

東海大學餐旅管理學系碩士論文

服務補救對餐廳品牌形象影響之探討-  
以企業社會責任為干擾變項

The Impact of Service Recovery on Restaurant Brand Image –  
Considering the Moderating Effects of Corporate Social  
Responsibility

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中華民國一〇四年六月

東海大學碩士學位論文  
口試委員會審定書

餐旅管理學系研究所 晏啟華 君所提之論文

服務補救對餐廳品牌形象影響之探討-以企業社會責任為  
干擾變項(題目)

係本委員會審議，認為符合碩士資格標準。

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中華民國 104 年 6 月 22 日

## 誌謝

感謝系上老師的教導，在課堂紮實的學科訓練之外尚搭配戶外實際體驗，如上海富春山居參訪、金門文創之旅，深切體會讀萬卷書不如行萬里路之真意！二年的學習在紐西蘭研討會畫下休止符，值得回憶的實在太多，只好留到以後慢慢品味。感謝恩師陳錚中教授在畢業論文的指導，以及口試委員李國璋教授、汪淑台教授的斧正。感謝亦師亦友的同学在課業及事業上的支援與鼓勵。感謝僑光給我的支持，讓我可以無後顧之憂在東海求學。

# 服務補救對餐廳品牌形象影響之探討— 以企業社會責任為干擾變項

## 中文摘要

隨著臺灣餐飲產業的發展，業者融入文化創意的行銷模式隨處可見，幾乎成為打開市場與建立品牌的不二法門。除此之外，標榜使用天然、有機、或健康食材亦成為連鎖餐廳或麵包店吸引消費者上門的不二法則。當消費者發現了業者使用的食材不僅不是天然的甚至是有害健康的之後，他們開始反擊，拒絕繼續消費，並串聯抵制、要求賠償，甚至採取法律行動。服務失敗的餐館老闆試圖以道歉或給予折扣方式做出服務補救，然而，服務補救是要付出成本的，而消費者在接受業者所提供的服務補救措施後是否感到滿意並重拾對品牌的形象是值得探討的。本研究首先將探討餐廳業者在發生食安事件之後採取的補救措施是否讓消費者滿意並重拾對品牌之信心。其次，最近接二連三所發生的食安事件重創國內餐飲業及國際美食之都的聲譽，業者的商業道德被要求重新檢視，因此企業社會責任對於服務補救及消費者滿意程度關係之影響為另一項探討之議題。本研究以最近發生食安事件之某知名連鎖餐廳為調查對象；針對在食安事件發生後仍然至該餐廳用餐的消費者進行問卷調查，共計回收有效問卷 213 份並以 SPSS 統計軟體進行分析。結果顯示，服務補救會透過顧客滿意正面影響品牌形象，企業社會責任則在服務補救及顧客滿意之間扮演干擾變項。最後將針對企業社會責任對實務之管理意涵及未來研究方向提出建議。

關鍵字：服務失敗，服務補救，顧客滿意，品牌形象，企業社會責任

# **The Impact of Service Recovery on Restaurant Brand Image – Considering the Moderating Effects of Corporate Social Responsibility**

## **ABSTRACT**

Along with the development of food and beverage industry in Taiwan, the influence of cultural creation could be seen everywhere, besides that, the application of natural, organic, or healthy ingredients become some restaurants or bakery chain stores' advertisement. However, when consumers found out that their materials are not only unnatural, inorganic, unhealthy, but also harmful, they start to fight back. The service-failed restaurant owners endeavor to rescue their reputation by apology or giving discount, however, how much compensation are consumers willing to accept and revisit? This study will first aim to explore the effects of service recovery on saving brand image after service-failure events occurred. Secondly, the issues of corporate social responsibility are raised recently, on top of environmental and sustaining, food safety is regarded as "national security" priority; how the role of a company play in CSR can interfere relationships between service recovery and customer satisfaction will be investigated in this study. A questionnaire survey was conducted, 213 valid questionnaires are collected and analyzed with SPSS. The results show that CSR plays as a moderator between service recovery and customer satisfaction, and customer satisfaction mediates between service recovery and brand image.

**Keywords:** Service failure, Service recovery, Customer satisfaction, Brand image, Corporate social responsibility

# 目錄

中文摘要 .....	iii
ABSTRACT .....	iv
1. Introduction .....	- 1 -
1.1. Background .....	- 1 -
1.1.1. Dream of Global Gourmet Capital.....	- 1 -
1.1.2. Major Food Safety Events in Taiwan.....	- 1 -
1.1.3. How Taiwan's GDP Was Affected by Food Safety .....	- 3 -
1.2. Motives.....	- 3 -
1.2.1. Subject Restaurant of Study.....	- 3 -
1.2.2. The Results of Fraud Advertisements.....	- 4 -
1.2.3. Compensation for Failed Service.....	- 4 -
1.3. Aims of Research.....	- 6 -
2. Literature Review .....	- 7 -
2.1. Service Quality and Failure.....	- 7 -
2.1.1. Intangible Service .....	- 7 -
2.1.2. Sensory Quality.....	- 7 -
2.1.3. Safety quality .....	- 7 -
2.1.4. Summary .....	- 8 -
2.2. Service Recovery .....	- 8 -
2.2.1. Customer Complaints .....	- 8 -
2.2.2. Outcomes of Service Recovery .....	- 9 -
2.2.3. Measures of Service Recovery.....	- 9 -
2.2.4. Summary.....	- 11 -
2.3. Customer Satisfaction .....	- 11 -
2.3.1. Types of Satisfaction.....	- 11 -
2.3.2. Importance of Customer Satisfaction .....	- 12 -
2.3.3. Satisfaction of Service Recovery .....	- 12 -
2.3.4. Summary .....	- 13 -
2.4. Brand Image .....	- 13 -
2.4.1. Brand Equity .....	- 13 -
2.4.2. Brand Management.....	- 14 -
2.4.3. Brand Values.....	- 15 -
2.4.4. Summary .....	- 15 -
2.5. Corporate Social Responsibility (CSR).....	- 15 -

2.5.1. Definition .....	- 15 -
2.5.2. CSR Initiatives .....	- 16 -
2.5.3. Brand Reputation .....	- 17 -
2.5.4. Summary .....	- 18 -
3. Research Methodology .....	- 19 -
3.1. Logics of Theory and Framework of Research .....	- 19 -
3.2. Research Hypotheses: .....	- 20 -
3.3. Questionnaire Design .....	- 23 -
3.4. Questionnaire Survey .....	- 24 -
3.5. Data Analysis .....	- 24 -
4. Results of Empirical Analysis .....	- 28 -
4.1. Basic Analysis .....	- 28 -
4.2. Regression Analysis .....	- 28 -
4.2.1. H <sub>1</sub> Testing .....	- 28 -
4.2.2. H <sub>2</sub> Testing .....	- 29 -
4.3. Mediation Analysis .....	- 30 -
4.4. Moderation Analysis .....	- 34 -
4.5. Empirical Analysis Result .....	- 36 -
5. Conclusion & Suggestion .....	- 37 -
5.1. Conclusion .....	- 37 -
5.2. Suggestion .....	- 39 -
5.3. The Limitation of Study .....	- 40 -
5.4. Recommendation for Future Research .....	- 40 -
References .....	42

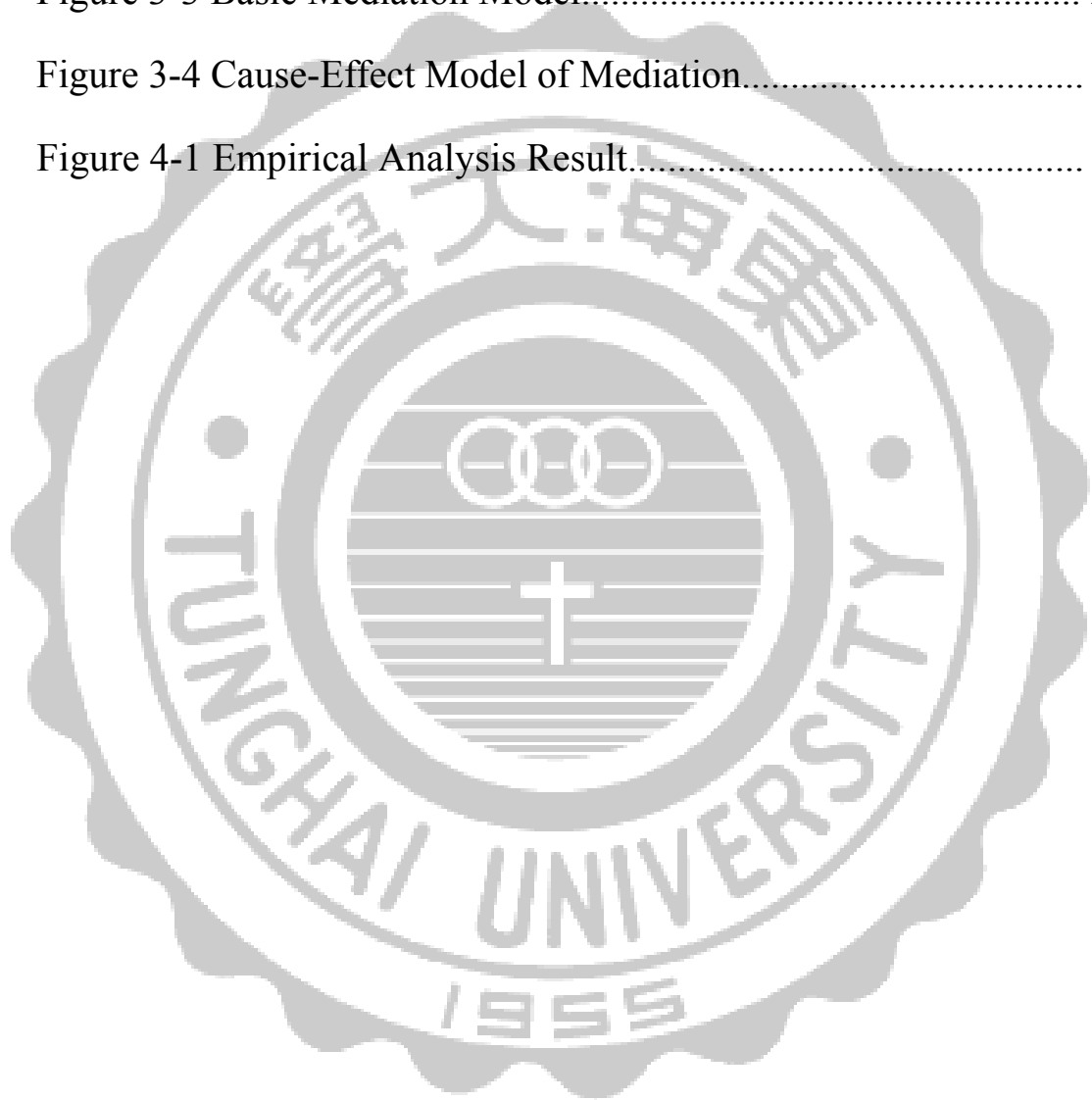
# 表目錄

Table 1-1 Compensation Schemes of DW Restaurant.....	5
Table 3-1. Constructs of Research.....	23
Table 4-1 Regression Analysis of Service Recovery Affecting Satisfaction .....	29
Table 4-2 Regression Analysis of Satisfaction on Brand Image.....	29
Table 4-3a Mediation Model.....	30
Table 4-3b Mediation Model.....	31
Table 4-4 Mediating Effect of Satisfaction on Service Recovery Affecting Brand Image.....	31
Table 4-5 Total Effect Model.....	32
Table 4-6 Total, Direct, and Indirect Effects.....	32
Table 4-7 Direct and Indirect Effects of Service Recovery on Brand Image .....	33
Table 4-8 Moderating Analysis.....	36



# 圖目錄

Figure 3-1 Framework of Research.....	20
Figure 3-2 Conceptual model of moderator.....	24
Figure 3-3 Basic Mediation Model.....	25
Figure 3-4 Cause-Effect Model of Mediation.....	26
Figure 4-1 Empirical Analysis Result.....	36



# **1. Introduction**

## **1.1. Background**

### **1.1.1. Dream of Global Gourmet Capital**

Food and beverage industry has been booming in Taiwan, since the Tourism Bureau intended to construct Taiwan as a country of gourmet. On the other side, the popularity of Michelin star restaurant guide and the success of famous indigenous chef has inspired customers' conscience towards the appreciation of good food. It is everybody's dream to build Taiwan as the kingdom of gourmet.

### **1.1.2. Major Food Safety Events in Taiwan**

While the official campaign to compete with other Asian countries to attract foreign visitors, the food and beverage industry was hit by food safety issues hardly in recent years, even domestic market was slowed down; the attempt to reduce costs has driven the industry off-railed, some major events in recent years are summarized below:

Plasticizer (May 2011): The plastics poison storm of the year was known as the Taiwanese version of the tainted milk powder happened in China previously; in order to save costs, some upstream material suppliers mixed legal food additive "cloudy agent" with cheap industrial plasticizers (DEHP), which is twenty times more poisonous than melamine; it could cause reproductive toxicity even carcinogenic hazard. Plastic tainted storm swept through Taiwan's major processed foods, including beverages, pastries, bread and medicine.

Poisoned starch (May 2013): FDA of Ministry of Health and Welfare, Taiwan received report that starch factories had mixed maleic acid with modified starch and sweet potato powder and distributed to downstream shops

to make a variety of foods such as noodle, New Year cake, tapioca pearls, and pudding; almost none of main courses and local dishes could escape. After that, an agro-industrial company in Tainan was reported to apply industrial preservatives "EDTA-Na<sub>2</sub>" to make agar powder and aiyu jelly powder and sold to food industries to make pudding, ice cream, and agar. Many famous food companies were involved.

Bread with flavouring essence (August 2013): Top Pot Bakery, a well-known and popular bakery-chain that advertises it uses only natural ingredients in its products apologized for using flavouring essences in its bakery goods and promised to refund customers after Taipei city government inspects its ingredients and fined for its deceptive ads.

Adulterated oils (October 2013): Tatung used to be a long-established brand for cooking oil; one of its product line - Tatung Changchi Extra Virgin Olive Oil, was claimed for 100% extra virgin olive oil, but was found that the content of olive oil is less than 50% by adding cheap sunflower oil and cottonseed oil to fake, and even add "copper chlorophyll", which can lead to copper poisoning and damage of liver function if used extensively. Tatung's president was sentenced for twelve years for fraud and constructive merchandise description, and the company was fined thirty-eight million NT dollars in July 2014.

Artificial hotpot soup (February 2014): Tripodking Spicy Hotpot Restaurant advertised that its soup consist of a variety of herbs and fruits and vegetables boiled broth, but it was found that Knorr chicken soup blocks was added to the soup, and only braised with a handful of Chinese medicine and fruit and vegetable. It was charged with fraud and fined 200,000 NT dollars for false advertisement.

### **1.1.3. How Taiwan's GDP Was Affected by Food Safety**

Taiwan's economy grew at a slower pace than expected last quarter as concern over food safety damped spending at restaurants. Gross domestic product rose 3.78 percent from a year earlier in the three months through September, according to the Statistics Bureau's preliminary data released today, compared with the median 3.9 percent estimate in a Bloomberg survey of economists and 3.74 percent growth in the previous period. The discovery of tainted oil in local food has prompted Taiwanese firms including Wei Chuan Foods Corp. to recall products and Japan and China to ban food imports from Taiwan. "Problems such as food safety have caused consumption to be weaker than expected."<sup>1</sup>

## **1.2. Motives**

### **1.2.1. Subject Restaurant of Study**

Among the companies involved with food safety above, the DW spicy hotpot restaurant in central Taiwan (the name of the restaurant is disguised as DW spicy hotpot restaurant in this research) has applied various marketing strategies; among them, the characteristics of healthy, natural, and organic are the most advertised. Originally, the owner's legendary history of business foundation accompanied with successful marketing strategies has made it one of the most popular hotpot restaurants in Taiwan. The words of mouths were quickly spread out among gourmet lovers; its slogans include: the hotpot soup consists thirty-two different ingredients of Chinese medicine; the sour cabbage & white meat hotpot is seasoned with natural fruit vinegar; the golden-needle mushroom is good to reduce cholesterol; the sea salt is acquired via Morocco's Royal families and is manufactured in a indigenous factory invested with tens

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<sup>1</sup> <http://www.bloomberg.com/news/articles/2014-10-31/taiwan-gdp-growth-misses-estimates-after-food-safety-concerns>

of millions NT dollars; and the hotpot soup is produced in its central kitchen. However, as the business is expanding, the truths behind the scene were revealed: there are only ten Chinese-medicine ingredients instead of thirty-two as they announced; the vinegar added is industrially made instead of natural fruit vinegar; the salt is just ordinary salt rather than Morocco sea salt; and there is no tracks of central kitchen.

### **1.2.2. The Results of Fraud Advertisements**

After the deceptive advertisements were revealed, business was not as usual anymore, customers were much less than before and anyone could just walk-in to enjoy a nice meal; it's difficult to imagine that it used to take months to reserve. DW's image in the minds of consumers also fell according to a survey of "enterprises yearned by new generation", DW dropped out of the top one hundred companies. In addition, it also fell out of the top ten domestic spicy hotpot restaurant voted by customers.<sup>2</sup>

The Legislative Yuan revised the third reading of "food sanitation management law" in January 2015. In this new "DW clause", government stipulate raw materials or bulk food stores to indicate details of a specific food, e.g., hotpot restaurants should indicate the ingredients of soup; violation could be fined up to 3 million NT dollars.<sup>3</sup>

### **1.2.3. Compensation for Failed Service**

Although each event came from different reasons, some could be blamed for upstream suppliers and some were caused by fraud advertisement; DW has offered various ways of compensation intending to retain customers as

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<sup>2</sup> <http://topic.cheers.com.tw/issue/2015/jobs/home/best.aspx>

<sup>3</sup>

<https://tw.news.yahoo.com/%E8%AE%93%E6%88%91%E5%80%91%E5%90%83%E4%B8%8B%E9%BB%91%E5%BF%83%E9%A3%9F%E5%93%81%E5%BE%8C%EF%BC%8C%E9%82%A3%E4%BA%9B%E4%BA%BA%E6%80%8E%E9%BA%BC%E4%BA%86---100534875.html>

summarized in Table 1-1. How DW, the previous giant of hotpot restaurant, can recover from food safety issues by offering compensation to the customers and how the customers react motivates this study. Besides, while food safety issue is re-examined by the government, how restaurant owners should treat their corporate social responsibility also contemplates this study.

Table 1-1 Compensation Schemes of DW Restaurant

Events	Compensation
DW spicy hotpot restaurant used polluted duck blood. <sup>4</sup>	Customers can exchange a package of soup base for two which is worth 350 NT dollars by presenting receipt issued between February 13 <sup>th</sup> 2014 and February 2015 and get a portion of pork worth of NT\$288 for free.
The hotpot soup of DW which was advertised for consisting of 32 traditional Chinese medicines and more than 10 kinds of fruit and vegetables were found only based on 10 kinds of herbal Chinese medicines and 5 fruits and vegetables and artificial flavours. <sup>5</sup>	Special price of NT\$1,288 for the spicy hotpot package of four persons, which is equivalent to the discount of 74%. <sup>6</sup>
North Sea Co.'s cooking oil was found inferior, and DW Group also used oil from the North Sea Co. <sup>7</sup>	<ol style="list-style-type: none"> <li>1. Redeem a package of hotpot soup for two persons by presenting receipts.</li> <li>2. Free hotpot soup for in-house dinning.</li> <li>3. 20% off for take-away.</li> </ol>

4

<http://www.appledaily.com.tw/realtimenews/article/life/20150217/561393/1/%E6%8D%B2%E5%85%A5%E9%BB%91%E5%BF%83%E9%B4%A8%E8%A1%80%E3%80%80%E9%BC%8E%E7%8E%8B%E5%85%AC%E5%B8%83%E8%A3%9C%E5%84%9F%E8%BE%A6%E6%B3%95>

5

<http://www.appledaily.com.tw/realtimenews/article/local/20141230/533313/%E9%BC%8E%E7%8E%8B%E6%B9%AF%E9%A0%AD%E9%80%A0%E5%81%87%E3%80%80%E6%AA%A2%E8%AA%8D%E5%AE%9A%E5%83%85%E5%BB%A3%E5%91%8A%E4%B8%8D%E5%AF%A6%E9%9D%9E%E8%A9%90%E6%AC%BA>

6

<http://video.n.yam.com/20141103659093/%E9%96%8B%E7%BD%B0%E5%BE%8C%E8%B2%B7%E6%B0%A3%E6%9C%AA%E5%9B%9E%E6%BA%AB%E3%80%80%E9%BC%8E%E7%8E%8B%E7%A5%AD7.4%E6%8A%98%E5%A4%96%E5%B8%B6%E7%B5%84%E5%90%88>

<sup>7</sup> <http://news.ltn.com.tw/news/life/breakingnews/1150565>

### 1.3. Aims of Research

Johnson (2015) proposed two types of satisfactions which are complimentary to each other; they are transaction-specific satisfaction and cumulative satisfaction. Transaction-specific satisfaction focuses on the exploration of influence of cognitive-psychological factors and positive and negative emotions on customer satisfaction (Oliver, 1997); cumulative satisfaction represents customers' overall experience about product or service providers to date. This research intends to investigate whether the transaction-specific satisfaction perceived by customers on short-term and contemporary service recovery will affect the cumulative satisfaction of overall experience for long-term customers since the service recovery was contemplated to date; meanwhile, the effects of overall customer satisfaction on brand image and the moderating effect of CSR will also be investigated.

Therefore, this study will firstly explore the impact of service recovery on customer satisfaction and brand image. Secondly, the effect of customer satisfaction on brand image will be reviewed. Thirdly, the mediating role of customer satisfaction between service recovery and brand image will be verified. Finally, the moderating effect of corporate social responsibility (CSR) on the relationships between service recovery and customer satisfaction will be investigated.

## **2. Literature Review**

### **2.1. Service Quality and Failure**

#### **2.1.1. Intangible Service**

Service failures could occur in the restaurant industry, due to the inconsistent nature of hospitality and restaurant service, coupled with the inevitability of human errors. Service failure research has reported many consequences of service failure, such as customer disaffection, negative words of mouth, publicity, unwillingness to return, and customer defection. Typical service failures happened in restaurants have been categorized as: inattentive behavior, rough behavior, improperly cooked food, foreign object in a dish, slow service, and orders delivered out of sequence (Kim & Jang, 2014).

#### **2.1.2. Sensory Quality**

The sensory quality of a restaurant product is assessed in terms of the taste, texture, freshness, appearance, temperature, and doneness which are correspondence to the human five senses: sight, smell, taste, touch, and hearing (Stone & Sidel, 2004). Therefore, complaints related to poor taste, poor texture, not fresh, poor presentation, incorrect temperature, and undercooked or overcooked (Chan *et al.*, 2014).

#### **2.1.3. Safety quality**

The safety quality of restaurant foods and drinks, on the other hand, involves the presence of harmful substances. Following the Hazard Analysis and Critical Control Point (HACCP) guidelines, food hazards could take forms of physical, biological, and chemical contaminations. Physical contamination refers to the introduction of foreign objects such as hair, plastic, glass and stone (Snyder, 2000); whereas biological contamination involves the presence of macro-parasite or living microorganism, such as bacteria, virus, fungi, and



protozoa (Untermann, 1998). Chemical contamination is related to the presence of chemicals such as pesticides, additives, preservatives, and cleaning products (Ropkins & Beck, 2003). These food hazards are potential threats to an individual's safety in the chain of food consumption (Chan et. al 2014).

#### **2.1.4. Summary**

Instead of intangible quality and sensory quality, the service failure investigated in this research is focused on the issues with respect to the quality of food-safety which occurred on the high level of restaurant business. The fraud advertisement campaign of the subject hotpot restaurant has driven out the recognition of the fourth element of service quality: ethics. Therefore the service failure addressed in this research is ethical service failure.

### **2.2. Service Recovery**

#### **2.2.1. Customer Complaints**

There has now been considerable research into the classification of consumer complaint behavior, building on frameworks developed in social psychology (Alicke *et al.*, 1992). Hirschman (1970) found three types of behavior: exit (where the consumer terminates the relationship), voice (where the customer vocalizes the complaint), and loyalty (where the customer passively accepts the failure). A number of other researchers have noted that complainers are the exception (Hart *et al.*, 1990; Boshoff, 1997)-most unhappy people simply do not speak up (Zemke, 1991). According to Scarborough, and Scarborough et al. (1996), 96 percent of dissatisfied customers never complain but 91 percent would not buy again from the business. Other research (Goodwin and Ross, 1990; Stewart, 1997) has examined this further and found that younger and more educated customers are more likely to volunteer complaints. A link has been observed between the act of complaining and consumer satisfaction (Nyer, 2000). The hospitality sector has been rich in

studies of service failure and recovery, and studies have been undertaken from both the customers' and employees' perspectives (e.g. Mack *et al.*, 2000; Hoffman *et al.*, 1995; Hoffman and Chung, 1999; McDougall and Levesque, 1998).

### **2.2.2. Outcomes of Service Recovery**

Perceived service failures that customers experience are a major concern for the service provider because of the potential influence of the service outcome. The complaint handling is a critical “moment of truth” in maintaining and developing the customer relationships (Gustafsson, 2009). If a service failure occurs, the ability to recover quickly and with professionalism can create very positive perception of quality (Fitzsimmons & Fitzsimmons, 2011). Successful service recovery, then, is a catalyst for customer satisfaction which may in turn translate into positive word-of-mouth, boost long-term purchasing patterns and enhance company–client relationships (Cambra-Fierro *et al.*, 2013). Appropriate level of service recovery results in positive affect toward the recovery effort, which might balance out the negative effects in response to service failure (Kim & Jang, 2014).

### **2.2.3. Measures of Service Recovery**

Mueller *et al.* (2003) proposed the measures to service recovery as: compensatory (gratis-replace, gratis-ancillary, gratis-overkill, discount coupon), managerial response (managerial interventions), corrective responses (replacement correction), empathetic responses (apology), no action taken (no response), and other.

There are three dimensions of fairness in service-recovery model which is procedural justice, interactional justice and outcome justice (Rashid *et al.*, 2014):

*Outcome justice* (or sometimes called as distributive justice) concerns the

compensation that a customer receives as a result of the losses and inconveniences cause by the service failure. This includes compensation for not only the failure, but also time, effort and energy spent during the service failure and the process of service recovery (Lovellock *et al.*, 2009). Maxham and Netemeyer (2002) defined outcome justice as the extent to which customers feel they have been treated fairly with respect to the final recovery outcome. The outcome justice may be represented in the form of discounts and refunds offered to customers after a service failure (Tax, Stephen & Murali, 1998). Previous study by Smith, Bolton and Wagner (2002) in the hotel and restaurant settings found that outcome justice affects customer satisfaction with service recovery.

*Procedural justice* concerns the policies and rules that any customer will have to go through in order to seek service recovery. Here, customers expect the firm to take responsibility. This is the key to the start of a fair procedure, followed by a convenient and responsive recovery process. That includes flexibility of the system, and consideration of customer inputs into the recovery process (Lovellock *et al.*, 2009). The study of Maxham and Netemeyer (2002) indicated that the procedural justice can affect customers' satisfaction with a service failure and recovery context.

*Interactional justice* focuses on interpersonal interactions during the process of service delivery. It means the evaluation of the degree to which the customers have experienced justice in human interactions from the employees of service organization during the recovery process (Sparks & McColl-Kennedy, 2001). In service recovery context, interactional justice means the evaluation of the degree to which the customers have experienced justice in human interactions from the employees of service firms during the recovery process (Sparks & McColl-Kennedy, 2001). Previous research has confirmed that interactional justice will affect customer satisfaction. For example, Tax,

Stephen and Murali (1998) found the effects of interactional justice on satisfaction with complaint handling, Rashid *et al*, (2014) argued that service recovery has positive influence on customer satisfaction.

#### **2.2.4. Summary**

While the service failure in this study is located on the high level of business as described in previous section, the recovery measures are offered by nationwide consequently. It is believed that this sort of large-scale recovery actions could be more complicated than single-shop activities.

### **2.3. Customer Satisfaction**

#### **2.3.1. Types of Satisfaction**

Johnson (2015) suggested that customer satisfaction research has developed two different types of evaluations: transaction-specific satisfaction and cumulative satisfaction. These two types of satisfactions are complementary, and the satisfaction of transaction-specific is focused on the satisfaction of a product or service in a given occasion or transaction or over a limited period of time. Satisfaction is a customer's evaluation of their experience with and reactions to a particular product transaction, episode, or service encounter. Previous transaction-specific satisfaction research explored the cognitive-psychological antecedents of satisfaction, while more recent research has focused on the effects of positive and negative emotions on satisfaction (Oliver, 1997).

Since the early 1990s, satisfaction research has grown to include an emphasis on cumulative satisfaction, defined as a customer's overall experience with a product or service provider to date. This definition is more consistent with those in economic psychology and welfare economics, where customer satisfaction is synonymous with the concept of consumption utility. It is cumulative satisfaction upon which the prominent national satisfaction, indices,

such as the American Customer Satisfaction Index (ACSI; Fornell et al., 1996), is built (Johnson, 2015).

### **2.3.2. Importance of Customer Satisfaction**

Customer satisfaction is a customer's overall or global judgment regarding the extent to which product or service performance matches expectations (Anderson & Sullivan, 1993). Consumer satisfaction is a mild, positive emotional state resulting from a favourable appraisal of a consumption outcome (Babin & Harris, 2013). Rashid *et al.* (2014) argued that customer satisfaction is crucial to the survival of any business organization. The customers in hospitality business are unique because the products consist of services, food, and even customers themselves.

### **2.3.3. Satisfaction of Service Recovery**

With regard to satisfaction of service recovery efforts, Boshoff (1997) noted the positive relationship between the amount of spent dollar and customer satisfaction. Furthermore, it was found that positive inequitable outcomes (over benefiting) lead to the highest levels of satisfaction. Though not examined through statistical analyses, Power (1991) has noted that today's customers are more demanding. Indeed, some evidence suggests that customers have little tolerance for service failure and are more demanding in expecting compensation when failures do occur (Mueller *et al.*, 2003).

Customer satisfaction is a customer's overall or global judgment regarding the extent to which product or service performance matches expectations (Anderson & Sullivan, 1993). Customer satisfaction is crucial to the survival of any business organization. However, service failures are often unavoidable due to human and non-human errors. Such failures to perform a service inevitably lead to customer dissatisfaction (Kau & Loh, 2006). Customer dissatisfaction requires service recovery action in order to win back customer's heart. This is

supported by Gronroos (1998) who stated that the purpose of service recovery is to make customers satisfied despite service failures and to maintain and if possible improve the long term relationship - to keep customers as well as long term profitability instead of creating short term cost saving. Understanding satisfaction from the perspective of service recovery is important because, as Spreng *et al.* (1995) showed, customer satisfaction with service failure recovery has a greater impact on overall satisfaction than does any other individual aspect of the outcome of the service delivery.

#### **2.3.4. Summary**

Contrast to the routine services provided daily in-shop by front-line staffs, service recovery is contemplated by high level managers or owners to regain restaurants' brand image after service fail in public and large-scale or group actions. Therefore the customer satisfaction is meant to the satisfaction of recovery policy offered by business owner after an ethical service failure occurred, and the satisfaction of customers also equates to the profitable financial performance of a company.

#### **2.4. Brand Image**

##### **2.4.1. Brand Equity**

The concept of brand equity has been debated both in the accounting and marketing literatures, and has highlighted the importance of having a long-term focus within brand management. Although there have been significant moves by companies to be strategic in the way that brands are managed, a lack of common terminology and philosophy within and between disciplines persists and may hinder communication.

Brand equity, like the concepts of brand and added value has proliferated into multiple meanings. Accountants tend to define brand equity differently from marketers, with the concept being defined both in terms of the

relationship between customer and brand (consumer-oriented definitions), or as something that accrues to the brand owner (company-oriented definitions). Feldwick (1996) simplifies the variety of approaches, by providing a classification of the different meanings of brand equity as: the total value of a brand as a separable asset when it is sold, or included on a balance sheet; a measure of the strength of consumers' attachment to a brand; a description of the associations and beliefs the consumer has about the brand (Wood, 2000).

#### **2.4.2. Brand Management**

It has been suggested that brand management should be strategic and holistic, as this is conducive to longevity, the marketing mix should function in a way that supports the brand message. This approach rejects, for example, discounting as a short-term sales promotion for a premium brand. That is, the decision to reposition a premium brand as a value brand should be a strategic one, rather than as the outcome of tactical marketing mix decisions. The suggestion that brands should be managed as long-term assets is not new (Dean, 1966), but getting stronger and more widespread. Davis (1995) indicated that brand management should take a long-term perspective and suggested that: ... management wants to change its ways and start managing its brands much more like assets increasing their value over time.

Brand equity has received much attention from marketing academics and practitioners due to its significant role as a key tangible asset (Aaker, 1991; Keller, 1998). Brand equity is considered one of the major drivers of customer equity, which is defined as the total combined customer lifetime value of all of a company's customers (Rust *et al.* 2004). Keller and Lehmann (2006) asserted that brands simplify customer choice, promise a particular level of quality, engender trust, and reduce risks. They also noted that brands play an important role in influencing the effectiveness of marketing efforts, such advertising and

channel placement. The accrued value from these benefits is called brand equity (Seo & Jang, 2013)

### **2.4.3. Brand Values**

Brand equity is the set of brand assets linked to a brand, its name and symbol (Semenik *et al.* 2012); while brand image is treated as a part of brand equity in this research. When food crisis breaks out, the service failure will occur and recovery actions need to be contemplated. Service failure research suggests that strong brand equity functions as a cushion to protect firms from the negative impacts of service or recovery failures (Mattila, 2001; Priluck, 2003). Kim & Kim (2014) further developed a model to investigate the value of CSR for stakeholders; the results showed that the application of CSR can reduce the risks of equity.

### **2.4.4. Summary**

For a chain restaurant, brand image is critical to attract and retain customers; therefore, the maintenance of brand image is crucial, especially after the break-out of food safety issues. While a good brand image could reduce the negative impact from service failure, this study intends to explore if a successful service recovery can have positive impact on brand image.

## **2.5. Corporate Social Responsibility (CSR)**

### **2.5.1. Definition**

CSR can be defined as a company's commitment to minimizing or eliminating any harmful effects and maximizing its long-run beneficial impact on society (Mohr, Webb, and Harris 2001). Companies relying on establishing CSR projects to attract new customers and maintain customers relationships (Sen *et al.*, 2009), and elevate brand image (Ganesan *et al.* 2009), has become a major strategy (Bolton, & Mattila, 2015) ◦



Helm (2007) argues that a company with a good reputation will face less financial risks than those companies with equivalent financial performance but with less established reputation.

Previous studies in different environmental management domains have predicted that customer satisfaction, reputation, and competitive advantage are three outcomes of CSR (e.g. Mulki & Jaramillo, 2011; Salmons, Perez, & Bosque, 2009; Walsh & Beatty, 2007). Firm performance is also positively affected by these three interdependent variables (Li *et al.*, 2006; Matzler & Hinterhuber, 1998; Mulki & Jaramillo, 2011; Yamin, Gunasekaran, & Mavondo, 1999). Evidence has revealed that high levels of customer satisfaction have two main consequences for a firm including reputation and competitive advantage (Anderson & Sullivan, 1993; Matzler & Hinterhuber, 1998; Walsh *et al.*, 2006). Therefore, customer satisfaction, reputation, and competitive advantage should be included together in studies on the relationship between CSR and firm performance. Therefore Saeidi *et al.* (2015) suggests that CSR and performance is a mediated rather than a direct relationship.

### **2.5.2. CSR Initiatives**

The operations of air transport inevitably cause substantial environmental and social impacts. The airline industry has been under increasing pressure to undertake initiatives to reduce or mitigate its negative impacts. As a result, an increasing number of airlines have implemented CSR initiatives. When an airline invests resources in activities related to social responsibility and sees such investment as a part of the promotion and marketing of the company (Chen *et al.*, 2012) Recent studies have indicated that companies in the hospitality industry introduce CSR as a strategy to develop long-term customer relationships and achieve a competitive advantage (Martínez & Bosque, 2013). CSR perceptions can be important because prior research has demonstrated that

a reputation for CSR can have a halo effect, influencing consumers' judgments in non-routine situations (Godfrey *et al.*, 2009)

### **2.5.3. Brand Reputation**

Building a reputation for CSR has now come to be considered by many a crucial practice in the hospitality industry (e.g., Kim & Kim, 2014; Martínez & Bosque, 2013; Park & Lee, 2009). CSR refers to a company's activities that are perceived to be its obligation to society or its stakeholders (Klein and Dawar, 2004; Sen & Bhattacharya, 2001).

Koh *et al.*, (2009) argued that such brand reputation makes its own unique impact on firm performance of multinational restaurant companies in addition to brand recognition. In examining brand reputation, their study adopted the corporate social responsibility (CSR) index as a proxy due to its significant and growing importance in building brand reputation in recent years. Brown (1997) connected a company's reputation with corporate social performance (CSP); he advocated that companies with a positive reputation for CSP have a stronger ability to develop more loyal customers, employees, and suppliers. Porter and Kramer (2006) also argued that CSR initiatives are often justified by companies that they improve a company's image and strengthen its brand. Following these studies, Koh *et al.*, (2009) measured restaurant firm's CSR participation as a proxy for brand reputation. Two main variables were selected based on: (1) advertising expenditure for brand recognition (BRC) and (2) CSR index for brand reputation (BRP). Their results suggest that executives and managers of multinational restaurant companies may want to consider maintaining reasonable or increasing investments in CSR activities with not a short-term, but a long-term perspective.

Siu *et al.* (2014) argued that CSR is found to affect customer-company identification (Martínez and Bosque, 2013; Sen and Bhattacharya, 2001). CSR

initiatives build a certain corporate identity which associates a firm with an image of responsiveness to address the needs of the society for continued survival (Marin et al., 2009). Lichtenstein *et al.* (2004) have argued that when a firm's CSR initiatives signal to consumers that the company has traits overlapping with their own self-concepts, company-consumer identification will be stronger and the consumers will be more supportive of the company, thus developing a sense of connection. C–C identification is thus considered a key consequence of CSR investment. Du *et al.* (2007) argued that such identification may be more likely to bring about more relational reactions to the company and its brand over the long term than mere product purchases.

#### **2.5.4. Summary**

While CSR was considered capable of strengthening brand image (Kramer, 2006), and brand equity could reduce the negative impact from service failure (Mattila, 2001; Priluck, 2003), this study connect CSR with brand image to explore the function of CSR when ethical service failures breakout.

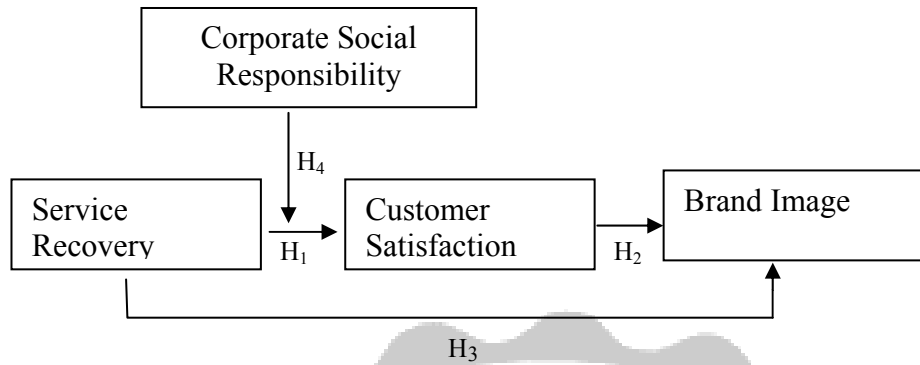
### **3. Research Methodology**

#### **3.1. Logics of Theory and Framework of Research**

This research adopts the suggestion of Johnson (2015), which divided satisfaction as transaction-specific and cumulative satisfaction; the dimension of service recovery in the study represents the degree of perceived customers' satisfaction after a service recovery is issued, which is the satisfaction with respect to a specific event, in other words, how customers perceive the service recovery measures after a service failure occurred. Such transaction-specific satisfaction (short term) is thought to help to elevate the cumulative satisfaction (long term) since transaction; customer cumulative is the overall satisfaction of service recovery. If the perceived customer satisfaction of the specific service recovery is high, it can accumulate overall customer satisfaction and further elevate brand image.

However, when CSR is taken into consideration, customers' original perception of a company's CSR will lead to different expectation of service recovery. When the original expectation of a company's CSR is high, the expectation of the amount of recovery compensation is high. If perceived service recovery is not as expected, the affects of service recovery on satisfaction will decrease. CSR function as an important role in the relationships of transaction-specific satisfaction affecting cumulative satisfaction; therefore CSR is equipped with moderating effect on the relationships.

The framework of research is illustrated as Figure 3-1



(Transaction-specific Satisfaction) (Cumulative Satisfaction)

Figure 3-1 Framework of Research

### 3.2. Research Hypotheses:

Johnson (2015) proposed two complementary viewpoints of evaluation to categorize customer satisfaction according to the length of time period: transaction-specific satisfaction and cumulative satisfaction; the transaction-specific focuses on the satisfaction of products or services at a given occasion or transaction or over a limited period of time, and the cumulative satisfaction represents the overall experience of product or service providers to date. Various aspects of satisfaction on service recovery are related to cumulative satisfaction (Boshhoff, 2005), Spreng *et al.* (1995) suggested that service recovery has a crucial role during customers formulating overall satisfaction and positive intent. Maxham and Netemeyer (2002) argued that service recovery has paramount influence on the development of overall satisfaction. The service recovery dimension in this research represents the satisfaction of service recovery provided by the company perceived by customers, which belongs to transaction-specific satisfaction, customers satisfaction perceived on the specific transaction of service recovery provided by the company, the transaction-specific satisfaction (short term) helps to elevate the cumulative satisfaction (long-term). Customers' cumulative satisfaction represents the overall satisfaction of service

recovery; high satisfaction perceived by customers on the individual service recovery can accumulate overall customer satisfaction.

While service is the make-up service or a service exceptional to the ordinary service, when service failure happens, the measures undertaken by business owners can be crucial for the quality recovered and therefore it will affect the service perceived by consumers, and further enhance the degree of customer satisfaction. Chang & Chang (2010) also proposed that recovery satisfaction positively affects overall satisfaction. Therefore, this study proposes the following hypothesis:

**H<sub>1</sub>: Service recovery positively affects customer satisfaction.**

Brand image is crucial to maintain the loyalty of customers, especially in the business of chain food stores or restaurants. When the brand image is right, customers will keep on coming back; however, if the brand image is not right, it will need to take more effort to recover. Customer satisfaction has influence on brand loyalty (Nam *et al.*, 2011), it is believed that when customers are satisfied, it will positively affect the brand image, therefore, the following hypothesis is proposed,

**H<sub>2</sub>: Customer satisfaction positively affects brand image.**

Service recovery are often implemented by means of apology, discount offering, or coupon accompanied with the incident of service failure, therefore it is only an ad hoc measure and can only relax angry customers' emotion but not directly contribute, therefore it is suggested that customer satisfaction is a mediator between service recover and brand image; service recovery can only contribute to brand image through customer satisfaction, and the following hypothesis is suggested,

**H<sub>3</sub>: Customer satisfaction has mediating effect between service recovery and brand image.**

Failures in service delivery are inevitable and recovery of such encounters represents a significant challenge for service firms (Sengupta *et al.*, 2015). After a service failure, perception of a firm's social responsibility (CSR perception) will interact more strongly with customer attributions of blame in affecting customer identification with the firm for customers with higher prior expectation of the firm's service quality (Siu *et al.*, 2014). The reputation of a company and the services they offered will decide customers' expectation on them; customers hold higher expectation on companies with higher reputation, and consider them offering higher quality of services (Sengupta, Balaji, Krishnan, 2015). Which means that when customers perceive a higher CSR, they will have higher expectation on services provided by companies; on the contrary, when customers perceive a lower CSR, they will not hold any expectation of a decent service. When service failure occurs, customers experiencing disconfirmed expectation will feel unpleasant (Smith *et al.*, 1999). According to Expectancy Disconfirmation Theory (Oliver, 1997), customers formulate pre-consumption expectations, observe product performance, compare the performance and expectation, and combine the information of expectancy to judge satisfaction. Positive disconfirmation is formulated and satisfaction increase when performance exceeds expectations; negative disconfirmation is formulated and satisfaction decrease when performance falls below expectations. Therefore, customers tend to have higher expectation of service recovery on company with high CSR perception, and lower expectation of service recovery on company with low CSR perception prior to their consumption. When service failure does happen, customers with higher CSR perception will experience lower satisfaction due to their high expectation on service recovery, and customers with lower CSR perception will experience higher satisfaction due to their low expectation on service recovery when they experience service recovery personally.

It is believed that when customer encounters service failure, their behaviours will be affected by companies' brand image and reputation, for instance, a company with good CSR image is expected to diminish customers' expectation to be compensated, therefore, this study suggest that CSR plays a negative moderating role on the relationships between service recovery and customer satisfaction and suggests that:

**H<sub>4</sub>: CSR negatively moderates the relationships between service recovery and customer satisfaction**

**3.3. Questionnaire Design**

The constructs and frameworks of research is mainly based on the paper proposed by Caruana (2002). The questionnaire is developed according to the constructs as shown in Table 3-1.

Table 3-1. Constructs of Research

Service Recovery	Customer Satisfaction	Brand Image	Corporate Responsibility	Social
<ul style="list-style-type: none"> <li>● Money Compensation</li> <li>● Justice</li> <li>● Fair</li> <li>● Personal</li> </ul>	<ul style="list-style-type: none"> <li>● active</li> <li>● Willing to listen</li> <li>● Capable of solving problems.</li> <li>● Dealing with emergency</li> </ul>	<ul style="list-style-type: none"> <li>● Value</li> <li>● Leading brand</li> <li>● Decent reputation</li> <li>● Welcomed by friends</li> <li>● Good dining experience</li> </ul>	<ul style="list-style-type: none"> <li>● Support public beneficial activity</li> <li>● Maintaining society relations</li> <li>● Follow code of conduct</li> <li>● Ethical employees</li> <li>● Respect reputation and morality</li> </ul>	



### 3.4. Questionnaire Survey

The questionnaire survey is mainly focused on the customers who dined at the target restaurant, to explore the reasons that customers keeping on coming back after the food safety storm broke out and the fairy tale of a brand which was successful is ditched. Therefore the questionnaire survey was conducted at the exit of target restaurant supplemented with internet.

### 3.5. Data Analysis

Field (2013) describes moderator variable as one that affects the relationships between two others as illustrated in Figure 3-2, in this study, predictor is service recovery, outcome is customer satisfaction, and CSR is the moderator that affects the relationships between service recovery and customer satisfaction.

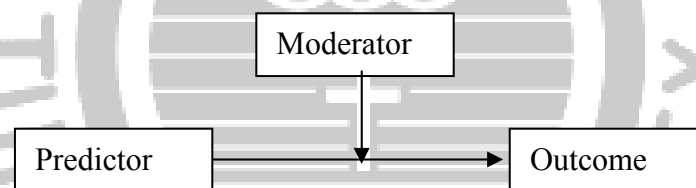


Figure 3-2 Conceptual model of moderator

(Source: Field, 2013)

Field (2013) further describe that mediation refers to a situation when the relationship between a predictor variable and an outcome variable can be explained by their relationship to a third variable which is the mediator, as illustrated in Figure 3-3.

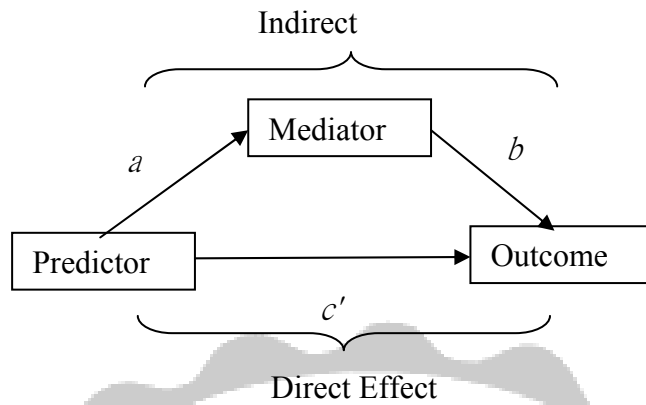


Figure 3-3 Basic Mediation Model

(Source: Field, 2013)

The collected questionnaires will be analyzed via SPSS with the custom regression program, *PROCESS*.



Baron & Kenny (1986) suggested that a mediating variable needs to satisfy the three requirements as below (Figure 3-4):

1. Independent variable significantly affect mediator (path a).
2. Mediating variable significantly affect dependent variable (path b).
3. When path a and path b are under control, previous relation c between independent variable and dependent variable become no more significant; the mediating effect is the strongest when c' becomes 0.

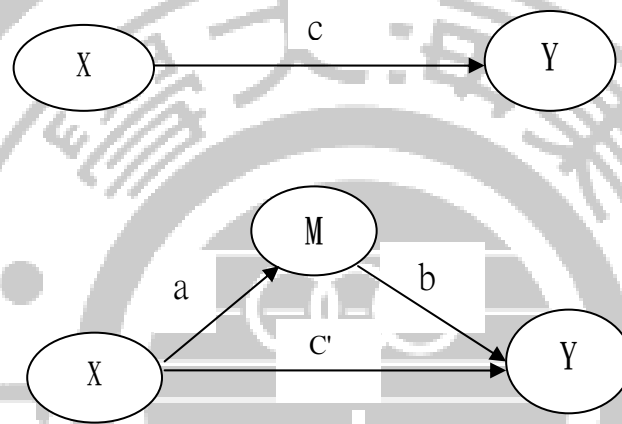


Figure 3-4 Cause-Effect Model of Mediation

(Source: Baron & Kenny, 1986)

Baron & Kenny (1986) further proposed three regression model to test the effect of mediation:

1. Implementing the regression model of independent variable on mediator.
2. Implementing the regression model of independent variable on dependent variable.
3. Implementing the regression model of both independent variable and mediator on dependent variable.

The third model above has to satisfy following requirements:

1. In the first regression model, independent variable has to affect dependent variable.

2. In the second regression model, independent variable has to affect mediator.

3. In the third regression model, the multiple-regression model of both independent and mediator affecting dependent, the affect of independent on dependent has to be lower than that of independent variable on dependent in simple regression model. If the independent variable has no affect on dependent in the multiple-regression model analysis of both independent and mediator affecting dependent variable, the mediator is regarded total mediation.

Therefore, this research combines the requirements for mediating effect and triple regression model analysis to implement the procedures of mediator analysis, the existence of mediating effect is judged by means of three regression formula. The procedure is described as bellow:

Model 1: Independent variable has significant standard regression coefficient on dependent variable ( $c, X \rightarrow Y$ ).

Model 2: Independent variable has significant standard regression coefficient on mediator ( $a, X \rightarrow M$ ).

Model 3: In the multiple-regression model analysis of independent variable and mediator on dependent variable, the relationships between independent variable and dependent variable will be weaken by the existence of mediator ( $c'$ ), even insignificant, but the relationship between mediator and dependent variable ( $b$ ) still needs to be significant.

The three models above will be adopted to verify the existence of mediating effect of mediator. If the  $c'$  value between independent variable and dependent is lower than  $c$  value in model and insignificant, it can be interpreted as that the mediator has total mediating effect. When the relationship between reduce and still significant, the mediator has partial mediating effect.

## **4. Results of Empirical Analysis**

### **4.1. Basic Analysis**

There are 213 valid questionnaire collected, among them 50 copies were collected on-site the exit of subject restaurant, and others were from internet, the sources were examined via t-test and showed no difference. The demographic data shows that there are 44(21%) samples have never been to the subject restaurant; 86(40%) samples have visited the restaurant for one or two times; and 47(22%) samples have visited the restaurant for three or four times. The reliability of the questionnaire has been examined via Cronbach'  $\alpha$  test and achieve the figure of 0.83, which is above the minimum standard of 0.7 suggested by Nully (1978).

### **4.2. Regression Analysis**

#### **4.2.1. H<sub>1</sub> Testing**

Regression analysis is adopted to verify the affect of service recovery on satisfaction, in which service recovery is treated as independent variable and satisfaction as dependent variable to carry out simple regression analysis. The results show that service recovery has positive and significant effect on satisfaction ( $\beta = 0.2987^{**}$ ), as shown in Table 4-1, which means that when customer satisfaction on service recovery is elevated, customers' overall satisfaction on the restaurant will also be raised.

Table 4-1 Regression Analysis of Service Recovery Affecting Satisfaction

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.2006	.0402	.9380	8.8476**	1	211	.0033

Model	SATISFY			
	coeff	se	T	p
constant	2.4176	.4224	5.7237**	.0000
RECOVERY	.2987	.1004	2.9745**	.0033

\*\* : P<0.01 , \* : P<0.05

#### 4.2.2. H<sub>2</sub> Testing

In the analysis of satisfaction affecting brand image, satisfaction is treated as independent variable and brand image as dependent variable to conduct a simple regression analysis, the results show that satisfaction positively and significantly affect brand image ( $\beta=0.219^{**}$ ), as illustrated in Table 4-2, which indicates that when customers' overall satisfaction is raised, the brand image for customers will also be promoted.

Table 4-2 Regression Analysis of Satisfaction on Brand Image

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.320	.102	.410	24.030**	1	211	.0000

Model	BRANDIMG			
	coeff	se	T	p
constant	2.671	.169	15.808**	.0000
SATISFY	.219	.045	4.902**	.0000

\*\* P<0.01 , \*P<0.05

### 4.3. Mediation Analysis

The mediation effect of customer satisfaction between service recovery and brand image which is H<sub>3</sub> is tested via SPSS regression analysis with *PROCESS* produced by Andrew F. Hayes (Field, 2013). According to the result, regression coefficient of customer satisfaction variable shows  $\beta=0.2002$ ,  $p<0.0001$ , and that of service recovery variable shows  $\beta=0.1372$ ,  $p<0.05$ , as illustrated in Table 4-3. The results meet the requirement of significant mediation suggested by Baron & Kenny (1986), which demonstrates that customer satisfaction mediates the relationships between service recovery and brand image.

Table 4-3a Mediation Model

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.2006	.0402	.9380	8.8476	1.0000	211.0000	.0033
Model SATISFY						
	coeff	se	T	p		
constant	2.4176	.4224	5.7237	.0000		
RECOVERY	.2987	.1004	2.9745	.0033		

Table 4-3b Mediation Model

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.3459	.1197	.4043	14.2737	2.0000	210.0000	.0000
Model						
BRANDIMG						
	coeff	se	T	p		
constant	2.1690	.2981	7.2774	.0000		
SATISFY	.2002	.0452	4.4292	.0000		
RECOVERY	.1372	.0673	2.0390	.0427		

Model 1 ( $X \rightarrow Y$ ) represents the total effects of service recovery affecting brand image, which is 0.1970 ( $c$ ), it was reduced to 0.1372 ( $c'$ ) after satisfaction (M) was included and Model 3 ( $X+M \rightarrow Y$ ) was conducted to demonstrate the affects of service recovery and satisfaction on brand image. The results shows that  $c' < c$ , and satisfaction significantly affects brand image ( $M \rightarrow Y$ , Model 3, b) while service recovery significantly affects satisfaction ( $X \rightarrow M$ , Model 2, a), it indicates that the relationships between independent variable and dependent variable is reduced in light of the existence of mediating variable yet the relationships between mediating variable and dependent variable, as illustrated in Table 4-4.

Table 4-4 Mediating Effect of Satisfaction on Service Recovery Affecting Brand Image

Variable	Dependent Variable Y		Mediator
	Model 1 ( $X \rightarrow Y$ )	Model 3 ( $X+M \rightarrow Y$ )	Model 2 ( $X \rightarrow M$ )
X	0.1970** ( $c$ )	0.1372** ( $c'$ )	0.2987** ( $a$ )
M		0.2002** ( $b$ )	
F-value	8.206	14.273	8.847
Sig.	0.000	0.000	0.000
R2	0.037	0.120	0.040

\*  $p < 0.05$ , \*\* $p < 0.01$ ; X (Independent variable): Service Recovery; M (mediator): Satisfaction; Y (Dependent Variable): Brand image



An alternative approach to test mediating effect is to estimate the indirect effect and its significance, which is the combined effect of path a & b in Figure 3-6. The significance of this effect can be assessed by Sobel test (Sobel, 1982). The summary of total-effect model testing is illustrated in Table 6 and the results are shown in Table 4-5. The direct effect is 0.1372,  $p < 0.05$ , and indirect effect is 0.0598,  $p < 0.05$ , which satisfy the Sobel test and verify the mediating effect of customer satisfaction between service recovery and brand image.

Table 4-5. Total Effect Model

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.1935	.0374	.4399	8.2059	1.0000	211.0000	.0046
Model						
BRANDIMG						
	coeff	se	T	p		
constant	2.6530	.2893	9.1712	.0000		
RECOVERY	.1970	.0688	2.8646	.0046		

Table 4-6. Total, Direct, and Indirect Effects

Total effect of X ( RECOVERY ) on Y ( BRANDIMG )			
Effect	SE	T	p
.1970	.0688	2.8646	.0046
Direct effect of X on Y			
Effect	SE	T	p
.1372	.0673	2.0390	.0427
Indirect effect of X on Y			
Effect	SE	T	p
.0598	.0246	2.4271	.0152

Field (2013) argued that if the estimated confidence interval based on bootstrapped standard error does not include 0, then it indicates the existence of indirect effect. As illustrated in Table 4-7, the confidence interval of indirect effect is (0.011,0.205), which does not include 0 and signifies the existence of indirect effect. The results show that service recovery can indirectly affect brand image via satisfaction in addition to its direct effect on brand image, therefore satisfaction is a partial mediating variable of service recovery affecting brand image.

Table 4-7 Direct and Indirect Effects of Service Recovery on Brand Image

Effect	Path	Direct Effect	Indirect Effect	Total Effect
Direct Effect	X→Y ( Model 3 )			
	Service Recovery → Brand Image	0.1372 ( c' )		
Indirect Effect	X→M ( Model 2 ) ·		0.2987 ( a )	
	X+M→Y ( Model 3 )		×0.2002 ( b ) =	
	X→M→Y		0.060	
	Service Recovery → Satisfaction → Brand Image		Boot LLCI	Boot ULCI
			0.011	0.205
Total Effect	X→Y ( Model 1 )			0.1372+0.0598
	Service Recovery → Brand Image	0.1970 ( c )		= 0.1970

Apart from the above regression analysis which demonstrates the partial mediator role of satisfaction, the mediating paths are investigated by means of Sobel test. While mediator only exists if indirect effect is significant, the results show that Z value of Sobel test is significant and mediating role of satisfaction exists in service recovery affecting brand image.

Table 4-8 Sobel test of Satisfaction

Path	Indirect Effect	S.E	Z	P	Result
Service Recovery→Satisfaction→Brand Image	0.0598	0.0246	2.4271*	0.0152	tenable

\*P&lt;0.05 , \*\*P&lt;0.01

#### 4.4. Moderation Analysis

Hypothesis H<sub>4</sub> suggests that CSR is a moderator to the relationships between service recovery and customer satisfaction, the results of SPSS analysis with *PROCESS* regression model show that service recovery's  $\beta = 0.1828$ , and  $p < 0.05$ , and the interaction item's (Service Recovery x CSR)  $\beta = -0.2351$ , and  $p < 0.05$ , as showed in Table 4-7, which reveals that the test has fulfilled the criteria for the establishment of moderation. It is interesting to find that the coefficient of interaction item is negative; statistically speaking the moderator will reduce the effect of service recovery on satisfaction, what it means managerially will be discussed in next section.

Table 4-7. Moderating Analysis

Model Summary						
R	R-sq	MSE	F	df1	df2	p
.3525	.1243	.8641	23.3092	3.0000	209.0000	.0000
Model Outcome: SATISFY						
	coeff	se	t	P	LLCI	ULCI
constant	3.6728	.0679	54.0896	.0000	3.5389	3.8067
CSR	.4001	0.0818	4.8892	.0000	.2388	.5614
RECOVERY	.1828	.0901	2.0281	.0438	.0051	.3605
int_1	-.2351	.1186	-1.9825	.0487	-.4689	-.0013
(Interaction: int_1 = RECOVERY X CSR)						

The level of customers' perception of DW Restaurants' CSR will diminish the influence of service recovery on customer satisfaction; the lower of perception of DW Restaurants' CSR, the higher of influence of service recovery on customer satisfaction; however, the higher the perception of DW Restaurants' CSR, the less significance of influence of service recovery on customer satisfaction, as shown in Table 4-8.

The perception of DW hotpot restaurant's CSR reputation is expected to negatively moderate the effect of service recovery on customer satisfaction, the lower CSR is perceived, the more service recovery will affect customer satisfaction; however, if the CSR is perceived high, the restaurant's attempt to improve service recovery will have no significant effect on customer satisfaction.

- i) For interviewees with low (minus one SD from mean) CSR perception, perceived service recovery significantly positively affect satisfaction (effect=0.3518,  $p=0.0001$ ); it indicates that the customers who perceive the restaurant's CSR low did not expect service recovery, the contemplation of unexpected service recovery after service failure actually elevate their satisfaction.
- ii) For interviewees with average (mean) CSR perception, perceived service recovery significantly positively affect satisfaction (effect=0.1828,  $p=0.0438$ ); it indicates that the customers who perceive the restaurant's CSR average will reveal higher satisfaction if service recovery is promoted.
- iii) For interviewees with high ( plus one SD from mean) CSR perception, perceived service recovery has no significant effect on satisfaction (effect=0.0137,  $p=0.9286$ ); it indicates that the customers who perceive the restaurant's CSR high take it for granted, therefore the conduct of service

recovery after service failure shows no significant effect on satisfaction.

Table 4-8. Moderating Analysis

Conditional effect of X on Y at values of the moderator(s):						
CSR	Effect	se	t	P	LLCI	ULCI
-.7191	.3518	.0860	4.0934	.0001	.1824	.5213
.0000	.1828	.0901	2.0281	.0438	.0051	.3605
.7191	.0137	.1530	.0897	.9286	.2878	.3153

Values for quantitative moderators are the mean and plus/minus one SD from mean.

#### 4.5. Empirical Analysis Result

Combining the results of mediation and moderation analysis above, the coefficients and p value are attached to the framework of research and illustrated as Figure 4-1.

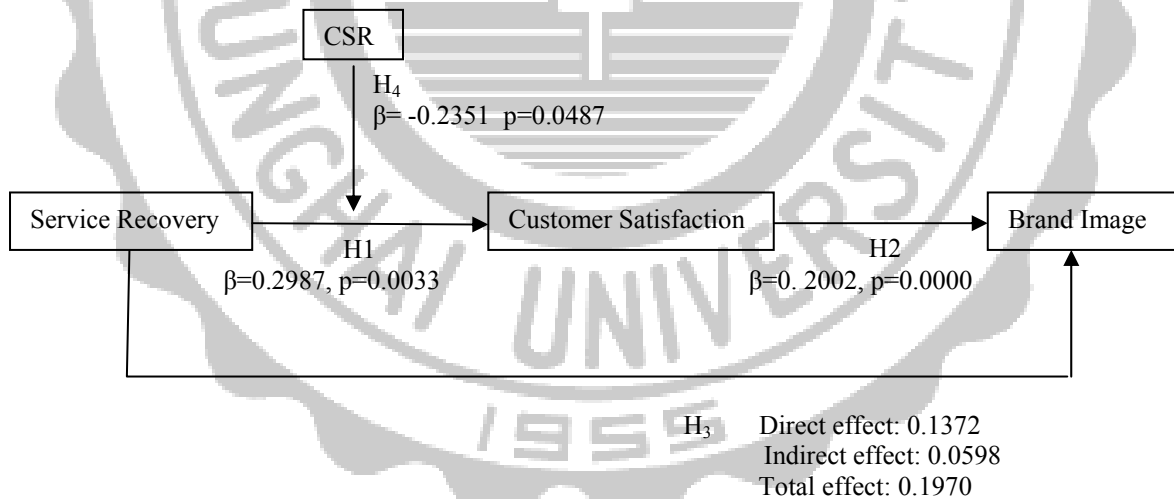


Figure 4-1 Empirical Analysis Result

## 5. Conclusion & Suggestion

### 5.1. Conclusion

The empirical results of this study signify that perceived customer satisfaction of service recovery provided by companies helps to elevate customers' overall satisfaction of companies after service recovery is offered and further elevate brand image; therefore, customer satisfaction is the mediating variable of service recovery affecting brand image. In light of customers' perception of CSR reputation of companies, customers tend to have higher expectation on service recovery as they have higher acknowledgement of companies' CSR reputation; however, if the service recovery experienced is not as expected, the effect of service recovery on satisfaction will be reduced. Therefore, customers' perception of CSR plays a crucial role in service recovery affecting overall satisfaction: the perception of customer on companies' CSR has negative moderating effect on service recovery affecting overall satisfaction.

#### i) Service recovery positive affect customer' overall satisfaction

Companies have to undertake recovery measures when services fail; the empirical results of this study indicate that customers' satisfaction of contemporary actions (transaction-specific satisfaction) positively affect customers' overall satisfaction (cumulative satisfaction),  $H_1$  is verified.

#### ii) Customers' overall satisfaction positively affect brand image

The attempt of company to recuperate overall customer satisfaction will resume the brand image damaged by service failure. The empirical results show that overall customer satisfaction positively affect brand image,  $H_2$  is verified.

iii) Overall customer satisfaction is the partial mediating variable of service recovery positively affecting brand image.

Having service failures occurred in the course of supplying services, the satisfaction of service recovery can positively affect overall customer satisfaction and further affect brand image by means of overall customer satisfaction; the total effect of service affecting brand image is 0.1970, which indicates that contemporary service recovery measures perceived satisfied can positively affect brand image; the direct effect of service affecting brand image is 0.1372, and the indirect effect of service recovery affecting brand image through overall customer satisfaction is 0.0598. While indirect effect is less than direct effect ( $0.0598 < 0.1372$ ), it indicates that overall customer satisfaction is the partial mediator of service recovery affecting brand image, which means that  $H_3$  is verified.

iv) CSR functions as moderator of service recovery affecting overall customer satisfaction

The CSR image of companies has fixed impression in customers' minds, if customers' original perception of a company's CSR is decent; they tend to have higher expectation on the company's service recovery measures when service failures occurred, which lead to larger gaps from real perception. A less satisfied service recovery is incapable of affecting customer satisfaction; therefore the effect of service recovery on customer satisfaction will be reduced, the perception of companies' CSR has negative moderating effect of service recovery affecting overall customer satisfaction, the higher perception of companies' CSR, the less service recovery can affect customer satisfaction, which indicates that  $H_4$  is verified. It points out that the companies with good CSR image have to fortified their service recovery measures to fulfil customers' expectation to resume overall customer satisfaction.

## 5.2. Suggestion

i) Work hard on service recovery to elevate customer satisfaction to recuperate brand image.

In light of the inevitability of service failures in the processes of service of food and beverage industry, how to supply service recovery immediately to regain customers' confidence lost in service failures and stabilize customers' satisfaction to resume brand image is crucial factor for food and beverage industry to maintain competitive advantage.

ii) Obligation to fulfil corporate social responsibility.

As revealed in the precious section, the coefficient of moderator (CSR) between service recovery and customer satisfaction is negative while the coefficient of service recovery is positive, in practice, it could be interpreted that the perception of service recovery will have positive effect on customer satisfaction, and the CSR variable will diminish that relationship, which means that when the CSR icon of a brand is symbolic enough, the cause-effect relationship between service recovery and customer satisfaction could be diluted by the image of CSR. In the food and beverage industry, the food safety has been aware by majority of customers, it is suggested that if a business owner can cultivate their image of CSR, it could reduce the amount of recovery to satisfy customers when service fails.

The subject company is a chained restaurant; the business is still running although not as busy as before. The first issue that raises our concern is service recovery and is illustrated that it needs to be implemented through customer satisfaction in order to retain the brand image. As the failed service occurs in restaurant business regarding the fake ingredients, it brings out the issue of CSR; it is natural to consider it as



a part of business owners' owners. The consideration of CSR as the moderator variable between service recovery and customer satisfaction is validated, and it reveals that the business owners should invest more on their CSR to dilute customers' wish for compensation when service fails and further improve their brand image.

While academic research about CSR suggested that it should be treated as a long-term strategy, practitioners have also demonstrated that it is worthwhile to invest on CSR and it will pay back sooner or later. The recent series of food safety issues in Taiwan have damaged some business, but fortified the business in good will, which position themselves as "green industry". It will always worthwhile to invest on CSR, not only to generate profit, but also prevent from risks.

### **5.3. The Limitation of Study**

The "Service Recovery" construct in this research designates customers' perception of service recovery provided for a limited period of time or a single event, which is a kind of transaction-specific satisfaction, the satisfaction perceived by customers for the specific event of service recovery. However, the strength and density of service failure could vary according to each single event, which was not taken into consideration. Meanwhile, the "Satisfaction" construct in the study stand for the accumulated (long-term) overall satisfaction to date since the service recovery was contemplated by companies; and "Brand Image" of a restaurant could also change along the time, it should also be treated separately by "short-term" and "long-term".

### **5.4. Recommendation for Future Research**

The factor of time frame could be taken into consideration in further research to explore service recovery's affects on overall satisfaction in different time spots (short-term, middle-term, long-term) and the variation of effect of

CSR on service recovery affecting overall satisfaction along with spectrum of time.



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