The effect of justice in the history of loyalty: A study in failure recovery in the retail context

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ABSTRACT

The process of justice means the handling of complaints, and includes the series of events related to the procedure for recovering any failures that have occurred. The main purpose of this study is to identify the role of perceived justice in its constitution dimension, as an antecedent of loyalty in a scenario of failure recovery service. We carried out a survey among 604 consumers from a database of a large Brazilian retail company. Through structural equation modeling, we identify the relationships between justice and satisfaction, and perceived quality and trust. In addition, we identify how these constructs relate to loyalty after the failure has been recovered.

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1. Introduction

It is known by organizations that the quality of their services or products is not sufficient to maintain or enhance a strategic position in the market. In this regard, managers of organizations are concerned with transforming transactional operations into more relational interactions with their consumers (Garbarino and Johnson, 1999). This new relational environment has made companies increasingly realize that much of their success depends on their ability to keep current customers satisfied and thus loyal to their business processes (Blodgett et al., 1997). In this scenario, one of the ways in which to enhance the relationship with customers is demonstrated through the investments that organizations conduct when pursuing excellence in their business processes and, in particular, in the recovery process following service failures. The latter is seen as an important factor for differentiation and for the maintenance of loyalty from consumers (Tax et al., 1998).

Previous studies have specified the concept of justice and how this construct affects consumer perceptions (Blodgett et al., 1997; Tax et al., 1998). Justice can be understood according to three different dimensions: distributive justice, using the concept of equity among the participants of a transaction (Tax et al., 1998), procedural justice, when analyzing policies and procedures used by organizations during the solution process (Blodgett et al., 1997; Tax et al., 1998), and interactional justice, when referring to the type of treatment provided by the staff and the organization during provision of the solution (Tax et al., 1998; Magnini et al., 2007).

There are already some studies on the perception of Justice in recovery of failure (Tax et al., 1998; Maxham and Netemeyer, 2002). In Brazil, the main approach to the subject is synthesized in studies conducted by Santos and Fernandes (2007), who applied it to automobile dealerships established in Porto Alegre (Rio Grande do Sul), and by the same authors in 2008 using airline customers and client banks. Despite the relevance and the originality of studies by these authors, it appears that there are defects in both approaches. An example is the lack of analysis of a large variety of antecedents of loyalty, and a lack of loyalty when applying the model in highly competitive business environments that have lower exit barriers. These gaps are acknowledged by Santos and Fernandes (2007, p. 48) when they emphasize the existence of a fertile field of research within the subject that needs to be explored in greater depth.

This study seeks to provide a more robust research model using a larger amount of antecedent variables that contribute to consumer loyalty. To this end, this research is based on understanding

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consumer perceptions of the types of justice they received from a national retailer in response to their complaints regarding a failure. We are also interested in the influence this perception had on customer loyalty. Specifically, the main purpose of this work is to answer the following research question: *What is the influence of justice as an antecedent of consumer loyalty after a process of failure recovery in retail?* To answer this question, this paper is structured according to six sections: this brief introduction, theoretical foundation, methodology, results, discussion of the results and, finally, conclusions and final considerations.

2. Theoretical foundation

The purpose of this section is to provide the necessary theoretical support for key academic concepts that are part of the context of failure recovery, including the perception of justice, loyalty, and its major antecedents.

2.1. The procedures for failure recovery

The dissemination of proposals for more specific relationships with consumers has led to the creation of different services being developed and deployed by companies (Parvatiyar and Sheth, 2000). The inevitable failures occurring in these services has in turn led to the creation of a recovery process, regardless of whether these services are directed towards the process of maintaining customer loyalty (Tax et al., 1998). According to Berry and Parasuraman (1991) and Tax et al. (1998), due to the intangibility of services, as well as the existence of operational interdependences and excessive contact between customers and employees, the timing of complaint management can be considered a "critical moment of truth" in the maintenance and development of a relationship in the long term, resulting in a decisive factor for maintaining strategic positions in many sectors of business. A similar opinion is presented by Blodgett et al. (1995) when they say that retailers and service providers must understand that the answers to complaints provide an opportunity to solidify and strengthen relationships with customers.

According to Singh (1988), the act of complaining can lead to a set of possible behaviors if customers are dissatisfied. In general, these options include a formal complaint, seeking redress (refund, exchange, repair, excuse, etc.), negative word of mouth (i.e., customers may talk to others about the dissatisfaction), discontinuance of the relationship (leaving the commercial environment with the promise never to return to consume), and contact with others to expose the situation in order to denigrate the operational quality and/or commercial enterprise (complaints in the media).

The positive commercial aspect of first responses to consumers provides considerable evidence that if a company handles complaints immediately it can reduce the incidence of negative communication and negative word-of-mouth recommendations to others, and increase the likelihood of repurchase by these plaintiffs, who may then spend significantly and issue a positive word-of-mouth communication (spreading affection, good relationship, etc.). These consumers may also become more loyal if they perceive immediate attention and a high degree of justice in the proposed solution (Blodgett et al., 1995). Magnini et al. (2007) also conclude that the company's immediate response to complainants offers a unique opportunity to model the importance of customer satisfaction, and loyalty may increase if the customer views this recovery effort as a legitimate compensatory action and sincere correction of a failure, rather than a simple effort of maintaining public relations.

According to Hess et al. (2003), the number of failures also influences consumers' perceptions and, due to the amount of interactions

between agents, provides an important source of information about customer satisfaction for the enterprise in question. While acknowledging the number of interactions with customers as an important factor in the process of satisfaction, Magnini et al. (2007) point out that this is not a significant aspect, because this relationship is moderated by a number of contextual influences, and researchers must take a more refined approach in order to analyze the processes of recovery. According to these authors, a highly significant variable in assessing customer satisfaction before a failure recovery process is the severity of the occurrence. If the failure experienced by the customer is too large, no reasonable excuse or repair can create a significant basis on which to restore the levels of satisfaction, trust, and perceived quality to a similar level to that which existed before the occurrence (Magnini et al., 2007). The authors illustrate this idea by citing research by McColloug et al. (2000), who used customers at airports and a hypothetical scenario of a three-hour delay in flights.

2.2. The processes of justice

A critical moment in the relationship between service providers and consumers arises during a complaint about the failure of a service. A major challenge for managers of organizations is to understand how the settlement process of the problem was provided for the consumer. Thus, the type, means, and amount of justice that has been applied to resolve the complaint become crucial factors in understanding the consumer (Tax et al., 1998). According to Tax et al. (1998), complaint handling can be viewed as a sequence of manipulations of processes that begin with the statement of a complaint and encompass the elements of organizational interactions leading to the decision and presentation of results to the customer. Bies and Shapiro (1987) also point out that every part of this sequence is subject to considerations of loyalty on the part of complainants, and each resolution proposed by the organization creates a different aspect of justice in response to consumers' complaints.

The process of justice, according to Tax et al. (1998), involves handling the complaint, as well as a series of events related to the procedure for recovery of failures that have occurred. This is not based merely on the existence of loyalty (distributive justice), which addresses the post-decision results, but also on two other moments of this transaction, which come directly from the processes performed (procedural justice), and include the relationships between the functional agents of the process (interactional justice). Martinez-Tur et al. (2006) corroborate this idea, citing the distributive aspect as a theory of the capital perceived by consumers, which ignores the social factor present in concepts related to the processes and interactions between people.

2.3. Consumer loyalty and its antecedents

According to Oliver (1999), loyalty is a deep commitment to repurchase or promote a product or service in the future. This is evidenced by the repeated purchase of the brand or the same set of brands, and feeling emotionally connected. Jones and Sasser (1995) conceptualize customer loyalty as "the feeling of attachment or affection for the people of a company, its products and services." Also based on the aspect of the relationship, Singh and Sirdeshmukh (2000) define loyalty as behavior that demonstrates the intention to maintain and expand a relationship with the service provider.

In the context of business operations, loyalty is measured directly by research on consumer behavior. It is linked to the direct relationship between customers and organizations, and is multifaceted, complex, and subject to consumer switching costs which are influenced by several factors that are unique to each business