

# Perceived justice and service recovery satisfaction in a post-transition economy\*

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## Abstract

This paper aims to improve the understanding of outcomes of service recovery in a post-transition context by examining the relationships between four dimensions of perceived justice and service recovery satisfaction (SRS), positive word of mouth (PWOM) and repurchase intentions. Results from a survey of 217 Slovenian telecommunications customers with actual recovery experiences reveal that distributive, informational and interpersonal (but not procedural) justice are positively related to SRS, which acts as a mediator between these three justice dimensions and repurchase intentions and PWOM. Further analysis indicates that duration of customer-firm relationship negatively moderates the link between interpersonal justice and SRS. These findings provide a theoretical explanation of inconsistent findings in previous studies regarding the importance of interactional justice. For managers, our findings indicate that service providers should always pay attention to providing fair compensation, truthful information and fair interpersonal treatment to complainants, while the interpersonal treatment during service recovery matters even more to customers whose relationships with the provider are in the development phase.

**Keywords:** complaints; satisfaction; service recovery; justice theory; positive WOM; repurchase intentions

**JEL Codes:** M31, M39

## Introduction

Over the past three decades, both marketing practice (Hart/Heskett/Sasser 1990; Tax/Brown 1998; Grainer et al. 2014) and theory (Fornell/Wernerfelt 1988) have demonstrated the importance of customer complaints handling and service recovery<sup>1</sup>. Service recovery is crucial because it can help predict customer churn (Knox/Van Oest 2014) and, when implemented well, leads to improved satisfaction of customers who encountered problems with the service (Maxham/Netemeyer 2003; de Matos/Henrique/Rossi 2007). Service recovery satisfaction (hereafter SRS) is then key for customer loyalty (e.g. Andreassen, 2001; Maxham/Netemeyer, 2002a, 2002b; Tax et.al 1998). Moreover, disappointed complainants can seek revenge, which can cause serious damage to the provider

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1 We do not distinguish between complaints handling and service recovery situations since the two terms originate from different literatures (i.e. consumer behavior and service marketing) but essentially have the same meaning (see M. G. Kim/Wang/Mattila 2010).

(Grégoire/Tripp/Legoux 2009) and become more susceptible to switching over to the provider's competitors (Allen et al. 2015). Therefore, it is not surprising the body of knowledge on service recovery has been advancing fast (for recent reviews, see Krishna/Dangayach/Jain 2011; Van Vaerenbergh/Orsingher 2016; Van Vaerenbergh et al. 2019).

Extant literature on customers' evaluation of service recovery establishes the pivotal role of customers' justice perception in shaping SRS (Smith/Bolton/Wagner 1999; Andreassen 2000) and numerous studies document the positive effects of SRS on customer loyalty (e.g. Tax/Brown/Chandrashekar 1998; Andreassen 2001; Maxham/Netemeyer 2002a, 2002b). Although other constructs such as trust and emotions have been proposed as mediators between justice perception and loyalty (La/Choi 2012; Vázquez-Casielles/Iglesias/Varela-Neira 2012), two meta-analyses reaffirm the central role of SRS in translating perceptions of justice into customer loyalty (Orsingher/Valentini/de Angelis 2010; Gelbrich/Roschk 2011).

With the present paper we wish to address several still unresolved issues and shortcomings of past studies. First of all, the vast majority of studies relies on a three-dimensional conceptualization of perceived justice of service recovery consisting of distributive, procedural, and interactional justice dimensions (Gelbrich/Roschk 2011), although some authors establish the validity (Ambrose/Hess/Ganesan 2007; Nikbin et al. 2012; Gohary/Hamzeli/Alizadeh 2016; Rosenmayer et al. 2018) or even demonstrate the superiority (Lee/Joshi/Kim 2011) of a four-dimensional conceptualization of perceived justice, which separates interactional justice into two independent dimensions, termed interpersonal and informational justice. Not differentiating between these two dimensions can lead to spurious results and could be a reason for conflicting conclusions about relative importance of interactional justice (e.g. Vázquez-Casielles/Suárez Álvarez/Díaz Martín 2010; Nefat/Belazić/Alerić 2012). Similarly, both meta-analyses confirm that distributive justice is the strongest predictor of SRS and, consequently, loyalty and positive word of mouth (hereafter PWOM) (Orsingher et al. 2010; Gelbrich/Roschk 2011) but come to different conclusions about the other justice dimensions. Specifically, while Orsingher et al. (2010) find significant effects of procedural and interactional justice on SRS, Gelbrich/Roschk (2011) do not find support for these two effects. Another unresolved question is the degree to which SRS mediates the impacts of justice dimensions on customer loyalty, where the two meta-analyses again offer different results. Gelbrich/Roschk (2011) conclude that SRS mediates only the effects of distributive justice on PWOM and loyalty, while Orsingher et al. (2010) infer that SRS mediates the effects of all three justice dimensions on customer behavioural intentions (PWOM and loyalty).

Against this background, our paper aims to make a contribution to the emerging body of literature that conceptualizes perceived justice in service recovery as a four-dimensional construct (Ambrose et al. 2007; Lee et al. 2011; Nikbin et al. 2012; Gohary et al. 2016; Rosenmayer et al. 2018). We show that treating informational and interpersonal justice dimensions as two separate constructs provides a more accurate conceptualization of perceived justice in complaint handling. Moreover, we demonstrate that introducing informational and interpersonal justice dimensions as independent constructs improves predictive validity since these two dimensions have differential effects on service recovery outcomes. Furthermore, drawing on social penetration theory (Altman/Taylor 1973), we hypothesize the moderating effect of relationship duration on downstream consequences of interpersonal justice. We consider the relationship duration as an indicator of relationship development stages and theorize that perceptions of interpersonal justice are more important in developmental phases of provider-customer relationships.

Finally, to the best of our knowledge, this study is one of the few (e.g. Nefat et al. 2012) to examine SRS in a post-transition context of the eastern part of the European Union. Although one of the latest reports of the European Commission indicates that the East-West gap is slowly closing, significant differences still exist between consumers in Eastern and Western Europe (European Commission 2009, 2017, 2018, 2019). Expectations of consumers from Eastern European states with regard to their rights as consumers tend to be lower compared to consumers in the Western European member states. These and several other differences in consumer expectations and redress can be attributed to a residual effect of the lack of consumer rights during the previous political and economic regime (European Commission 2009).

Conditions for consumers have improved overall since 2014 in the EU, driven mainly by an increase in trust, but remain less satisfactory in the eastern and southern EU countries (European Commission 2017). There are fewer problems and a higher SRS in the West and North regions of EU (European Commission 2019). Yeung et al. (2013) demonstrate that in Europe the satisfaction–consumption link is stronger for developed market economies with higher economic freedom; however, it depends on the culture as well. In post-transition countries that are mostly characterized by strong survival values and collectivism, consumers tend to stick to the same service provider once they are satisfied (Yeung et al. 2013). Therefore, it is even more important that companies in post-transition markets satisfy customers and execute proper service recovery processes when service failures occur.

## Theoretical background and hypotheses

### *Service recovery satisfaction and customer loyalty*

Customer satisfaction is a fundamental marketing concept because it represents a customer's elementary evaluation of a provider's offerings and is linked to important consequences, such as WOM and complaining behaviour (Swan/Oliver 1989), repurchase intentions (Curtis et al. 2011; Watson et al. 2015), service usage (Bolton/Lemon 1999), and willingness to pay (Homburg/Koschate/Hoyer 2005).

Theoretically, satisfaction is rooted in the expectation disconfirmation paradigm (Oliver 1980), which defines satisfaction with a marketing offering as a cognitive evaluation of the comparison between expectations and actual performance of what is offered. But other antecedents to satisfaction are proposed in theory and confirmed empirically, for example attributions (Oliver/DeSarbo 1988), equity (Oliver/Swan 1989a), and emotions (Westbrook/Oliver 1991). For our study, the finding of Szymanski and Henard's (2001) meta-analysis that, among several satisfaction antecedents, equity has the greatest impact is particularly interesting because equity is also a principle of distributive justice, as we discuss later. The importance of equity is also in line with the results of Andreassen (2000, p. 165), who finds that "equity seems to have a stronger impact on satisfaction with service recovery than disconfirmation."

For a customer to lodge a complaint or report a service failure and initiate<sup>2</sup> the recovery process, some dissatisfaction with the core service or product is usually necessary (Bearden/Teel 1983). The customers communicating their problems to the service provider should be preferred outcome in the event of service failures because other options available to customers, such as switching and/or taking public actions against the provider (Singh 1988), typically result in greater damage for the provider (Fornell/Wernerfelt 1987; Blodgett/Li 2007).

Researchers usually distinguish transaction-specific from overall satisfaction, where the former influences the latter (Jones/Suh 2000; Olsen/Johnson 2003). Some authors observe that SRS is given many different names in the marketing and services literature (Stauss 2002). What is common to the various labels of this type of satisfaction is that it represents the customer's global evaluation of the provider's response to a service failure and/or the customer's complaint, which means that SRS is a transaction-specific form of satisfaction. Accordingly, we define SRS as a customer's cognitive evaluation of the overall service recovery process and its outcomes.

- 2 We acknowledge that the service recovery process can be initiated by the provider without a prior complaint by a customer. However, such service failure situations are not the focus of this study since they apparently do not cause enough dissatisfaction or last long enough to trigger a customer response.

Therefore, SRS is a secondary form of transaction satisfaction that may increase overall satisfaction simply by “venting” the frustration caused by the service failure (Nyer 2000). Consistent with prior research (meta-analyses by Orsingher et al. 2010; Gelbrich/Roschk 2011), we expect that SRS will be positively related to loyalty, conceptualised as intentions of repurchase and PWOM. Since these relationships have been widely studied and confirmed (Watson et al. 2015), we include but do not formally hypothesize, these previously established relationships as part of our model specification.

### *Perceived justice and service recovery*

Justice theory may be seen as an umbrella term for various theories originating from sociology, psychology, and organizational science that deal with people’s perceptions of justice and fairness in a variety of settings. Justice theory has been successfully adapted for studies ranging from employee attitudes and behaviours, marital relations, jurisprudence to business transactions (Tax et al. 1998). Marketing studies have used justice theory primarily for explaining customer satisfaction (Oliver/Swan 1989b) and customers’ evaluations of complaint handling or service recovery situations (Homburg/Fürst 2005; Van Vaerenbergh/Orsingher 2016). In these situations, perceived justice mediates the influence of organizational recovery processes on SRS (Gelbrich/Roschk 2011; Davidow 2014).

### *Distributive justice*

The roots of justice theory can be traced back to Homan’s (1958) social exchange theory which proposes that the outcomes of exchange in society always follow certain principles and standards, where equity in exchange is the fundamental one. Distributive justice of service recovery is defined “as the extent to which customers feel they have been treated fairly with respect to the final recovery outcome” (Maxham/Netemeyer 2002b, p. 240). Perceptions of distributive justice in service recovery can be enhanced by re-establishing or re-performing the failed service (Roschk/Gelbrich 2014), providing compensation (Grewal/Roggeveen/Tsiros 2008), and an apology (Roschk/Kaiser 2013). The impact of distributive justice on SRS is often found to be the strongest of all the justice dimensions (Orsingher et al. 2010), also in a mobile services recovery setting (Nefat et al. 2012). We thus propose the following hypothesis:

*H1a: Distributive justice is positively related to SRS.*

However, service recovery researchers sometimes hypothesize and confirm direct relationships between distributive justice and behavioural intentions (Lapidus/Pinkerton 1995; Lin/Wang/Chang 2011; Nikbin et al. 2012). This can be explained by distinguishing between event- and system-related attitudes,

where organizational justice researchers (e.g. Cropanzano et al. 2001) argue that event-specific attitudes (e.g. satisfaction with a promotion) are driven by event-specific justice dimensions (e.g. distributive and interactional justice), while system related attitudes (e.g. organizational commitment) are driven primarily by perceptions of procedural justice. In the case of service recovery, SRS is an event-related attitude, while system-related attitudes would be repurchase intentions or PWOM about the provider (Ambrose et al. 2007). However, organizational justice researchers often find mixed support for this assertion and conclude that all justice dimensions can exhibit direct effects on both event- and system-related attitudes (Ambrose et al. 2007; Choi 2008; Loi/Yang/Diefendorff 2009). Thus, we hypothesize that if consumers are given tangible compensation for a service failure, they will feel grateful (Brock/Folse/Black 2016) and will consequently alter their system-related attitudes. Their perception of distributive justice will directly affect their intention to stay with the provider and they will also be ready to engage in PWOM about it:

*H1b: Distributive justice is positively related to repurchase intentions.*

*H1c: Distributive justice is positively related to PWOM.*

### *Procedural justice*

Justice theory was expanded with conceptualization of procedural justice, namely the perceptions of the fairness of the procedures by which decisions are made (Thibaut/Walker 1975). In the service recovery context, procedural justice is defined “as the perceived fairness of policies and procedures involving the recovery effort” (Maxham/Netemeyer 2002b, p. 240). Procedural justice perceptions are based on the customer’s process and decision control, the accessibility of recovery processes, timeliness, and the flexibility of the provider (Tax et al. 1998). The customer’s perception of procedural justice can be improved by a speedy recovery (Estelami 2000), easy access to customer services (Davidow 2003), and making them feel they have some influence over the recovery process (Goodwin/Ross 1992). Some empirical findings even suggest procedural justice has the strongest influence on SRS (Maxham/Netemeyer 2003; Varela-Neira/Vázquez-Casielles/Iglesias 2010). In line with these arguments, we propose the next hypothesis:

*H2a: Procedural justice is positively related to SRS.*

Organizational justice researchers see procedural justice as a primary driver of system-related attitudes (Cropanzano et al. 2001; Choi 2008). Colquitt et al. (2001, p. 430) explain: “that people in organizations assume, at the outset, a social exchange relationship. This expectation continues until unfairness is evidenced...” A service failure can therefore shift customer’s relational orientation

from social to transactional (Tsarenko/Tojib 2011), while fair procedures give voice to the complainants and re-shift their relational orientation back to social one (Prasongsukarn/Patterson 2012). Accordingly, studies on service recovery often find direct relationships between procedural justice and behavioural intentions. For example, Davidow (2014, p. 83) claims that “procedural justice appears to be the prime motivator of word of mouth activity” and Karatepe’s (2006) findings support the direct effect of procedural justice on loyalty, which was conceptualized as a combination of PWOM and behavioural intentions. Lin et al. (2011) postulate that if service recovery procedures are promptly put into action, consumers will perceive a higher level of procedural justice related to the service recovery. This will positively impact their relationship with the provider, leading not only to increased satisfaction, but also to increased repurchase intentions and PWOM (decrease in negative WOM). Hence, we expect:

*H2b: Procedural justice is positively related to repurchase intentions.*

*H2c: Procedural justice is positively related to PWOM.*

### *Interpersonal justice*

The third dimension of organizational justice was introduced by Bies/Moag (1986), who termed it interactional justice. They argued that in organizational decision-making processes it is not just the outcomes and procedures that matter, but the interpersonal treatment and the information that people receive. This is because people wish to be treated with respect and accept decision outcomes easier when properly informed about the decisions that produced the outcomes. Greenberg (1993) further proposed the interpersonal and informational dimensions of organizational justice might be conceptualized as separate dimensions of interactional justice. The four-dimensional model of organizational justice has been empirically validated (Colquitt 2001) and successfully applied to the service recovery setting (Lee et al. 2011; Gohary et al. 2016).

Perceptions of interpersonal justice, defined as “customer perceptions about employee’s empathy, courtesy, sensitivity, treatment and the effort they expend to solve the problem” (del Río-Lanza/Vázquez-Casielles/Díaz-Martín 2009, p. 776), can be enhanced by active listening, honesty, and friendly communication (Gruber/Szmigin/Voss 2009). Substantial empirical research supports the positive influence of interactional justice on SRS (Orsingher et al. 2010), but support for the independent interpersonal justice dimension is rather rare (e.g. Nikbin/Ismail/Marimuthu 2013; Gohary et al. 2016). Based on this discussion, we propose the following hypothesis:

*H3a: Interpersonal justice is positively related to SRS.*



We again distinguish between event- and system-related attitudes as outcomes of service recovery (Ambrose et al. 2007) to theoretically support direct relationship between interpersonal justice and repurchase intentions and PWOM. Although interpersonal justice should primarily drive event-related attitudes such as SRS, the effects of interpersonal justice on system-related attitudes has been detected in limited previous studies in service recovery literature (Nikbin et al. 2012). This finding can be explained by Simon's (2013) findings that customers, who perceive service recovery employees as empathic, are more grateful and therefore increase their repurchase intentions. Lin et al. (2011) also suggest that service providers that maintain positive interactions with consumers through service recovery process will improve relationships with the consumers, besides increased SRS, also directly leading to increased repurchase intentions and PWOM. Thus:

*H3b: Interpersonal justice is positively related to repurchase intentions.*

*H3c: Interpersonal justice is positively related to PWOM.*

### *Informational justice*

The perception of informational justice is conceptualized as the explanatory aspect of interactional justice that provides the information about how a certain decision was made (Greenberg 1993). We define informational justice as "perceived adequacy and truthfulness of information explaining the causes for unfavourable outcomes" (Mattila/Cranage 2005, p. 272). Organizational justice research distinguishes three types of explanations: justifications, apologies, and excuses (Conlon/Murray 1996). However, in the context of service recovery some conceptual inconsistencies can be observed. While some authors suggest that only justifications should influence perceptions of informational justice (Bradley/Sparks 2012; Chen/Lee 2018), others consider excuses as well (Mattila 2006). Further, perceptions of informational justice can affect event-related attitudes like SRS (Wang/Mattila/Bartlett 2009). Hence, we propose the next hypothesis:

*H4a: Informational justice is positively related to SRS.*

Although informational justice perceptions should primarily drive event-specific attitudes (Cropanzano et al. 2001), organizational justice researchers often find that informational justice can affect system-related attitudes as well (Ambrose et al. 2007; Choi 2008). They explain that this is because "informational justice conveys both inclusion and trustworthiness by reducing secrecy and dishonesty" (Colquitt 2001, p. 395), which can positively influence system-related attitudes. Limited studies on service recovery justice support these direct effects. Nikbin et al. (2012) report significant direct effects of informational justice on switching



intentions, while Ambrose et al. (2007) find significant direct effect of informational justice on a compound loyalty construct that included PWOM. Drawing on these rationales we hypothesize:

*H4b: Informational justice is positively related to repurchase intentions.*

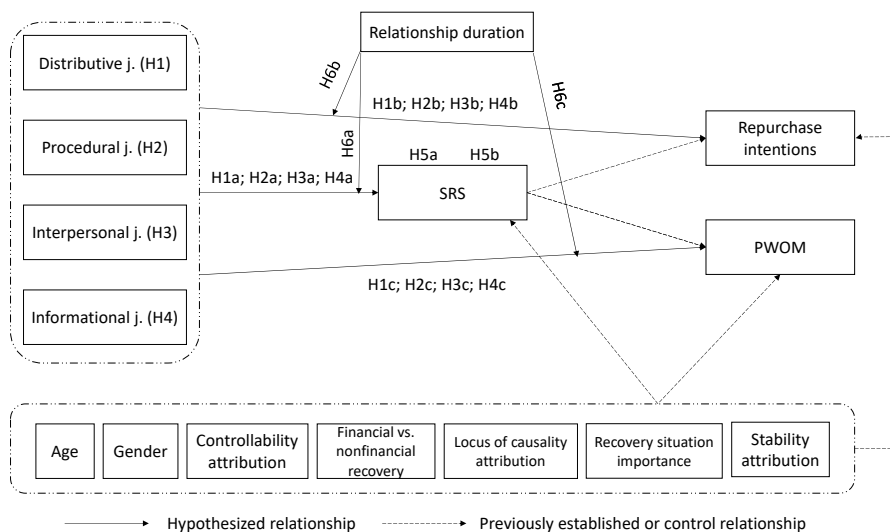
*H4c: Informational justice is positively related to PWOM.*

Fairness heuristic theory proposes that event-related attitudes mediate the effects of justice dimensions on system-related attitudes. However, exact nature of mediating relationship is still a matter of debate in justice literature (e.g. Colquitt et al. 2013; Rupp et al. 2014). In a service recovery context, this would imply that SRS mediates the effects of justice dimensions on loyalty outcomes. As explained earlier, we treat PWOM and repurchase intentions as two facets of customer loyalty. Therefore, we do not expect that the mediating role of SRS differs between these two outcomes (Orsingher et al. 2010; Gelbrich/Roschk 2011). Based on several studies that found direct and indirect effects of justice dimensions on repurchase intentions and PWOM through SRS (Maxham/Netemeyer 2002a; Brady et al. 2005; Karatepe 2006; Orsingher et al. 2010; Gelbrich/Roschk 2011; Davidow 2014), we argue for complementary mediation, meaning that indirect effect and direct effect both exist and point in the same direction (Zhao/Lynch/Chen 2010). Therefore, the following hypotheses are proposed:

*H5a: SRS mediates the effects of justice dimensions on repurchase intentions.*

*H5b: SRS mediates the effects of justice dimensions on PWOM.*

Figure 1 summarizes the conceptual model, which includes several control variables that were selected based on methodological and substantive recommendations in the literature. For example, Bernerth/Aguinis (2016) suggest that, in order to include control variables, these should go beyond simple demographics and include perceptual measures that are theoretically justified. Therefore, besides age (Smith et al. 1999; Ambrose et al. 2007) and gender (Smith et al. 1999; Hess/Ganesan/Klein 2003; Ambrose et al. 2007) we included three types of attributions as control variables, namely controllability, stability, and locus of causality attributions, which were previously shown to influence customer SRS and loyalty (Van Vaerenbergh et al. 2014). Moreover, we included a perceptual measure of the importance of the service recovery situation, as already used as a control variable in similar models (Maxham/Netemeyer 2002a; Davidow 2014) and reasons for the complaint (financial and nonfinancial) that are similar to failure type (Ambrose et al. 2007).

**Figure 1: Conceptual model of perceived justice and SRS**

## Moderating effect of relationship duration

In previous studies, moderating effects on the relationship between justice perceptions and SRS and/or loyalty constructs by different variables, such as a priori customer-firm relationships (W. Kim/Ok/Canter 2012), relationship level (de Matos/Vieira/Veiga 2012), transaction frequency (Chang/Lai/Hsu 2012) and loyalty and involvement (Cambra-Fierro/Melero-Polo/Sese 2015) were examined. While no study has explored the effects of relationship duration, Hess et al. (2003, p. 140) suggested that “customer-organization relationships can help to shield a service organization from the negative effects of failures on customer satisfaction”. Yagil/Luria (2016) also show how strong pre-failure relationships decrease customer’s blame toward the company.

To examine the role of relationship duration in service recovery communications, we draw on social penetration theory (Altman/Taylor 1973), which proposes that interpersonal relationships evolve across four stages. First two (orientation and early affective) stages are considered developmental stages and last two (affective and stable) stages are considered mature (Mongeau/Henningsen 2008). There is theoretical reasoning and empirical evidence to suggest that marketing relationships develop in a similar manner (Dwyer/Schurr/Oh 1987; Aaker/Fournier/Brasel 2004; Bügel/Verhoef/Buunk 2011). Authors that investigate the development of customer-provider relationships through the lens of interpersonal relationships often do so over a two-year period (Koza/Dant 2007; Aurier/N’Goala 2010). Hence, we consider relationships lasting less than two years as

developing, while we conceptualize relationships lasting two years or more as stable.

Social penetration theory further proposes that communication between relationship partners changes across the relationship stages (Altman/Taylor 1973; West/Turner 2013). During the developmental stages of a relationship the communication is often more formal and shallow, while mature relationships often include confrontational communication and even insults (Keltner et al. 1998; West/Turner 2013). This leads to changes in exchange partners' expectations regarding communication (Aaker et al. 2004) and reduces the effects of communication on customer commitment (Palmatier et al. 2013). Accordingly, we expect that relationship duration moderates the relationship between interpersonal justice and SRS and consequently the indirect relationship of interpersonal justice with repurchase intentions and PWOM. We predict this moderating effect because fair interpersonal treatment is especially important during the relationship development phase (Tax et al. 1998).

However, since social penetration theory does not predict that importance of explanations would change as relationships evolve (Mongeau/Henningsen 2008), we propose that the moderating effects exist for interpersonal justice dimension (interpersonal sensitivity), but not for the informational justice dimension (explanations). We argue that while customers are more sensitive to interpersonal treatment in the phase when the relationships establish, the informational dimension carries the same importance through the duration of the relationship. Social penetration theory also does not provide clear predictions regarding equity in exchanges, captured by distributive justice, or procedures guiding partners' decisions, represented by procedural justice (West/Turner 2013). Thus, we do not hypothesize any moderating effects of relationship duration on links between distributive, procedural or informational justice and SRS or loyalty outcomes. We support this notion with existing studies showing that relationship duration does not moderate the effect of payment equity, which is similar to distributive justice, on customer referrals or purchases, which resemble PWOM and repurchase intentions (Verhoef/Franses/Hoekstra 2002; Balaji 2015). Similarly, Fatima and Di Mascio (2018) find that relationship duration does not moderate the relationship between contractual trust, capturing relational procedures, and consumer dependency, which resembles loyalty.

*H6a: Relationship duration moderates the effects of interpersonal justice dimension on SRS.*

*H6b: Relationship duration moderates the effects of interpersonal justice dimension on repurchase intentions.*

*H6c: Relationship duration moderates the effects of interpersonal justice dimension on PWOM.*

## Methodology

### *Design and measures*

A cross-sectional design was chosen to meet the study's purposes since it is commonly used in service recovery (Gelbrich/Roschk 2011), perceived justice (Ambrose et al. 2007), and loyalty research (Watson et al. 2015). The key advantage of the survey approach is that respondents have genuine experience with service recovery processes and outcomes, enhancing the external validity of the results (Schoefer 2008; Simon 2013). Experimental designs often cannot be applied in the area of service recovery due to ethical and managerial concerns with the manipulation of customer experiences (Smith et al. 1999), while vignette-based studies in the service recovery context often fail to elicit realistic reactions from respondents (Schoefer/Diamantopoulos 2008).

All constructs were operationalized with items from established scales and measured on 5-point Likert-like scales. The items for the four dimensions of perceived justice in service recovery were adapted from Ambrose et al. (2007). SRS items were derived from Oliver/Swan (1989a) and Maxham/Netemeyer (2002a). PWOM and repurchase intentions items also came from Maxham/Netemeyer (2002a), with an extra item for repurchase intentions taken from Ambrose et al. (2007). Table 3 provides overview of the constructs and their items. The questionnaire had three sections, with the first asking respondents some general questions about the background to the service failure and their relationship with the provider. This section also served as a memory refresher. In the next section, concepts presented in this study were measured and demographic questions followed in the last section. The questionnaire was back translated in the Slovenian language and tested in nine interviews, leading to minor changes in the wording of some items.

### *Data collection and sample*

The context of this study is the telecommunication industry in Slovenia. Telecommunications were chosen because they are consistently among the bottom five industries in the service sector in the ACSI (Yeung et al. 2013), often have a large proportion of complaining customers (Estelami 2000; Garín-Muñoz et al. 2016) and are often among the poorest performing industries with regards to SRS (Broetzmann 2013; European Commission 2019). We followed previous research (e.g. Schoefer 2008) and set up an online survey to collect data from customers with actual service recovery experiences (Simon 2013) in Slovenia. Slovenia belongs to the group of EU countries (mostly Eastern European) where at least three quarters of the Consumer Conditions Index indicators are below the EU average (European Commission 2017). Therefore, it was chosen as a representative of post-transitional economies in the eastern part of EU. The telecommunications market in Slovenia is highly concentrated with four major

providers covering about 90% of the market across telecommunication services (landline, broadband and mobile; AKOS 2018). There is a constant trend of bundling telecommunication services with a single provider (AKOS 2018), which means that more and more customers buy all types of telecommunications services from a single provider. This fact highlights the importance of service recovery in telecommunications, since dissatisfied complainants switch to other providers (Keaveney 1995) and hence get all telecommunications services from another provider.

We identified seven online forums (e.g. [forumi.siol.net](http://forumi.siol.net) and [slo-tech.com](http://slo-tech.com)) where participants discussed their general experiences with telecommunication services of various providers. In the winter of 2016/2017, we posted an invitation on these forums, Facebook and LinkedIn for consumers with telecommunication recovery experiences over the previous 6 months (Tax et al. 1998) to participate in the survey. During a three-week period 267 respondents entered the survey, however 46 did not get through to the final page of the questionnaire and their responses were thus excluded. Another four questionnaires were excluded because they contained more than 25% of missing values, yielding a final sample of 217 respondents.

The final sample contains 185 respondents who answered all questions, while 36 displayed missing values. Inspection of these questionnaires revealed no clear pattern in the missing values, which were evenly distributed across all variables. Little's (1988) test ( $\chi^2 = 891.37$ ; 987 df;  $p = 0.99$ ) supports the notion that the data are missing completely randomly. Since missing values represent less than 1% of all measurements taken, they are present in less than 20% of sample units and no variable exceeds the threshold of 10% of missing values (Hair et al. 2014), the missing values were deemed unproblematic and all 36 questionnaires were retained for the analysis. Tests of the normality of distribution (Shapiro-Wilk, Kolmogorov-Smirnov and Mardia tests) reveal the data do not follow a normal distribution, with most variables having leptokurtic distributions. Therefore, we used the robust maximum likelihood (MLR) estimator in MPlus that in a similar way as the MLM estimator enables researchers to obtain parameter estimates with standard errors and a mean-adjusted  $\chi^2$  test statistic, as well as versions of CFI, TLI, and RMSEA that are robust to non-normality (Byrne 2013).

On average, the respondents were 34.13 years old ( $SD = 8.02$ ) and slightly more men (58%) were present in the sample. Respondents reported recovery experiences with all telecommunications providers in the marketplace. Respective shares of failures by providers were roughly proportionate to the providers' market share sizes. Table 1 gives an overview of socio-demographic information and duration of the relationship with the provider at the time of the service failure. In general, we observe that our sample's socio-demographic characteristics are consistent with findings in consumer complaining behaviour literature

(Stephens 2000), which suggests that male, younger, more educated, and wealthier consumers are more likely to voice their problems to providers.

**Table 1: The sample's socio-demographic and relationship duration information**

Education		Monthly income		Relationship duration	
Degree	Share in %	Range	Share in %	Range	Share in %
Elementary	2	Less than €500	17	Less than 6 months	9
High-school	28	€501 – €1000	34	6–12 months	18
University	66	€1001 – €1500	35	12–24 months	33
Specialization / doctorate	4	More than €1501	14	More than 24 months	40

Respondents reported problems with a whole range of services and products offered by telecommunications providers. A summary of the failure and offering types is provided in Table 2, where the sum of the shares exceeds 100% because respondents were able to choose multiple options. Table 2 also shows that billing and core service failure were the most frequent reasons for service recovery initiation, consistent with findings in other studies (Keaveney 1995). Among types of services, mobile services most often fail and therefore offer recovery possibilities for providers. Respondents were also asked about their attribution of the reasons for failures. Approximately one-third of the respondents attributed the reasons to the providers and perceived the failures as having been preventable. About 20% of the respondents believed their problems were temporary.

**Table 2: Types of services and service failures**

Failure reason	Share in %	Type of service	Share in %
Services not functioning as expected	32	Mobile services	45
Unjustified billing	32	Broadband services	37
Services not functioning at all	30	IPTV or CATV services	30
Billing error	23	Landline phone services	25
Product or equipment failure	15	Product or equipment	15
Subscription contract changes	10	Other	2
Inappropriate employee behaviour	7		

Results

Measurement model

The measurement model (Table 3) has a statistically significant chi-square value ( $\chi^2_{(303)} = 412.53, p < 0.001$ ), but the proportion between the chi-square value and degrees of freedom is acceptable ( $\chi^2/df = 1.29$ ). RMSEA (0.04; 90% CI is 0.03–0.05), SRMR (0.03), TLI (0.97), and CFI (0.97) also indicate a good fit (Hu/Bentler 1999). We performed similar tests for the three dimensional structure of perceived justice to compare the fit of both models. The model with only three dimensions (items for interpersonal and informational justice are combined in one dimension) has a significantly worse fit than the four-dimensional model ( $\chi^2_{(405)} = 1172.70, p < 0.001; \chi^2/df = 2.90$ ; RMSEA = 0.094; 90% CI is 0.088–0.101; SRMR = 0.16; TLI = 0.80; CFI = 0.82).

Table 3: Measurement model

Constructs and items	SFL <sup>a</sup>
Distributive justice (EX, $\alpha = 0.96$ , CR = 0.95, AVE = 0.82)	
... did your outcomes reflect a fair resolution?	0.94
... were your outcomes justified, given your problem?	0.93
... did your outcomes reflect what you deserved?	0.93
... were your outcomes appropriate given the experience you had?	0.92
Procedural justice (EX, $\alpha = 0.93$ , CR = 0.92, AVE = 0.66)	
... were you able to express your views and feelings during those procedures?	0.85
... did you have an influence over the outcomes arrived at by those procedures?	0.83
... were those procedures applied consistently?	0.84
... were those procedures free of bias?	0.83
... did those procedures uphold ethical and moral standards?	0.81
... were you able to appeal the outcomes arrived at by those procedures?	0.88
Interpersonal justice (EX, $\alpha = 0.96$ , CR = 0.96, AVE = 0.84)	
... did they treat you in a polite manner?	0.95
... did they treat you with dignity?	0.92
... did they treat you with respect?	0.92
... did they refrain from improper remarks or comments?	0.94
Informational justice (EX, $\alpha = 0.96$ , CR = 0.95, AVE = 0.82)	
... were they candid in communications with you?	0.92
... did they explain thoroughly the procedures used to make decisions about your complaint?	0.93
... were their explanations regarding the procedures used to make decisions about your complaint reasonable?	0.91
... did they communicate details in a timely manner?	0.92
SRS (ED, $\alpha = 0.96$ , CR = 0.95, AVE = 0.86)	



Constructs and items	<i>SFL</i> <sup>a</sup>
I am satisfied with the firm's handling of this particular problem.	0.97
I am happy with how the firm handled my complaint.	0.96
In my opinion, the firm provided a satisfactory resolution to my problem on this particular occasion.	0.91
Repurchase intentions (ED, $\alpha = 0.97$ , CR = 0.95, AVE = 0.87)	
In the future, I intend to use services from this firm.	0.96
If I needed to use this type of service again, I would choose the same firm again.	0.93
If I were in the market for additional telecommunication services, I would arrange them with the same provider.	0.93
PWOM (ED, $\alpha = 0.96$ , CR = 0.95, AVE = 0.85)	
I am likely to spread positive word-of-mouth about the firm.	0.95
I would recommend the firm to my friends.	0.93
If my friends were looking for a telecommunication provider, I would tell them to try this firm.	0.96

Notes: <sup>a</sup>*SFL* – Standardized factor loading; EX = exogenous construct. The full statements for exogenous constructs read: “During the process of resolving your complaint, to what extent ...”. ED = endogenous construct.

All constructs have good reliabilities according to both criteria (CR > 0.70 and AVE > 0.50). Convergent validity is supported by all *t*-values of the loadings of the indicators on the respective constructs being statistically significant (Anderson/Gerbing 1988). For all pairs of latent variables, the AVE values were greater than the squared correlations between the latent variables (Table 4), thus supporting discriminant validity (Fornell/Larcker 1981).

Because our data were cross-sectional and originated from a single source, it was necessary to consider the possibility of common method bias. The first eigenvalue accounted for 39.5% of all the data variance, just below the 40% cut-off proposed by Babin/Griffin/Hair (2016). Additionally, we tested for potential common method bias with unmeasured latent method factor technique (Bagozzi 2011). Results indicated that the loadings of items on their substantive latent variables remained significant and much higher than their loadings on the method factor. Correlations among substantive latent variables were not affected by inclusion of the latent method factor. Therefore, we can conclude the relationships depicted in the model are unlikely to be affected by common method variance.

Table 4: Means, Standard Deviations (SD), and Correlations

Constructs	Mean	SD	1	2	3	4	5	6	7
1 Distributive justice	2.76	1.31	0.90						
2 Procedural justice	2.67	0.98	0.05	0.81					
3 Interpersonal justice	3.07	1.11	0.24**	0.33**	0.92				
4 Informational justice	2.73	1.15	0.56**	0.13	0.28**	0.91			
5 SRS	2.75	1.32	0.63**	0.19**	0.33**	0.57**	0.93		
6 Repurchase intentions	2.82	1.35	0.66**	0.12	0.26**	0.58**	0.68**	0.93	
7 PWOM	2.67	0.98	0.38**	0.46**	0.31**	0.52**	0.52**	0.44**	0.92

\*\* Correlation is significant at the 0.01 level (2-tailed)  
\* Correlation is significant at the 0.05 level (2-tailed)  
Below the diagonal: zero-order correlations. On the diagonal: square root of AVE.

Structural model

Like the measurement model, the value of the chi-square of the structural model is also statistically significant ( $\chi^2_{(495)} = 684.16, p < 0.001$ ), although the proportion between the chi-square value and degrees of freedom is within an acceptable range ( $\chi^2/df = 1.38$ ). Other fit indices, such as RMSEA (0.04; 90% CI is 0.03–0.05), SRMR (0.04), CFI (0.96), and TLI (0.95) all indicate a good model fit (Hu/Bentler 1999).

The independent variables explain the dependent variables well ( $R^2 = 0.55$  for SRS;  $R^2 = 0.50$  for PWOM;  $R^2 = 0.58$  for repurchase intentions). The results are in line with the previously established relationships of SRS with repurchase intentions and PWOM. Of the justice dimensions, distributive (H1a), interpersonal (H3a) and informational (H4a) justice have a positive relationship with SRS, while the relationship of procedural (H2a) justice with SRS is not statistically significant. When testing for direct relationships between justice dimensions and loyalty outcomes, hypotheses are supported for the relationship of informational justice with both repurchase intentions and PWOM (H4b and H4c), while for other justice dimensions, only the relationship between distributive justice and repurchase intentions (H3b) and procedural justice and PWOM (H2c) are statistically significant. On the other hand, the results do not support the hypotheses concerning the direct relationship between interpersonal justice and repurchase intentions (H3b) and PWOM (H3c), procedural justice with repurchase intentions (H4b) and distributive justice with PWOM (H1c). The control variables do not have statistically significant effects on any of the endogenous variables, except for controllability attribution that is positively related to SRS.

**Table 5: Results of testing the hypotheses**

Hypotheses	Proposed direction	Standardized path coefficient (t-test)	Result
H1a: Distributive justice → SRS	+	0.44 (7.22, $p = 0.000$ )	Supported
H2a: Procedural justice → SRS	+	0.06 (1.13, $p = 0.261$ )	Not supported
H3a: Interpersonal justice → SRS	+	0.14 (1.99, $p = 0.046$ )	Supported
H4a: Informational justice → SRS	+	0.29 (4.51, $p = 0.000$ )	Supported
H1b: Distributive justice → Repurchase intentions	+	0.35 (4.23, $p = 0.000$ )	Supported
H2b: Procedural justice → Repurchase intentions	+	0.01 (0.26, $p = 0.797$ )	Not supported
H3b: Interpersonal justice → Repurchase intentions	+	0.01 (0.25, $p = 0.801$ )	Not supported
H4b: Informational justice → Repurchase intentions	+	0.17 (2.77, $p = 0.006$ )	Supported
H1c: Distributive justice → PWOM	+	0.04 (0.56, $p = 0.573$ )	Not supported
H2c: Procedural justice → PWOM	+	0.37 (6.34, $p = 0.000$ )	Supported
H3c: Interpersonal justice → PWOM	+	0.01 (0.21, $p = 0.836$ )	Not supported
H4c: Informational justice → PWOM	+	0.28 (3.99, $p = 0.000$ )	Supported
Previously established relationships and control variables			
SRS → Repurchase intentions		0.33 (3.80, $p = 0.000$ )	
SRS → PWOM		0.27 (3.30, $p = 0.001$ )	
Locus of causality attribution → SRS		0.11 (1.60, $p = 0.111$ )	
Controllability attribution → SRS		-0.15 (-2.11, $p = 0.035$ )	
Stability attribution → SRS		-0.07 (-1.30, $p = 0.194$ )	
Recovery situation importance → SRS		0.08 (1.42, $p = 0.154$ )	
Age → SRS		-0.08 (-1.84, $p = 0.066$ )	
Gender → SRS		-0.07 (-1.40, $p = 0.162$ )	
Financial reasons → SRS		0.10 (1.33, $p = 0.184$ )	
Nonfinancial reasons → SRS		0.08 (1.09, $p = 0.274$ )	
Locus of causality attribution → Repurchase intentions		-0.07 (-1.16, $p = 0.245$ )	
Controllability attribution → Repurchase intentions		-0.05 (-0.83, $p = 0.409$ )	
Stability attribution → Repurchase intentions		-0.03 (-0.56, $p = 0.575$ )	
Recovery situation importance → Repurchase intentions		0.03 (0.48, $p = 0.631$ )	
Age → Repurchase intentions		-0.04 (-0.79, $p = 0.432$ )	
Gender → Repurchase intentions		-0.00 (-0.10, $p = 0.924$ )	
Financial reasons → Repurchase intentions		0.05 (0.68, $p = 0.494$ )	
Nonfinancial reasons → Repurchase intentions		0.05 (0.71, $p = 0.480$ )	
Locus of causality attribution → PWOM		-0.03 (-0.39, $p = 0.700$ )	

Previously established relationships and control variables	
Controllability attribution → PWOM	-0.04 (-0.60, $p = 0.549$ )
Stability attribution → PWOM	0.00 (0.04, $p = 0.966$ )
Recovery situation importance → PWOM	-0.05 (-0.957, $p = 0.339$ )
Age → PWOM	-0.04 (-0.78, $p = 0.434$ )
Gender → PWOM	-0.07 (-1.30, $p = 0.194$ )
Financial reasons → PWOM	0.04 (0.59, $p = 0.558$ )
Nonfinancial reasons → PWOM	0.06 (0.77, $p = 0.440$ )

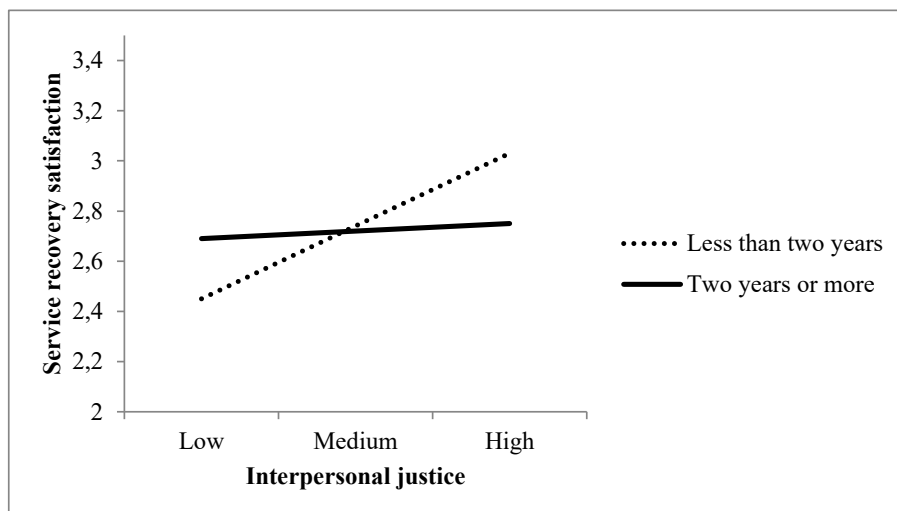
In addition, we tested the mediation effect of SRS (H5a and H5b) using an analysis of bias-corrected bootstrap confidence intervals as suggested by Preacher/Hayes (2008). Resampling 5,000 times and using a 95% confidence interval (CI) for the parameter estimates, the results indicate indirect effects of distributive, interpersonal and informational justice through SRS on repurchase intentions (for distributive justice indirect  $\beta = 0.154$ , 95% BC CI = [0.072, 0.274]; for interpersonal justice indirect  $\beta = 0.056$ , 95% BC CI = [0.006, 0.137] and for informational justice indirect  $\beta = 0.119$ , 95% BC CI = [0.051, 0.229]) and PWOM (for distributive justice indirect  $\beta = 0.095$ , 95% BC CI = [0.037, 0.172]; for interpersonal justice indirect  $\beta = 0.035$ , 95% BC CI = [0.003, 0.092] and for informational justice indirect  $\beta = 0.074$ , 95% BC CI = [0.029, 0.141]), while these effects are not statistically significant for procedural justice. H5a and H5b are therefore supported for all dimensions except for the procedural justice.

In sum, the analysis shows that informational justice is positively related to repurchase intentions and PWOM both directly and indirectly through SRS. Besides indirect effects through satisfaction on repurchase intentions and PWOM, distributive justice has a direct relationship with repurchase intentions. Interpersonal justice is directly related to satisfaction and indirectly through SRS to repurchase intentions and PWOM, while procedural justice has only a direct relationship with PWOM.

When testing moderating effect of relationship duration, we examined two groups of respondents: those with relationships that had been in effect for less than two years and those with relationships going on for two years or more (meaning in the examined context that the contract had been renewed at least once by the customer, as typical subscription plans in telecommunications in the examined context last 24 months). The results indicate that relationship duration negatively moderates the relationship between interpersonal justice and SRS (interaction effect is -0.24,  $p = 0.065$ ). Probing reveals the conditional effect of interpersonal justice on SRS is statistically significant only in the group with a relationship duration of less than two years (conditional effect is 0.30,  $p = 0.001$ ), while there is no significant effect for longer lasting relationships (conditional effect is 0.06,  $p = 0.568$ ). For relationships shorter than two years, an increase in

the perception of interpersonal justice results in higher SRS, while for relationships lasting two years or more there is no relationship between interpersonal justice and SRS (an analysis of simple slopes is shown in Figure 2). For relationships less than two years, the conditional indirect effects of interpersonal justice through SRS on PWOM (conditional effect = 0.09; 95% CI is 0.012–0.132) and repurchase intention (conditional effect = 0.10; 95% CI is 0.037–0.174) are also statistically significant, while they are not significant for longer lasting relationships. There is no moderation effect for the direct relationship between interpersonal justice, PWOM and repurchase intention. H6a is therefore supported, while H6b and H6c are not. On the other hand, there is no moderation effect of relationship duration for the effect of informational justice on SRS and direct or indirect effects on PWOM and repurchase intention. This finding provides further support for the discrimination between interpersonal and informational justice.

**Figure 2: Simple slopes analysis for the conditional effect of relationship duration**



## Discussion

### *Theoretical implications*

The purpose of this research was to add to the body of knowledge on the service recovery process. To the best of our knowledge, this is the first study to test a four dimensional model of perceived justice on a sample of post-transition economy customers with actual recovery experience. Results are in line with findings of the European Commission (2009, 2017, 2018, 2019) that despite significant differences between consumers from Eastern and Western Europe the East-West gap is slowly closing.

We consider the corroborating evidence in support of a four-dimensional structure of perceived justice in the context of service recovery as the most important theoretical implication. We contribute to limited studies (e.g. Lee et al. 2011) that empirically demonstrate the superiority of four-dimensional justice conceptualization from a measurement perspective. This points to the need for future studies to use appropriate measurement instruments that enable respondents to separately evaluate the dimensions of informational and interpersonal justice.

The superiority of four-dimensional structure of perceived justice is further supported from a nomological perspective, since the informational and interpersonal justice dimensions exhibit different relationships with loyalty constructs. This finding extends previous studies, where researchers did not hypothesize and test the effects of informational justice on SRS (Nikbin et al. 2012) or loyalty outcomes (Lee et al. 2011). It also contrasts the findings of Gohary et al. (2016) who do not consider direct effects of either justice dimensions on loyalty outcomes. Our results show that, in comparison with interpersonal, informational justice dimension has a stronger and unconditional relationship with SRS and also directly affects loyalty outcomes.

We also hypothesize and empirically confirm complementary mediation by SRS for informational justice and indirect only mediation for interpersonal justice (Zhao et al. 2010). This contributes to the debate on relationships between justice perceptions and event- and system-related attitudes (Ambrose et al. 2007; Choi 2008) as it shows that the mediating role of event-related attitudes depends on the context in which justice perceptions arise. More precisely, we integrate justice theory with social penetration theory (Altman/Taylor 1973) to hypothesize that the stage of a relationship between a complainant and service provider, captured by its duration, moderates the indirect effects of interpersonal (but not informational) justice on loyalty outcomes.

Current literature has not considered justice dimension-specific moderating effects of relational constructs (e.g. transaction frequency, relationship level) and always treated justice dimensions as equal in this regard (Chang et al. 2012; de Matos et al. 2012; W. Kim et al. 2012). Yet, our results indicate that for the relationships lasting less than two years, an increase in the perception of interpersonal justice results in higher SRS and, indirectly, loyalty outcomes, while for relationships lasting two years or more there is no relationship between interpersonal justice and SRS. For relationships lasting less than two years, conditional indirect effects of interpersonal justice through SRS on loyalty outcomes are also statistically significant, while these effects are not significant for longer lasting relationships. Hence, by clearly identifying the boundary conditions of the effect of interpersonal justice on SRS, our study extends service recovery literature that investigates how consumer-provider relationships affect consequences of perceived justice.

Taken together these findings help explain inconsistent empirical findings on the importance of interactional justice (Orsingher et al. 2010; Gelbrich/Roschk 2011), as vast majority of service recovery studies did not separate informational and interpersonal justice dimensions, which could have contributed to mixed findings of the two meta-analyses. The weaker effect of interpersonal versus informational justice is in line with Gelbrich and Roschk's (2011) explanation that in settings with more intense employee–customer interaction, interactional (in our case, the dimension of interpersonal) justice plays a more important role. With telecommunications (van der Aa/Bloemer/Henseler, 2015), the employee–customer interaction is not as direct as, for example, in the hospitality industry (Tsai/Su 2009).

Regarding the effects of specific dimensions of perceived justice, SRS is most affected by distributive justice, followed by informational and interpersonal justice, while procedural justice does not have a statistically significant effect on SRS. The conclusions regarding distributive justice are in line with both meta-analyses (Orsingher et al. 2010; Gelbrich/Roschk 2011). However, the significant effects of both interpersonal and informational justice dimensions on SRS correspond with findings of Orsingher et al. (2010), who find support for the relationship between interactional justice and SRS, but are at odds with conclusion of Gelbrich/Roschk (2011). On the other hand, the nonsignificant effect of procedural justice on SRS is in agreement with results of Gelbrich/Roschk (2011) but not with Orsingher et al. (2010). The nonsignificant effect of procedural justice on SRS, which has been found in other studies as well (e.g. Cantor/Li 2018), can be explained by the fact that most companies do not provide customers with a deep insight into their service recovery procedures. However, procedural justice is among the strongest predictors of PWOM (as in Davidow, 2014), indicating that if service recovery procedures are promptly put into action this has positive effect on customers' relationship with the provider, leading to sharing positive information about the provider.

The partial discrepancy between our results and results of the two meta-analyses could be explained by culture that according to Orsingher et al. (2011) to some extent moderates the relationships between SRS and justice dimensions. According to Hofstede's culture dimensions, Slovenia scores low on individualism and high on power distance (Slovenia – Hofstede insights 2020), which can account for lower effect sizes in the relationships between interpersonal and procedural justice and SRS. Orsingher et al. (2011) conclude that in individualistic cultures there are on average higher effect sizes, while in high power distance cultures the effects are stronger for the relationships between interactional and procedural justice and SRS. Due to high power distance people accept a hierarchical order in which everybody has a place and which needs no additional justification. Collectivism is evident in a close long-term commitment to extended relationships. In a collectivist culture loyalty is extremely important, and over-rides



most other societal rules and regulations (Slovenia – Hofstede Insights 2020). However, Slovenia also scores high on uncertainty avoidance, where higher effect sizes in the relationship between interactional and procedural justice and SRS are expected (Orsingher et al. 2011). In high uncertainty avoidance cultures there is an emotional need for rules (Slovenia – Hofstede Insights 2020). Contact personnel and company's policies for handling the complaints therefore play an important role (Orsingher et al. 2011). However, due to the paramount importance of loyalty we can assume that the combined effect of high power distance and low individualism would outweigh the effect of high uncertainty avoidance.

### *Managerial implications*

Based on our study findings, we can provide recommendations for service recovery managers in service companies, especially so in the telecommunications industry in a post-transition context. In post-transition countries that are mostly characterized by strong survival values and collectivism, consumers tend to stay with the same service provider once they are satisfied (Yeung et al. 2013). Thus, it is even more important that companies in post-transition markets satisfy customers and execute proper service recovery processes when service failures occur.

Given that the perception of distributive justice has the biggest impact on SRS and also has a significant direct relationship with repurchase intentions and PWOM, managers should pay particular attention to providing adequate and fair compensation to complainants. In order to achieve this, they need to take several measures. First, they need to provide sufficiently qualified and empowered employees to handle service recovery cases (Chan/Wan 2012; Li/Fang 2016). They must, moreover, provide a satisfactory budget for the customer support department in order to allow the complainants to be given appropriate remuneration (Fornell 1981). Given the continuous provision of telecommunications services and, to a large extent, the contractually 'fixed' price of services, managers should know exactly the customer lifetime value, which should be the framework for determining the proper remuneration. This research confirms the connection between the perception of distributive justice, SRS and loyalty, and companies should consider this when determining the compensation and, when justified by the customer lifetime value, they should offer the highest possible compensation to the complainants. European Commission (2009) report also indicates that compared to consumers in Western European and Nordic member states consumers in Eastern European member states generally specify a lower price point as being 'worth' complaining about. The tipping point for complaining to a supplier is typically around 20 EUR in Eastern Europe, while it is around 50 EUR in Western Europe. Differences also exist between these consumers in seeking further redress if the supplier's response is unsatisfactory. In

Eastern Europe they would do it at around 50 EUR, while in Western Europe at around 100 EUR. These findings further support the importance of distributive justice in the post-transition context.

In addition, managers should be aware of the importance of psychological remuneration to complainants which may entail an apology and explanation. In this area, however, managers should be aware of the potential for defensive organizational behaviour (Homburg/Fürst 2007) that makes employees who handle complaints unwilling to apologize to complainants. Managers, of course, must also pay attention to the ways employees communicate with complainants, and to ensure they are adequately informed. Customers seem to value information highly and when they perceive that timely and candid information has been given to them, this is a considerable factor for continuing their relationship with the provider. Apart from the relationship with SRS, our study shows the direct relationship between the perception of informational justice and the willingness to spread PWOM. This means that complainants provided with timely, useful, and accurate explanation regarding the resolution of their complaints in the appeal process will be more prepared to recommend the provider within their social circle.

Although this research did not confirm a direct relationship between the perception of procedural justice and SRS, procedural justice should not be overlooked by managers. Procedural justice plays the most important role in spreading PWOM. The rules, policies, and procedures for service recovery are crucial for providing other aspects of perceived justice. For example, they may be reflected in a more appropriate and timely response of employees or in determining more appropriate remuneration (Tax et al. 1998; Homburg/Fürst 2005) and our results show that complainants are willing to recommend the company, when they notice these fair policies and procedures.

Last but not least, although interpersonal justice did not have a significant effect on loyalty outcomes for all customers, companies should train their employees to treat complainants in a polite manner, with dignity and respect, to refrain from making improper remarks or comments. Interpersonal justice seems to play an important role only for a customer who has been with the provider for less than two years; nevertheless, respectful treatment of complainants should be the norm. However, managers can alert employees in the customer service department to pay extra attention to communication with new customers. It is also not enough that only general managers understand the company's market orientation, trainings and workshops must be conducted to align all employees in the same direction and avoid discrepancies between general and marketing managers (Bodlaj 2012) and employees on lower hierarchical levels.

### *Limitations and opportunities for future research*

Some methodological and substantive limitations of this research should be considered. Substantive limitations stem from the fact the survey did not include all concepts (e.g. trust, commitment, emotions, and overall satisfaction) that potentially influence the nomological network of SRS and that we tested our model on a sample from a single industry. It is possible that in settings with more intense employee–customer interaction interpersonal justice would play a more important role than in telecommunications where the employee–customer interaction is not as direct as, for example, in the hospitality industry (Tsai/Su 2009). In addition, future investigations of service recovery should include the individual dimensions of the company’s response during recovery such as apology, compensation, explanation, follow-up, facilitation, courtesy, problem-solving, and speed of response (Hsiao et al. 2016).

The first methodological limitation arises from the cross-sectional data collection, which can support only “relationships believed to be consistent with causal relationships” (Bagozzi/Yi 2012, p. 23). Due to the study’s cross-sectional nature, there is also a possibility of common method variance affecting our results. However, based on the post-hoc tests, we may conclude structural relationships are unlikely to be inflated by common method variance. The next set of limitations derives from the sample and sampling method. Based on the suggestions for minimum sample sizes provided by Hair et al. (2010), our sample size is sufficient for modelling seven or fewer constructs, with modest communalities (0.50) and no under-identified constructs. However, the sample size is not sufficient to have a power of 0.80 to detect moderating effects (Aguinis et al. 2017).

Nevertheless, our findings open several avenues for further research. First, researchers should test four-dimensional models of perceived justice in other settings to provide further evidence of its superiority. Although based on the Consumer Conditions Index indicators (European Commission 2017), Slovenia is a good representative of the countries from the Eastern European group, the model should be tested in other countries as well to further validate the findings. Next, the dimensions of organizational responses (Davidow 2003) or service recovery strategies (Hsiao et al. 2016) should be related to a four-dimensional model of perceived justice because it would be interesting to see the degree to which informational and interpersonal justice mediate the effects of organizational responses such as apology, explanation or courtesy. Finally, we encourage researchers to deploy experimental and longitudinal designs in order to improve the validity of models explaining service recovery evaluations.

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