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[Home](#)[Copyright](#)[About IJBMS](#)[Editorial Board](#)[Table of Contents](#)[Author Index](#)[Search](#)[Help](#)

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Philippine Tourists: Korea's Perceptual Image as Travel Destination <i>Sung-Chae Jung</i>	1–8
Integrating Islamic Insurance (Takaful) within the Framework of Conventional Insurance in Nigeria <i>B. A. Bukar and Muhammed Musa Saleh</i>	9–17
An Exploration of Social Entrepreneurship in Estonia <i>Mervi Raudsaar and Merike Kaseorg</i>	19–29
Students' Attitudes Toward Entrepreneurship <i>Merike Kaseorg and Mervi Raudsaar</i>	31–43
Instruments for Developing Network/Cluster – Case Study Smegonet Life Science Network <i>Adina Negrusa, Veronica Rus and Valentin Toader</i>	45–54
Cooperative Innovation Partners in Norway and Sweden <i>Sherry Robinson and Hans Anton Stubberud</i>	55–63
Developing a Decision Model for CRM Cloud Technology in Taiwan SME Sector <i>Yueh-Hua Lee and Feng-Yi Wu</i>	65–82
Assessing Cross-Cultural Awareness in Undergraduate Business Students <i>Angelina I. T. Kiser</i>	83–91
Service Improvement in the Banking Industry <i>Choonjong Kwak</i>	93–98
Facebook Marketing at Universities to Improve Customer Relations <i>Sepita Ansari Pir Seraei</i>	99–109
An Analysis of the Time- and Location- Related Aspects of the Ecological Footprint Index <i>Cecília Szigeti, Szilveszter Farkas, Ágnes Csiszárík-Kocsir and András Medve</i>	111–118
Crisis Definitions According to the Results of a Two-Round Questionnaire Research <i>Ágnes Csiszárík-Kocsir, Cecília Szigeti and András Medve</i>	119–127
Relationship Between Machiavellianism and Sales Performance <i>Abdul Aziz</i>	129–133

The Viability of an Economic and Monetary Union in Africa with a Unified Currency: Evidence from the African Economies' Reactions to the International Income, Price and Monetary Shocks <i>Giscard Assoumou Ella</i>	135–149
Prevention of Trademark Infringement Through the Role of Customs Control Related to Consumer Protection in Indonesia <i>Imas Rosidawati and Edy Santoso</i>	151–161
An Analysis of the Fastest Growing Construction Firms in the Real Estate Sector of India <i>J. C. Edison</i>	163–187
Perspectives on Inter-Industry Partnerships in the International Medical Tourism Market <i>Hsien-Cheng Lin, Tiem-Chih Hsieh and Chen-Chia Chen</i>	189–196
Learning Through Interpretation of European Senior Tourists in Thailand: Slow Tourism Domain <i>Ranee Esichaikul</i>	197–212
The Role of International Trade Law on Intellectual Property Rights Policy as Effort to Create Asean Economic Community <i>Martin Roestamy and Edy Santoso</i>	213–224
Smes Internationalization: The Attitude of Owner Managers in Ghana <i>Bylon Abeeku Bamfo and Felicity Asiedu-Appiah</i>	225–239
Principles of Bank Management: Correlation Between Personal Finance Surveys and Bank Activity in Croatia <i>Tomislav Jeletic</i>	241–245
Moral Development and Business Ethics: Panorama of Business Students <i>Aniqa Rehman</i>	247–263
Cooperation and Labor Contracting: An Intense Relationship <i>Patrick Micheletti and Michel Philip</i>	265–274
The Causal Relationship Between the Factors of Genius Triangle and Shape of Genius Triangle Affecting the Success of Small and Medium Enterprises in Thailand <i>Uthit Siriwan, Chotika Ramabut, Nutchuda Thitikalaya, Thuchapon Yodthong, Ornpapha Chutikorntaweessin and Chalio Vitoorapakorn</i>	275–300
Emotional Maturity as a Predictor of Managerial Performance: A Study on Banking and Insurance Sector <i>Jasleen Kaur</i>	301–314
Financial Distress Prediction: Empirical Evidence From Selected Banks in Asia <i>S. Poornima</i>	315–332
Corporate Governance, Company Resources and CSR: Exploring the Application of ISO 26000:2010 in an Emerging Market <i>Faizah Darus, Noor Hidayah Mat Isa and Haslinda Yusoff</i>	333–348
Managing Cultural Differences when Doing Business Internationally <i>Júlia Szóke</i>	349–357

Human Capital Measurement – Experiences From Poland <i>Lukasz Sienkiewicz</i>	359–368
Knowledge Management in Polish Companies <i>Jakub Brdulak</i>	369–378
Factors Influencing Transfer of Training in Indian Manufacturing Sector <i>S. Manju and B. H. Suresh</i>	379–392
Foreign Direct Investment and the Indian Economy <i>Sudha Vepa</i>	393–404
Carasid: Product Development Leader with Jugaad Innovation <i>Christo F. V. Fernandes</i>	405–412
Management of Accessible Tourism and Its Market in Turkey <i>Zeki Akinci</i>	413–426
Anticorruption Improvement of Regulatory Framework of Public Procurement Execution in the Republic of Latvia <i>Anatoly Krivinsh</i>	427–432
The Factors Affecting People’s Decision Making on Organic Rice Consumption in Bangkok <i>Amornsri Tanpipat, Kulkanya Napompech and Nannaphat Sangsri</i>	433–441
Traceability as a Key Competency for the Aeronautical Industry: An Exploratory Study <i>Alejandro Romero and Darli Rodrigues Vieira</i>	443–457
Paper on an Analysis of National Export Development Planning and Management in Oman for International Competitiveness; Lessons for Zimbabwe and Other SADC Countries <i>Said Al-Nabhani, Faustino Taderera and Godwell Karedza</i>	459–478
Tourism Professors: What are We Advocating? <i>Stan McGahey</i>	479–486
A Way to Overcome Poverty: Microcredit and Its Applications <i>Demet Serin</i>	487–504
Marketing Strategy of Accommodation Business in Khaosan Road and Nearby Area <i>Urasa Buatama</i>	505–510
Perceived Justice in Service Recovery: Study of Experimental Design on Indonesian Customers <i>Jeanne Ellyawati, Basu Swastha Dharmmesta, Bernardinus M. Purwanto and Hester Van Herk</i>	511–522
Efficiency and Practical Aspects of the Balanced Scorecard in Polish Specialistic Hospital <i>Dariusz Porebski</i>	523–534
Efficiency in Science and Technology Universities: Evidence from Thailand <i>Tasanai Pranee</i>	535–543

Corporate Entrepreneurship and Innovation in Family Businesses: Development of a Theoretical Model <i>Teresa V. Menzies and Jörg-Daniel Schönfelder</i>	545–556
Factors Influencing Intention to Buy Long-Term Life Insurance of People in Northeast Thailand <i>Niranapa Lawong and Pensri Jaroenwanit</i>	557–572
A Grounded Theory Analysis of the Influence of Economic Factors on the Adoption of E-Payment Systems in Libya <i>Mahmoud Hassan Elbasir and Richard Howley</i>	573–591
Tax Awareness Amongst Malaysian Working Youth <i>Norsiah Ahmad and Azwadi Ali</i>	593–601
A Social Identity Model of Strategic Leadership Effectiveness in the Public Service <i>N. E. Schutte and N. Barkhuizen</i>	603–614
Financial Leadership – Transforming Financial Experts into CFOs <i>Karl Zehetner, Barbara Fahrngruber, Robert Pichler and Stefan Trapp</i>	615–621
Organizational Commitment and Self-Efficacy Influence on Business Performance of Airline Business in Thailand <i>Sasicha Suebsaeng and Senee Paungyanee</i>	623–633
Wealth Creators in Dubai: A Survey Based Study <i>Manuel Fernandez, Rajesh Kumar and Loki Reddy</i>	635–648
An Evaluation of on-Assignment Career Support for Expatriate Spouses <i>Katharina Silberbauer</i>	649–662
Author Index	463–464

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PERCEIVED JUSTICE IN SERVICE RECOVERY: STUDY OF EXPERIMENTAL DESIGN ON INDONESIAN CUSTOMERS

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This study examines the model of consumer perceptions of service recovery in the context of service failure. Adopting the concept of justice theory, this study is to investigate the influence of perceived justice and its impact on recovery satisfaction. The data used in this study were collected based on laboratory experimental design. The 381 graduate students were recruited from Atma Jaya Yogyakarta University and Gadjah Mada University, Indonesia as participants. Hypothesis testing was employed by ANOVA and regression analysis. The finding of the study showed that both of complainers and non-complainers who experience service failure are more interested in receiving service recovery in a proper compensation and communication from the service provider. There is a tendency that perceived recovery justice of non-complainers is more positive than those of complainers. Furthermore, it is found that those of the three dimensions of justice, perceived interactional justice has the highest response. Regression analysis shows that the three-dimension of perceived justice partially as well as simultaneously effect on recovery satisfaction positively.

Keywords: Perceived justice, Recovery satisfaction, Positive WOM, Repurchase intention, Intention to switch.

INTRODUCTION

No matter how good the service provider served customers, service failures is always happened. Service failure can lead to negative disconfirmation and ultimately dissatisfaction (Michel & Meuter, 2008). Consumer dissatisfaction to the service providers can endanger the business organization itself. When consumers are not satisfied with the purchase experience, they usually perform multi response (Ellyawati, 2011). Their response can be varies, ranging from no action at all to the millions of dollars suing for losses experienced (Day *et al.*, 1981).

To restore customer satisfaction that caused by service failure, the service provider can provide service recovery efforts (Michel & Meuter, 2008). Service recovery is a consequence of service failure that concerned to the service organization's response management to the failures occurred. Implementation of an effective recovery technique allows managers to retain existing customers, increase customer loyalty (Miller *et al.*, 2000; Chang, 2008; Zeithaml, *et al.*, 2006; Blodgett *et al.*, 1997; Maxham & Netemeyer, 2003), and can even lead to a paradoxical situation

(McCollough, 2009). Recovery strategy becomes especially important for companies to maintain and develop good relationships with customers in the long run.

The purpose of this study is to test empirically the phenomenon of service recovery and its impact on customer satisfaction in the context of service failure. Using theory of justice as the basis, researchers aim to build and test a model of consumer behavior in the context of failure and recovery issue.

CONCEPTUAL DEVELOPMENT AND HYPOTHESES

Perceived distributive justice

Distributive justice derived from social exchange theory and equity theory (Adams, 1963) and refers to the output received by an individual in that social exchange. According to Kreitner & Kinicki (2008) distributive justice is the perceived fairness on how resources and rewards are distributed. Meanwhile, according to Homans, the concept of distributive justice in the exchange relationship occurs when the benefits received by each individual is proportional to the investment (Whiteside, 1974).

Some of past empirical studies stated that perceived distributive justice effects on service recovery evaluation positively (Goodwin & Ross, 1992, Smith *et al.*, 1999). Gustaffson (2009) in his study stated that when a consumer experienced a good service recovery, then they are likely to perceive a high level of justice, creating a positive attitude to service providers (attitudinal loyalty) and increase the likelihood of repurchase intention in the future (behavioral loyalty). In contrast, consumers who have a low service recovery tend to perceive a low justice. Thus, the argument leads to the following hypothesis:

H1a: There is a difference perceived distributive justice between complainers who received high service recovery and low service recovery.

H1b: There is a difference perceived distributive justice between non-complainers who received high service recovery and low service recovery.

Non-Complainers who received low service recovery are likely perceived distributive justice more positive than the complainers. Moreover when non-complainers received high service recovery, it will lead to a more positive perceived distributive justice than complainers. It could be realized that non-complainer do not have to argue with service provider and he or she already had received the compensation. Whereas complainers although already asked for compensation, but they obtained similar compensation with non-complainers. Thus, the argument leads to the following hypothesis:

H1c: There is a difference perceived distributive justice between complainers and non-complainers who both received high service recovery.

H1d: There is a difference perceived distributive justice between complainers and non-complainers who both received low service recovery.

Perceived procedural justice

Procedural justice refers to whether the policies, procedures and criteria used by decision-makers to solve the problem are fair (Blodgett, 1997; Karande *et al.*, 2007). Lavenenthal and his colleagues concluded that a fair procedure must be consistent, unbiased and impartial, representing all stakeholders and based on accurate and ethical standards (Kou & Loh, 2006; Blodgett, 1997). Procedural justice includes the meaning of how decisions are made and conflicts are solved.

Thibaut and Walker (Hocutt *et al.*, 2006) stated that procedural justice theory is one of the reactive process theories. Procedural justice is very important in service recovery. A consumer may satisfy with one type of service recovery strategy offered by service provider but became dissatisfied when the process of obtaining compensation runs slowly (Kelley *et al.*, 1993; Hoffman & Kelley, 2000). It can be said that the faster service recovery procedures, the higher the perceived procedural justice (Blodgett, *et al.*, 1997; Hoffman & Kelley, 2000; Ha & Jang, 2009).

H2a: There is a difference perceived procedural justice between complainers who received high service recovery and low service recovery.

H2b: There is a difference perceived procedural justice between non-complainers who received high service recovery and low service recovery.

Non-complainers who receive initial service recovery are likely to perceive procedural justice better than the complainers. This is because they do not spend time and effort for obtaining the recovery service, but they already obtained it. Meanwhile, complainers must be struggle with the effort and spend much time to obtain the service recovery. Based on these arguments, the following hypothesis is proposed:

H2c: There is a difference perceived procedural justice between complainers and non-complainers who both received high service recovery.

H2d: There is a difference perceived procedural justice between complainers and non-complainers who both received low service recovery.

Perceived interactional justice

Interactional justice is related to individual behaviors in treating consumers during the procedure recovery (Tax *et al.*, 1998, Erdogan, 2002; Hui *et al.*, 2007). Blodgett *et al.* (1997) cited from some experts, said that interactional justice refers to the attitude in which consumers are treated during the process of conflict resolution. The higher service provider staffs interact to customers, the higher consumer perceptions of interactional justice will be (Hoffman & Kelley, 2000; Ha & Jang, 2009). Bitner *et al.* (1990) put more emphasis on interaction in the form of hospitality of service provider staffs. He said that consumers will react positively if the service failure from the early be complemented with friendly service recovery. Thus, the argument leads to the following hypothesis:

H3a: There is a difference perceived interactional justice between complainers who received high service recovery and low service recovery.

H3b: There is a difference perceived interactional justice between non-complainers who received high service recovery and low service recovery.

Service provider will benefit high quality of reputation if it can resolve the problem immediately; have a good access and fast response to customers (Hocutt *et al.*, 1997). With immediate recovery and the right services, it is expected that consumers will perceive interactional justice positively. Moreover, if the consumer does not complain but obtain recovery, consumers will perceive service recovery justice more positively. The better the service provider to treat consumers, the higher the consumer perceive interactional justice. Thus, the argument leads to the following hypothesis:

H3c: There is a difference perceived interactional justice between complainers and non-complainers who both received high service recovery.

H3d: There is a difference perceived interactional justice between complainers and non-complainers who both received low service recovery.

Service recovery satisfaction

Theory of justice is built on the concept of three-dimensional of justice which is included distributive justice, procedural justice and interactional justice (Blodgett *et al.*, 1997; McColl-Kennedy & Sparks, 2003; McCole, 2003). In a previous study, the three dimensions of justice proved that those variables affect satisfaction (Maxham & Netemeyer, 2002; Smith *et al.* 1999). Generally, perceived justice dimensions hypothesized as antecedents of cognition that affect satisfaction directly (Tax *et al.*, 1998; Smith & Bolton, 2002). Consumers will determine their opinion on the basis of which the recovery process is considered sufficiently, it means that there is a positive effect on satisfaction. McCollough (1992) in his study found that the effect of service recovery on satisfaction is not linear. It means that high service recovery does not lead to high customer satisfaction, in reverse low services recovery does not lead to lower satisfaction.

Some of researches are focus on the study dimension of justice partially and its impact on satisfaction. In his research McCollough *et al.* (2000) suggest that the distributive justice and interactional justice variables is important predictor for post-recovery satisfaction (McCollough *et al.*, 2000). While Spark and McColl-Kennedy (1998) and Karande *et al.* (2007) in their study focus more on the non-compensation recovery, those are procedural justice and interactional justice. They stated that although distributive justice (compensation) is important in service recovery, but how the process is resolved, the way the compensation was distributed, extremely determine to consumer satisfaction. Thus the overall effect of distributive justice, procedural justice and interactional justice are very important to measure customer satisfaction. Thus, the argument leads to the following hypothesis:

H4a: Perceived distributive justice, procedural justice and interactional justice partially affect to service recovery satisfaction positively.

H4b: Perceived distributive justice, procedural justice and interactional justice simultaneously affect to service recovery satisfaction positively.

METHODOLOGY

To test hypothesis, this study used between subject experimental design 2x2x2x3 factorial design. Stimulus of service failure consists of two different designs, namely high and low service recovery with three variables of perceived justice. The experimental group was distinguished between complainers and non-complainers. Therefore the combination of variables and categories made 16 types of scenarios.

Sample

Samples are required a minimum of 20 people per cell. The total of 381 participants were recruited from classes at 2 universities, there are Atma Jaya Yogyakarta University and Gadjah Mada University. Based on the gender characteristics, most participants are male (63.5%), aged between 21 years to 25 years (43%). In addition to being students, most participants are working as a civil or non-educational employees in various private and public institutions (36.7%). They attend to Magister programs in different faculties, those are: Economics and Business, Civil Engineering, Architect, Informatics Technology, and Law. Based on the school they attend, most participants are studying in Master of Management program (57.2%) at the University of Gadjah Mada (55.1%).

Procedure

Experiment was conducted in the classroom. Each participant was distributed a booklet randomly. To answer the questions, we use paper and pencil test method. After participants read the scenario of service failure, they have to make a choice whether they will complaint to the service provider or not. We set up service recovery scenario in red and blue papers. Participants who decided to complain to service provider must open a red page, instead of the blue one and vice versa. Complainers and non-complainers are distributed with different stimulus, because each has difference form of service characteristics.

Measures

All constructs in current study were measured with multi-item scale adopted from literatures. The distributive justice instrument were adopted from Smith *et al.* (1999); Blodgett *et al.* (1997). Whereas procedural and interactional justice instruments were adopted from Blodgett *et al.* (1997); Smith *et al.* (1999); Rio-Lanza *et al.* (2008). The same scales of recovery satisfaction was used as in Bitner (1990); Davidow (2000); Rio-Lanza *et al.* (2008). Research instruments were modified in accordance with the objectives of the study. All constructs using a 5-point Likert scale from strongly agree (5) to strongly disagree (1).

RESULT

Based on the data obtained, a total of 220 participants are complainers and 161 consumer participants are non-complainers. To investigate differences of consumers perception among experimental groups, the following are the results of ANOVA:

Perceived distributive justice complainers and non-complainers

Among the 220 participants who complained to service provider and received service recovery, there are 117 participants perceive high distributive justice. The remaining 103 participants perceive low distributive justice. Analysis of variance shows that $F_{(df=1, n=220)}=21.540$; $p < 0.05$. Thus hypothesis H1a is supported. Among 161 participants who did not complain but receive initial service recovery, there are 71 participants perceive high distributive justice, while as many as 90 participants perceive low distributive justice. Analysis of variance shows that $F_{(df=1, n=161)}=17.688$; $p < 0.05$. Thus hypothesis H1b is supported.

The data collected shows that 188 participants perceive high distributive justice and 193 consumers perceive low distributive justice. Among the 188 participants who perceive high distributive justice, there are 117 complainers and 71 non-complainers. Analysis of variance shows that $F_{(df=1, n=188)}=24.190$; $p < 0.05$. Thus hypothesis H1c is supported. Among the 193 participants who perceive low distributive justice, there are 103 complainers and 90 non-complainers. Analysis of variance shows that $F_{(df=1, n=193)}=25.367$; $p < 0.05$. Thus hypothesis H1d is supported.

Perceived procedural justice complainers and non-complainers

Among the 220 participants who complained to service provider and received service recovery, there are 117 participants perceive high procedural justice. The remaining 103 participants perceive low procedural justice. Analysis of variance shows that $F_{(df=1, n=220)}=2.977$; $p > 0.05$. Thus hypothesis H2a is not supported. Among 161 participants who did not complain but receive initial service recovery, there are 80 participants perceive high procedural justice, while as many as 81 participants perceive low procedural justice. Analysis of variance shows that $F_{(df=1, n=161)}=3.496$; $p > 0.05$. Thus hypothesis H2b is not supported.

The data collected shows that 183 participants perceive high procedural justice and 198 consumers perceive low procedural justice. Among the 183 participants who perceive high procedural justice, there are 103 complainers and 80 non-complainers. Analysis of variance shows that $F_{(df=1, n=183)}=7.867$; $p < 0.05$. Thus hypothesis H2c is supported. Among the 198 participants who perceive low procedural justice, there are 117 complainers and 81 non-complainers. Analysis of variance shows that $F_{(df=1, n=198)}=8.610$; $p < 0.05$. Thus hypothesis H2d is supported.

Perceived interactional justice complainers and non-complainers

Among the 220 participants who complained to service provider and received service recovery, there are 112 participants perceive high interactional justice. The remaining 103 participants perceive low interactional justice. Analysis of variance shows that $F_{(df=1, 220)}=89.920$; $p < 0.05$.

Thus hypothesis H3a is supported. Among 161 participants who did not complain but receive initial service recovery, there are 76 participants perceive high interactional justice. The remaining 85 participants perceive low interactional justice. Analysis of variance shows that $F_{(df=1, n=161)}=68.642$; $p < 0.05$. Thus hypothesis H3b is supported.

The data collected shows that 184 participants perceive high interactional justice and 197 consumers perceive low interactional justice. Among the 184 participants who perceive high interactional justice, there are 108 complainers and 76 non-complainers. Analysis of variance shows that $F_{(df=1, n=184)}=2.836$; $p > 0.05$. Thus hypothesis H3c is not supported. Among the 197 participants who perceive low interactional justice, there are 112 complainers and 85 non-complainers. Analysis of variance shows that $F_{(df=1, n=197)}=3.375$; $p > 0.05$. Thus hypothesis H3d is not supported.

Effect of perceived justice on recovery satisfaction

The regression model was used to verify the hypothesis. The regression analysis was processed used SPSS for Window. Based on the results that the three dimension of justice variables partially influence recovery satisfaction positively. Thus the results of this study fully support the hypothesis H4a. The complete results are tabulated in Table 1.

Table 1. Relationship between perceive justice and recovery satisfaction.

Independent variable	Standardized coefficient beta	t-value	p-value	R
Distributive justice	0.804	26.360	0.000	0.804
Procedural justice	0.798	25.760	0.000	0.798
Interactional justice	0.743	21.628	0.000	0.743

Note: the dependent variable is recovery satisfaction

Multiple regression analysis was used to establish the relationship between the three dimensions of justice and recovery satisfaction. The three dimensions of justice influence recovery satisfaction simultaneously. The R^2 value is 0.890, suggesting very good fit of the model. Thus the results of this study support the hypothesis H4b.

DISCUSSION AND CONCLUSION

Influence of perceive distributive justice on recovery satisfaction

The findings confirm that the dimensions of perceived distributive justice affect on recovery satisfaction significantly ($\beta = 0.804$, $p < 0.05$). Thus it can be interpreted that the greater the value of compensation, the greater the consumer satisfaction. It could be realized that consumer has already spent a certain amount of money and experienced service failure in the purchase episode. Therefore it is natural that consumers tend to expect service recovery at least in the form of compensation to replace the money spent. As good as any procedures and communication

with staff, it can not replace the loss of funds that already paid by consumers to service providers.

This statement is supported by Smith *et al.* (1999), which stated that the compensation is the most influential dimension on satisfaction than the dimensions of procedural justice and interactional justice. The study also confirmed previous studies conducted by Mattila (2001) and Kau and Loh (2006) which states that the dimension of distributive justice have a positive impact on customer satisfaction. Similarly research conducted by Gustaffson (2009) stated that when consumers received a good service recovery, they are likely to perceive a high level of justice, create a positive attitude to service providers (attitudinal loyalty) and increase the likelihood of re-purchase intention in the future (behavioral loyalty).

Influence of perceive procedural justice on recovery satisfaction

The current study confirm that the dimensions of procedural justice perceptions affect recovery satisfaction significantly ($\beta = 0.798$, $p < 0.05$). Thus it can be said that a better procedure would enhance perceived procedural justice positively. Further, it will enhance the recovery satisfaction.

Karande *et al.*, (2007) in his study focus on procedural justice in the form of voice recovery. Voice Recovery is a recovery procedure in which consumers are given the opportunity to select or specify the desired recovery in the process of obtaining compensation. It is expected that with giving a voice to consumers will make them more satisfied. The emphasis in this statement is the importance of procedural fairness in dealing with service failure. Procedural fairness is important in service recovery because when consumers are satisfied with one type of recovery offered, may dissatisfied because the process to get the compensation disappoint (Kelley *et al.*, 1993).

Influence of perceive interactional justice on recovery satisfaction

In delivering services, it is often can not be separated from the person incharge. Therefore a certain encounter often cause negative response, even the best organizations inevitably face this problem. By providing a high interaction to consumers, it is expected that consumers will feel more valued, be cared and understand the situation. This study confirms that perceived interactional justice dimension was directly affect recovery satisfaction significantly ($\beta = 0.743$, $p = 0.000$).

This study also confirms previous studies conducted by Namkung & Jang (2009) and Blodget *et al.* (1997) that perceived interactional justice is very important because it has a big influence on customer satisfaction. When customers experience service failure and they get a friendly and respectful treatment from service providers, they likely to continue repurchase the brand. Information and communication with consumers should always be maintained in order to avoid misunderstandings. Furthermore, consumers are given the opportunity to be able to follow the ongoing recovery process, so that the consumers will feel safe.

Influence of perceive justice on recovery satisfaction

In practice, each dimension of justice can not be separate partially from one another, the three dimension of justice are interrelated and mutually supported. In the literature, the three dimensions of justice are expressed independently each other, but the combination of those dimensions can determine the overall of perceived justice and consumer behavior in the future (Blodget *et al.*, 1997). This statement is strengthened by Erdogan (2002) who said that even though the dimensions are correlated, but they are accepted as different dimensions of justice construct. In other words, the three-dimensional of perceived justice are complementary to each other.

This study found that perceived justice dimension, either partially or simultaneously affect recovery satisfaction directly. Multiple regression analysis shows a strong relationship between perceived justice and recovery satisfaction ($R^2 = 0.791$). Of the three dimensions of justice, perceived distributive justice is the dimension that most impact on recovery satisfaction, then perceived procedural justice dimension ($\beta = 0.265$) and finally the interactional justice dimension ($\beta = 0.316$).

The current study supports previous study conducted by Smith *et al.* (1999) which states that the compensation (distributive justice) is the most influential antecedents on consumer satisfaction compared to elapse time during recovery process (procedural justice) and the initial response from the service provider (interactional justice). The current study is also consistent with study conducted by Spark & Kennedy (2001). In their experimental study with a hotel setting, it stated that level of customer satisfaction depends on the type of compensation, the voice given to the consumer, and the level of compliance with existing policies by the service provider.

MANAGERIAL IMPLICATION

The very important moment for service providers is when handling service recovery to restore customer satisfaction in service recovery process. This study offers a perspective for managers how consumers evaluate the relationship with the service provider based on the principles of justice. The results of this study will support managers to a better understanding on how the form of a fair and effective services can contribute to increased customer satisfaction.

This study present a mean value of perceive justice of non-complainers greater than complainers. In other words non-complainers who experience service failure and receive initial service recovery will perceive justice positively more than complainers. It means that proactive service providers can improve the perceived justice. When a service failure occurs, consumers do not have to ask for recovery to service providers, but on their own initiatives, the providers restore proper service recovery immediately.

The current study also shows the importance of distributive justice and interactional justice in handling service recovery. This study suggests that distributive justice is the most consumer attention, then interactional justice and finally procedural justice. The most sensitivity of consumers to service recovery is compensation. We can see on the significant difference between high distributive justice and low. Therefore, business organizations need to design a service recovery strategy in accordance with the characteristics of the product. It also needs to learn the types of compensation in accordance with the level of service failure in order to better service.

Furthermore, communications and processes are also important to be paid attention in consumer evaluations, so service recovery strategy will balance in outputs and processes.

Overall for business organizations that have defensive strategy, service recovery strategy is very effective to be implemented. With a combination of proper service recovery strategy which accepted by customers, it will lead to constomers satisfaction. It is expected that satisfied consumer will decrease intention to switch to other brand, enhance positive word of mouth communications and re-purchase intention.

LIMITATIONS AND FUTURE RESEARCH

Our preliminary study of experimental design found that there was no significantly different between low recovery and no recovery when the participants were distributed those service recovery scenarios. Therefore, we eliminated the non-recovery scenarios. For future research it would be interesting to test consumers who experience service failure but do not receive service recovery.

The scenario of experimental design in current study also had difficulty loading various types of compensation. The type of compensation would be determined to perceived distributive justice in order to get the suitable perception of consumer need. Therefore, future studies are expected to be directed to focus on the diversity of compensation.

In the process of experiment activity, we have difficulties in gathering hundreds of people at once in the same time. In the process of data collection, we gathered participants by class before the class begins. Therefore, there is a time lag between classes. Although the possibility of communications among participants already anticipated, but it still possible that diffusion will occur. For future research it is necessary to find a better way to avoid this problem.

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