimension in PT Andalas Citra Elektrindo.

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