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THE EFFECT OF CUSTOMER SERVICE RECOVERY STRATEGIES ON CUSTOMER SATISFACTION AND LOYALTY IN ETHIOPIAN INSURANCE CORPORATION (EICO)

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ABSTRACT

The major objective of this study is to investigate the effect of customer service recovery strategy on customer satisfaction and loyalty in the case of Ethiopian Insurance Corporation. The questionnaire was distributed to 350 customers at different branches of EIC operating in Addis Ababa 230 (65.7%) questionnaires were collected. However, only 210 (60%) questionnaires were usable. The interactional justice service recovery strategy contributed to the level of satisfaction while Procedural justice was the least contributor of customer satisfaction. In this study, samples were taken from Addis Ababa area and excluded the EICO branch offices in different regions due to time and other resource constraint. The study Provides an insight on the effect of service recovery practices of EIC's and also assist the management of the corporation to revisit the service recovery strategy as well as critically evaluate implementation problems to minimize disappointments of customers and in order to convert them to be life time loyal to the EICO. The study identified a number of industry specific service recovery items that need to be given undivided attention by the EICO to maximize its service recovery capability.

KEYWORDS

insurance sector, Distributive Justice, Interactional Justice, Procedural Justice, service recovery strategy, customer satisfaction, loyalty.

INTRODUCTION

The trend in the international economy is highly variable and continuously becoming sophisticated. The order of the day in the economy is tilting towards the service sector time after time. The 2011 world development indicators show that the service sector account for almost 71 % of global GDP in 2010 and is expanding at quicker rate than the agriculture and manufacturing sector. Moreover, trade in service is growing at apace faster than trade in goods since 1980's. Its increasing Vitality is becoming visible even for developing countries. For instance it was in the end of 2009 that for the first time service sector took the leading position from agriculture in the overall GDP contribution to the Ethiopian economy.

The Ethiopian insurance corporation was established by proclamation NO 26/1975 which brought all 13 private insurance companies in the country under the ownership and control of the Derg Government.

The Ethiopian insurance corporation served solely the Ethiopian economy for nearly two decades up until the new economic orientation of the transitional government opened up new vistas as giving the chance to the formation of the present 17 private insurance companies. The Ethiopian insurance industry has experienced many ups and downs through a bit over century old history of public service for public good.

The chance for the industry to exhibit an immense growth is to make a periodic survey as to how its service recovery strategy is being exercised as compared with other rival companies operating in the insurance industry. The company should say *good-bye to the stereotyped* models of thinking and work hard and should be customer-focused.

There is widespread customer dissatisfaction in the insurance industry, stemming from insurers' failure to recover service failures. Therefore, further research to improve the industry's understanding of service recovery strategy is required.

SERVICE FAILURE

Related literature has contributed numerous definitions and has scrutinized the dimensions of a service failure. Tax et al. (1998) stated that a service failure occurs when the service delivery falls short of the customers' expectations; which in turn, necessitates the service provider's response with recovery efforts. Smith et al. (1999) recognized that in the service industry, especially the banking industry, there is a high degree of human contact; thus, service failures are an inevitable element to service. Although service failures are viewed as a defect or problem area within the organization, Tax et al. (1998) believed that the true test of an organization's commitment to service quality is the way the organization responds to the service failure. To enhance that concept, Smith et al. (1999) revealed that negative performances have greater influence on satisfaction and purchase intentions compared to positive performances. When a service organization experiences a service failure, the organization is faced with a unique window of opportunity to rebuild trust and commitment and satisfy the customer. Not surprisingly, many companies consider the development of a complaint management system to be a vital component of their continuous quality improvement efforts (Johnston, 1994). Put simply, service organizations realize that an effective system is a vital means to increasing customer satisfaction and establishing a long term relationship that leads to customer loyalty and positive behavioral intentions (Tax et al., 1998). Lovelock et al., (2001) added to the above when they suggested that customer satisfaction evaluations are linked not only to fault-free service, but also to what transpires when something does go wrong. Dissatisfactory experiences have been labeled as negative incidents (Duffy et al., 2006) or unsuccessful processes that trigger failed encounters (Smith et al., 1999); which in turn, cause the customer to realize that the service has not met their expectations (Zeithamal and Bitner, 2003; Tax & Brown, 1998).

This emerging ideal is a significant advancement from the more traditional approach to handling a service failure. At one time, a service failure was more of an embarrassment to a service organization opposed to an opportunity. Prior to this paradigm, shift a service failure was something that a service organization would quickly brush under the carpet; never to be discussed. However today, service failures are regularly viewed as learning opportunities for service organizations; creating opportunities for service organizations to achieve the competitive edge and understand how to better satisfy the customer (Zeithamal and Bitner, 2003).

SERVICE RECOVERY DEFINED

In 2000, Gronroos suggested that a service recovery was an organization's response to poor quality service. Lovelock (2001) enhanced that definition by stating that a service organization must take some form of action and the action must be effectively carried out to reduce the damage in the relationship and to transfer the customer from dissatisfied to a satisfied state. In 2000, Gronroos recognized that a successful recovery was an action that returned a customer to a satisfied state with the service provider and the quality of the action could either destroy or enhance the customer's loyalty and future behavioral intention

JUSTICE THEORIES IN SERVICE RECOVERY

Procedural Justice focuses on the "perceived fairness of the policies, procedures, and criteria used by decision makers in arriving at the outcome of a dispute or negotiation" (Blodgett et al., 1997, p. 189). Tax et al. (1998) described five elements of procedural justice including process control, decision control, accessibility, timing/speed, and flexibility. Yunus (2009) concluded that procedures must be consistent, unbiased and impartial, representative of all parties concerned and based on correct information and ethical standard to be judged fair. It has also been found that procedural justice is important in service recovery as consumers who might be satisfied with the type of recovery strategy offered but still could be unhappy if the process endured to seek redress were

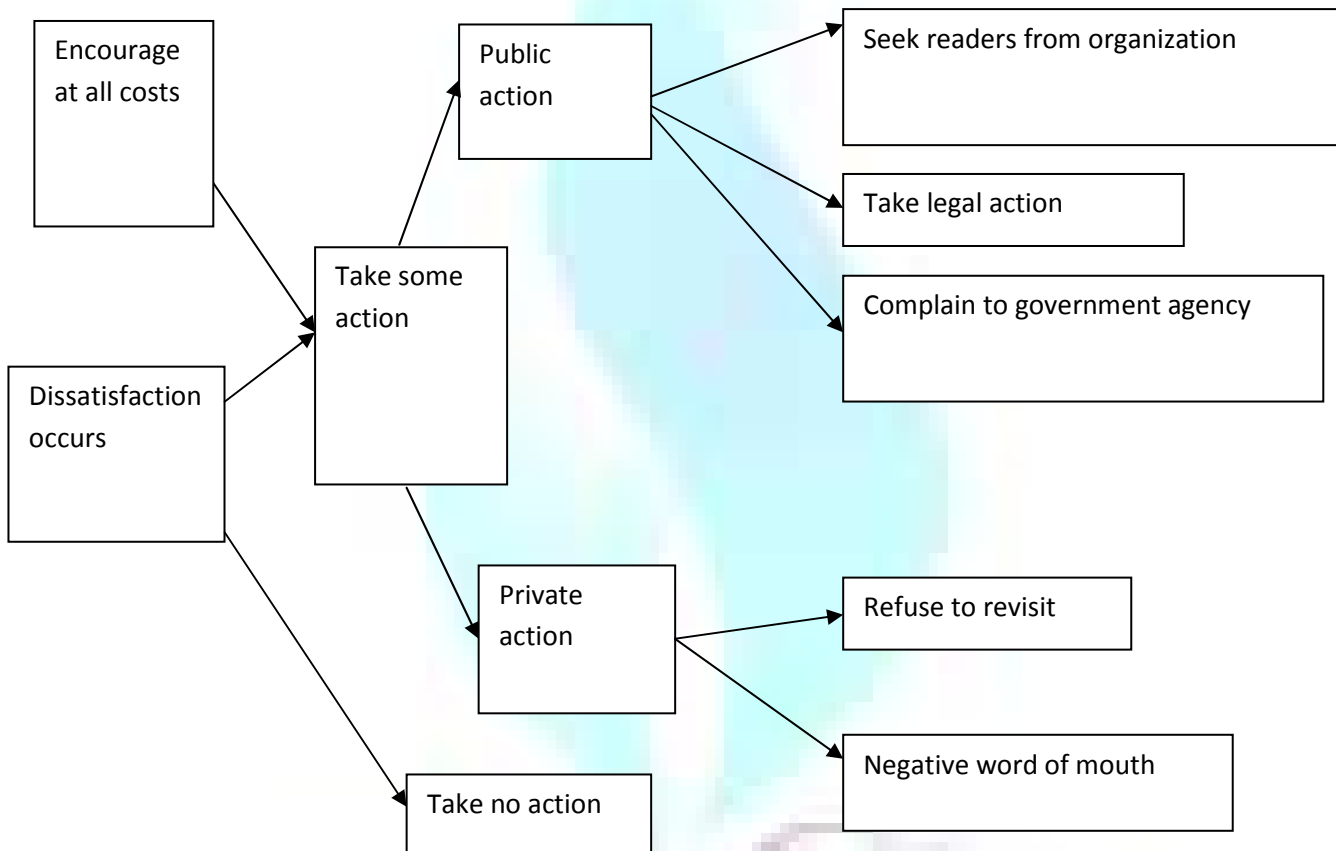
unsatisfactory (Tax et al., 1998). However, Blodgett et al., (1997) found that in a retailing setting, procedural justice (timeliness) did not have a significant effect on customers' repatronage intentions nor their negative word-of-mouth intentions.

Interactional Justice Focuses on the "fairness of the interpersonal treatment people receive during the enactment of procedures" (Tax et al., 1998, p. 62). They further identified five elements of interactional justice: explanation/ causal account, honesty, politeness, effort and empathy. In a service recovery situation, interactional justice would refer to the manner in which the recovery process is operationalized and recovery outcomes presented. This distinction is important as Blodgett et al., (1997) found that people might view the procedure and outcome to be fair and yet felt being unfairly treated as a result of interactional factors. Other research has shown that the manners in which managers and employees communicate with customers (Goodwin and Ross, 1992) and efforts taken to resolve conflicts (Mohr and Bitner, 1995) affected customer satisfaction. For instance, when employees apologized for their mistakes, customers often ended up feeling more satisfied. Heskett et al. (1997) also confirmed that display of empathy, being polite and willingness to listen to customers were critical elements in service encounters. Blodgett et al. (1997) also discovered that interactional justice had the strongest effect on subjects' repatronage and negative word-of-mouth intentions in their experimental study.

Distributive Justice is concerned primarily with the specific outcome of the recovery effort, i.e. what did the service provider do to pacify the offended customer and whether the consequent outcomes more than offset the costs incurred by the customer (Heskett et al. 1997). Some often-quoted distributive outcomes include compensation in the form of discounts, coupons, refund, free- gift, replacement, apologies and so on (Blodgett et al., 1997; Hoffman et al., 2000; Tax et al., 1998). The assessment of whether the compensation is fair may be also affected by the customer's prior experience with the firm, knowledge about how other customers were treated in similar situations and perception of the magnitude of his or her own loss (Tax et al., 1998). Blodgett et al. (1997) found that in a retail setting, distributive justice had a significant effect on customers' repatronage and negative word-of-mouth intentions.

SERVICE FAILURE RESPONSE CHOICES

FIG. 1



Source: (Lovelock, 2001)

Although many definitions have been recognized in related literature, one of the most widely accepted definitions of service recovery is by Casado et al., (2010) when they defined service recovery as: "a thought-out process for returning aggravated customers to a state of satisfaction with the firm after a service or product has failed to live up to the customer's expectations" (p. 39). When customers encounter a service failure they may, for example, switch to another supplier, complain to the relevant provider or spread negative word-of-mouth to other consumers. However, such future intentions may be eliminated or, perhaps more realistically, minimized if the firm develops and implements an appropriate recovery strategy (Johnston, 1994). Service recovery strategies are actions taken by service providers as a direct response to defects, inconsistencies or failures in the service production. Such strategies generally consist of three distinct functions, i.e. apologies, assistance and compensation. These actions can either be practiced separately or in combination with each other depending on the failure at hand and particular nature of the service being provided (Lovelock, 2001).

SERVICE RECOVERY AND SATISFACTION

Service failure is unavoidable due to human, non-human errors (Loh and Kau, 2006), and its unique characteristics (Zeithamal and Bitner, 2003; Yunus, 2009). Customers' complaint records show that service failure is frequently encountered in Commercial Bank of Ethiopia (CBE) and the bank is not being able to provide error-free service. Consequently, these failures lead the insurance's customers to dissatisfaction and switch their patronage to competitors (Source: Customers' Compliant Records, 2003).

While several theories exist regarding the formation of satisfaction perceptions, the equity theory perspective seems particularly relevant in a service recovery context; given that Maxham (1999), 11–24 consumers generally perceive some degree of inequity in response to a service failure. Consistent with the equity theory perspective, several researchers have reported a positive relationship between fairness and satisfaction (Smith et al., 1998). That is, consumer perceptions of satisfaction will increase as firms recover from their failure in a fair manner. As such, consumer perceptions of satisfaction following a service failure may be somewhat shaped by their perceptions of fairness during the recovery process. Researchers have also linked service recovery to consumer satisfaction (Goodwin and Ross, 1992; Smith et al., 1998; Tax et al., 1998).

CUSTOMER LOYALTY

Customer loyalty underlies a commitment to a particular vendor and is often reflected as the continued patronage of the same provider. Customer loyalty is important as the long-term survival of the firm lies in its ability to retain and attract profitable customers. Loyal customers generally possess lower marketing requirements and are deemed to be more profitable than new customers (Kau and Loh, 2006). Smith et al., (1998) also reported that a service company could boost profits by 100 percent just by increasing customer retention rate by 5 percent. Retention is believed to be a function of existing customers' level of satisfaction. Other studies have also shown that an important variable that contributes to customer and employee commitment is satisfaction (Kelley and Davis, 1994; Kelley et al., 1993). When a firm develops a good system of resolving customer complaints, it leads to greater customer loyalty (Tax and Brown, 2000). On the other hand, Tax et al. (1998) discovered that as dissatisfaction with complaint handling increases, commitment would decrease. Similarly, Cronin and Taylor (1994) also affirmed that satisfaction with service recovery had a strong impact on customer loyalty.

STATEMENT OF THE PROBLEM

Customer satisfaction is crucial to the survival of any business organization. Commercial Bank of Ethiopia is striving for delivering high quality service aiming for customer satisfaction that leads to customer loyalty (Annual Report: 2009/2010). However, service failure is unavoidable due to human, non-human errors (Loh and Kau, 2006), and its unique characteristics (Zeithamal and Bitner, 2003; Yunus, 2009). Customers' complaint records show that service failure is frequently encountered in Ethiopian Insurance Corporation (EIC) and the insurance company is not being able to provide error-free service. Consequently, these failures lead the corporation's customers to dissatisfaction and switch their patronage to competitors (Source: Customers' Compliant Records, 2003). Due to the difficulty to avoid service failures, effective service recovery strategies are vital for the corporation. Effective service recovery has a positive impact on customer satisfaction and it can turn dissatisfaction to satisfaction (Yunus, 2009; Potuluri and Mangnale, 2011). However, developing successful service recovery is not an easy task especially in the insurance industry (Potuluri and Mangnale, 2011). Most EIC customers who complained were not pleased (dissatisfied) by the corporation's recovery efforts, because they were not treated fairly, and the service recovery efforts were far away from adequate justice (Source: Customers' Compliant Records, 2003). This shows that developing effective service recovery strategy is the major problem of EICO. Consequently, failed service recovery following initial service failure (i.e. customers doubly faced a service failure) produce a "double deviation". These scenarios lead the Corporation's customers to follow the most harmful response to the EIC (Hart et al., 1990). Thus it is vital to make a rigorous analysis to examine to what extent service recovery strategy is affection the level of customer satisfaction.

OBJECTIVE OF THE STUDY

The general objective of the study is to investigate the effects of service recovery on customer satisfaction and loyalty in Ethiopian Insurance Corporation Company in Ethiopia. The specific objectives of the study include the following:

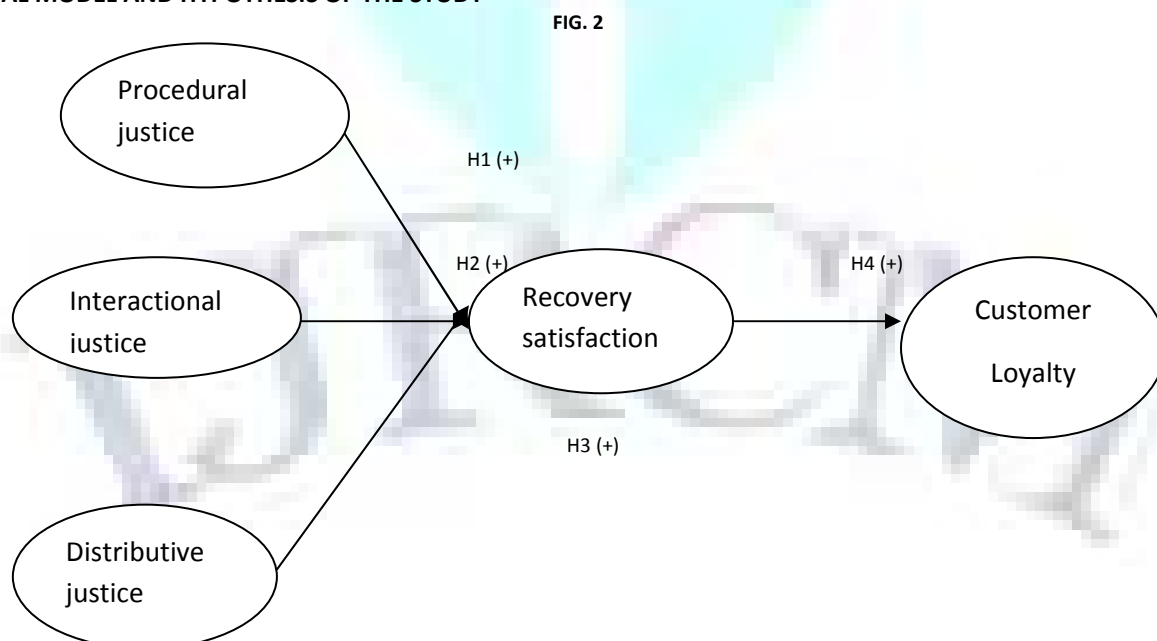
- To identify the various types of service failures encountered in Ethiopian Insurance corporation
- To identify what types of service recoveries are customers getting in response to service failures
- To identify to whom dissatisfied customers complain
- To examine how justice oriented recoveries affect customer satisfaction
- To evaluate how recovery satisfaction affects customer loyalty

BASIC RESEARCH QUESTIONS

This study was conducted to answer the following five questions:-

- What are the various types of service failures encountered in Ethiopian Insurance Corporation company
- What types of service recoveries are customers getting in response to service failures?
- To whom dissatisfied customers complain?
- Do justice oriented recoveries have an effect on customer satisfaction?
- Does recovery satisfaction have an effect on customer loyalty?

CONCEPTUAL MODEL AND HYPOTHESIS OF THE STUDY



HYPOTHESIS OF THE STUDY

- H1:** Procedural justice has positive and significant relationship with customers' recovery satisfaction
- H2:** Interactional justice has positive & significant relationship with customers' recovery satisfaction
- H3:** Distributive justice has positive & significant relationship with customers' recovery satisfaction
- H4:** Recovery satisfaction has positive & significant relationship with customer loyalty

SIGNIFICANCE OF THE STUDY

The significance of the study includes the following:

- It enables the EICO to know how its recovery efforts affect customer satisfaction and loyalty.
- It can be used as a springboard for researchers who are intended to undertake a research in the area.
- The findings add knowledge on the existing literatures.

RESEARCH METHODOLOGY

The units of analysis for this study were those customers who have experienced errors, mistakes or problems with the initial service and recovered by the bank.

SAMPLING TECHNIQUES

The total Population of the study includes all customers of Ethiopian Insurance Corporation. The study is undertaken on selected branches of the corporation in Addis Ababa. The sampling technique in selecting the branches offices was purposive or judgmental sampling. It was based on expert advice that these branches were selected. They are assumed to be highly profitable with a large customer base as compared to other branches operating in Addis Ababa. Though they are assumed to have large number customers both individual and corporate, it was difficult to obtain the exact number of customers served by those branches.

Roscoe (1975) proposes the following rules of thumb for determining sample size.

- Sample sizes larger than 30 and less than 500 are appropriate for most research
- Where samples are not to be broken into subsamples, (male /Female, juniors/seniors, etc), a minimum sample size of 30 for each category is necessary.
- In multivariate research (including multiple regression analysis), the sample size should be several times (preferably 10 times or more as large as the number of variables in the study.
- For simple experimental research with tight experimental controls (matched pairs, etc ;), successful research is possible with samples as small as 10 to 20 in size.

The sample size for this study was 350 which is between 30 and 500 (Roscoe (1975)). 350 questionnaires were distributed to customers of EICO and only 230 were collected. This shows the nominal response rate to be 65.7 % (230/350). However, during the questionnaire checking time the number of correctly filled up questionnaires turned out to be 210 (60%) real response rate.

DATA COLLECTION PROCEDURES

The number of questionnaires to be distributed were equally divided among selected branches in Addis Ababa based on expert advice in the insurance business. 50 questionnaires to each of seven branches operating in Addis Ababa. Data has been collected from each branch from customers to be served based on their willingness to fill the questionnaires. The data has been collected from December 01 to December 30 2013.

RESEARCH INSTRUMENTS

Survey questionnaires were used to collect quantitative data from customers. Survey questionnaires were chosen due to their cost-effectiveness and because they offer respondents greater anonymity, thereby encouraging the respondent to disclose feelings and attitudes more readily. The instruments used in this study adopted from Tax et al. (1998). The instruments were tested by Loh and Kau (2006) using Cronbach's alpha and the coefficient values which was at 0.785, 0.723, 0.699 and 0.760 for procedural justice, interactional justice and distributive justice and overall reliability respectively. They considered as very reliable and acceptable as the values are greater than 0.7 (Chang and Chang, 2010).

The instrument has seven parts. The initial part of the instrument requested respondents to provide their background information. The second part was intended to obtain information regarding customers' experience of service failure and recovery. Then, from part three to part five, the four dimensions of perceived justice were measured using a seven point Likert scale starting from 1 = strongly disagree to 7 = strongly agree. In the sixth part, customers' satisfaction with the company's recovery effort was examined. Finally, in the seventh part, customers' decision whether to stay with the company or to switch to competitors was evaluated. Customers rated their satisfaction with the company's recovery effort, from 1 = very dissatisfied to 7 = very satisfied. This was followed by a series of questions which measured their decisions whether to stay with the company or to switch to competitors, on a seven point Likert scale, from 1 = strongly disagree to 7 = strongly agree.

According to Rubin, et al (1994), negative worded items should be recoded. Hence, while entering the data in to SPSS, all negative worded items were reverse coded. The instruments are translated in to a local language – Amharic. To make sure, whether the translation is reliable or not back translation (translation - re-translation) is conducted and the same meaning is obtained.

DATA ANALYSIS

Collected data were analyzed using Statistical Package for Social Science (SPSS) version 20.0. Multiple regression and correlation analysis were carried out to examine how perceived justice affects customer satisfaction with the insurance company's recovery effort. This was followed by an examination of how satisfaction in turn affects customer loyalty. Specifically, all the different aspects of perceived justice (procedural, interactional and distributive) were regressed and correlated to customer satisfaction with recovery. Subsequently, the effect of satisfaction on customer loyalty was evaluated.

LIMITATION OF THE STUDY

Although every attempt was made to eliminate possible limitations, this study does have several limitations. The study was conducted based on the data obtained from a single source (i.e. customers). However, it would have been better if multiple sources (i.e. both customers and managers) were used. The samples were taken from Customers of EICO in Addis Ababa and do not include customers outside Addis Ababa. The conclusion was made based on the findings obtained from the data gathered within one month's time. If longitudinal studies were conducted many types of failures and recovery strategies would have been identified.

RESULTS AND DISCUSSION

This section presents the results of the research in to two sections. Section one provides the summary of detailed breakdown of the sample demographic characteristics, different types of service failures encountered in insurance company customers' complaining behavior, recovery strategies given by the company in response to service failure, the four dimensions of perceived justice, customers' level of satisfaction with the company recovery effort and their intention whether to remain with the bank or defect to competitors by descriptive statistics (i.e. frequency, percentage, mean and standard deviation). The summary of statistical analysis and hypothesis testing (i.e. the relationships between the four dimensions of perceived justice - Procedural justice, Explanation and effort, empathy and politeness, and Distributive justice with recover satisfaction) and then the relationship between recovery satisfactions with loyalty are presented in the second section.

TABLE 1: DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

Demographic Variable	Measurements	
	Frequency	Percentage
Gender		
Male	113	53.8
Female	97	46.2
Age		
18-30	103	49.0
31-40	50	23.8
41-50	39	18.6
50+	18	8.6
Monthly Income		
1001-3000	97	46.2
3001-5000	43	20.5
5001-6000	11	5.2
6001-8000	29	13.8
More than 8000	30	14.3
Educational Level		
Preparatory school	28	13.3
Diploma	75	35.7
Degree and above	107	51.0
Occupation		
Driver	9	4.3
Merchant	31	14.8
Civil servant	37	17.6
Private employee	106	50.5
Farmer	27	12.9

Source: Own Questionnaire/ 2013

The total population was composed of 53.8% males and 46.2% females. The age of the majority group represented was 18-30 (49%). The second largest group was 31-40 (23.8%). The third respondent groups were in the age group of 41-50 (18.6%) and the least respondent group was 50+ (8.6%). The highest frequency monthly income was 1001-3000 (46.2%) followed by 3001-5000 (20.5%). The lowest frequency of monthly income was 5001-6000 (5.2%). For educational level, the highest number of respondents had obtained university degrees and above (51.0%), where as only 35.7% of respondents had a diploma while 13.3% had completed high school. This implied all are educated enough to understand the questionnaire. Lastly, the largest occupational groups were private employees (50.5%) followed by civil servants (17.6%) while 14.3% of them were merchants.

TABLE 2: UNDERLYING FAILURE THAT CAUSED YOU DISSATISFIED

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Wrong registration	3	1.4	1.4	1.4
	Long queue	28	13.3	13.3	14.8
	Unwilling employees	18	8.6	8.6	23.3
	No sufficient parking space	125	59.5	59.5	82.9
	Few branch offices	7	3.3	3.3	86.2
	Unjustifiable high rate	29	13.8	13.8	100.0
	Total	210	100.0	100.0	

TABLE 3: THE PERSON TO WHOM TO COMPLAIN

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Manager	8	3.8	3.8	3.8
	Underwriter	50	23.8	23.8	27.6
	Customer relationship officer	95	45.2	45.2	72.9
	None	57	27.1	27.1	100.0
	Total	210	100.0	100.0	

45.2% of the respondents who had a problem with the company complained to Customer relationship officer followed by 27 reported to none. This indicates that dissatisfied customers would rather opt not register their complaint. A few customers lodge their complaints managers (3.8). Hence, customer officers are expected to handle customers' complaints tactfully because they have been preferred by the customers. Underwriters need to pay attention to customer's complaints too.

TABLE 4: TYPES OF MEASURES TAKEN TO REDRESS THE FAILURE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Correction	20	9.4	9.5	9.5
	Apologies	44	20.7	21.0	30.5
	Compensation	20	9.4	9.5	40.0
	Exceptional treatment	48	22.5	22.9	62.9
	Explanation	13	6.1	6.2	69.0
	Nothing	65	30.5	31.0	100.0
	Total	210	98.6	100.0	
Missing	System	3	1.4		
Total		213	100.0		

Different insurance recovery strategies are more effective for various types of service failures. Ethiopian Insurance Corporation company had given four types of recovery strategies in response to the three types of service failures. The highest frequency of service recovery strategy was nothing 65 (30%). This implies that the insurance marketers or managers ignored and did not take any action when service irregularity happened. The lowest frequency of recovery strategy was explanation 13 (6.1%) followed by the next lower frequency compensation 20 (9.4%). Exceptional treatment was the second highest response 48 (22.5 %) which is quite encouraging.

TABLE 5: PROCEDURAL JUSTICE

	N	Mean	Std. Deviation
I was not given an opportunity to tell my side of the storey	210	3.6905	1.46225
It was difficult to determine where to lodge my complaint	210	3.2762	1.64561
They were slow in responding to my complaint	210	3.1857	1.34085
It was hard for me to figure out to whom I should complain in the company	210	3.2810	1.70900
I got a chance to tell them my problem	210	3.0476	1.27456
The complaint procedure was easy to access	210	3.9905	1.81959
They listened to my entire complaint	210	4.6524	1.10593
The time taken to resolve the problem was longer than necessary under the conditions	210	3.8667	2.01699
The arrangement for handling customers who are waiting to be served worked poorly	210	3.8381	1.66083
They told me why the service had failed in the first place	210	4.5619	1.68826
Valid N (listwise)	210		

When customers complain they expect fairness in terms of policies, rules and timelines of compliant process, and they want things handled quickly, preferably by the first person they contact. The mean score ranges between 3.0476 and 4.6524. For example Ethiopian Insurance Corporation customers were not given the chance to tell their stories (mean = 3.0476). They also faced with difficulties to know where to voice their complaint (mean = 3.2762). The time taken to resolve the problem was longer than necessary under the conditions with a mean score of 3.8667 needs special attention to by insurance marketers. The results indicated that Ethiopian Insurance Corporation is expected to perform better with regard to procedural fairness in treating its customers on many fronts.

TABLE 6: INTERACTIONAL JUSTICE

	N	Mean	Std. Deviation
They told me why the service had failed in the first place	210	4.5619	1.68826
The employees seemed very interested in helping me	210	3.8619	1.71260
I was given a reasonable explanation as to why the original problem occurred	210	3.9286	1.59234
The employees did not tell me the causes of service failure	210	4.6190	1.43023
They tried hard to resolve the problem	210	4.2143	1.41988
No reason was given for the poor service that i had received	210	4.6000	1.78832
The employees were attentive in providing good service	210	3.9571	1.47809
The employees were courteous to me	210	3.7238	1.80640
I felt that i was treated rudely	210	4.095	1.9344
The employees were not polite to me	210	3.5762	1.64168
The employees showed little kindness or understanding	210	3.9762	1.56652
The employees listened politely to what i had to say	210	3.3619	2.00775
They seemed to be very concerned about my problem	210	3.4905	1.92501
The employees seemed very understanding about the problem i had experienced	210	4.0762	1.70950
Valid N (listwise)	210		

Most employees of EIC are not trained. Thus, they faced difficulties to handle customers' complaints effectively. In addition to that, they lack the authority to resolve customers' problem on spot. **Moreover**, customers need want to be told why the service had failed. They also want to see employees' hard effort to resolve their problems. The mean values for the items of interactional justice vary between **3.3619 -4.6000**. These confirmed that customers were not told the reasons for service failures and employees were less interested in helping the customer. They also did not try to resolve customer's problems and they were not willing to help customers.

Interactional justice can dominate the others if the customers feel the company and its employees have uncaring attitude and have done little to try to resolve the problem. Hence, CBE should give due emphasis to this dimension of the perceived justice.

TABLE 7: DISTRIBUTIVE JUSTICE

	N	Mean	Std. Deviation
In resolving the complaint ,they gave me what i need	210	3.8143	1.78478
I did not received what i required	210	4.8952	1.27863
The result of the complaint was not up to expectation	210	4.2810	1.29486
Taking everything into consideration ,the result were quite fair	210	3.8333	1.40941
Valid N (listwise)	210		

Customers expect outcomes or compensation that matches the level of their dissatisfaction. The mean score varies between 3.8143 and 4.8952. Customers want to feel that the company had paid for its mistakes in a manner at least equal to what the customer has suffered. The result implied that the outcome of the service recovery process were less than to offset the cost incurred by customers.

TABLE 8: RECOVERY SATISFACTION

Descriptive Statistics			
	N	Mean	Std. Deviation
I am satisfied with the company 's service	210	3.3000	1.47077
In my opinion the bank provides a satisfactory banking service	210	3.6810	1.72738
How satisfied are you with quality of the bank service	210	4.6714	1.63445
Valid N (listwise)	210		

Recovery satisfaction affected by the three dimensions of perceived justice. Customers evaluate the service recovery effort on the basis of these dimensions. The average response for the items under satisfaction ranges from 3.3000 to 4.6714. These mean score showed that, developing effective service recovery strategy is not a simple task and Ethiopian Insurance Corporation need to work hard to recover service failure effectively.

TABLE 9: CUSTOMER LOYALTY

Descriptive Statistics			
	N	Mean	Std. Deviation
I will continue to stay with the company	210	4.6429	1.48068
In the near future I intended to use none of the services provided by the company	210	5.1190	1.25661
I considered myself to be loyal customer of the insurance company	210	4.4476	1.53106
Valid N (listwise)	210		

Satisfied customers are more likely to remain loyal with the insurance company. This is to mean that recovery satisfaction affects whether customers would continue their patronage or defect to competitions. However, it does not necessarily mean that all dissatisfied customers will switch to competitors. The average response for the items under loyalty was "moderately disagree", the mean values ranges from 4.4476 to 5.1190. These confirmed though customers were not satisfied, they are less likely to switch their patronage to competitors.

TABLE 10: RELIABILITY ANALYSIS

Reliability Statistics		
	Cronbach's Alpha	No of Items
Procedural Justice	.785	10
International Justice	.723	23
Distributive justice	.692	4
Overall reliability	.760	37

MULTIPLE REGRESSION ANALYSIS

Multiple regression analysis was used to establish the relationship between the four dimensions of perceived justice (i.e. Procedural justice, Explanation and effort, empathy and politeness, and Distributive justice) and recovery satisfaction. The coefficient of determination (R^2) was 0.801 suggesting very good fit of the model. This confirmed that, recovery satisfaction was significantly affected by the three dimensions of perceived justice (i.e. procedural justice, Interactional Justice and Distributive justice). In other words, 80.10% of the variation on recovery satisfaction explained by the perceived justice. The remaining 19.9 % of the variance on recovery satisfaction was due to unidentified and controllable factors.

The t – values were respectively, 19.50, 20.123, 16.345. These suggested each dimension of the perceived justice independently affect recovery satisfaction ($t > 2$) (Chang and Chang, 2010). The value of VIF (Variance Inflated Factors) for all dimensions was 1.000, implied the non-existence of co-linearity. The standard beta coefficients were respectively, 0.825, 0.879, 0.856, and 0.844. These confirmed that explanation and effort makes the strongest contribution while distributive justice contributes less.

TABLE 11: REGRESSION ANALYSIS BETWEEN PERCEIVED JUSTICE AND RECOVERY SATISFACTION (n=210)

Dependent variable	Independent variables	Beta	t	VIF	R	R 2	Sig.
Recovery satisfaction	Procedural justice	.825	19.50	1.000	.903 ^a	.801	.000
	Interactional Justice	.879	20.123	1.000			
				1.000			
	Distributive justice	.844	16.345	1.000			

Source: summary o multiple regression analysis

Hypothesis 1: predicted procedural justice has positive and significant relationship with recovery satisfaction. Hence, H1 is supported. The findings was consistent with prior results, for instance Kuenzel and Katsaris (2009) found that hotel guests who perceived the hotel's recovery procedures to be fair were more likely to be satisfied with the outcomes of the recovery.

Hypothesis 2: The data analysis presented on table 11 showed that interactional justice has a positive and significant relationship with recovery satisfaction. Hence, H2 is supported. This is consistent with past research suggesting that recovery satisfaction increase when higher level of interactional justice is experienced. For example, Alexander (2002) reported that customers were more satisfied when service providers were friendly and polite.

Hypothesis 3: The data analysis indicated on table11 predicted that distributive justice has a positive and significant effect on recovery satisfaction. All items incorporated under distributive justice were also found to have significant and positive relationship with recovery satisfaction. Hence, H3 is supported.. The finding was consistent with prior studies where distributive justice was found to be positively related to satisfaction. For example, Loh and Kau (2006) found distributive justice is significantly and positively related to satisfaction with service recovery and customers view fairness of outcome in the provision of mobile phone service to be the most important component. Similarly, Yunus (2009) and Kuenzel and Katsaris (2009) had come up with similar findings.

TABLE 12: REGRESSION ANALYSIS BETWEEN RECOVERY SATISFACTION AND LOYALTY (n=210)

Dependent variable	Independent variables	Beta	t	Sig.	R	R 2	VIF
Customer loyalty	Recovery satisfaction	.476	5.686	.000	.482 ^a	.240	1.000

Source: summary of multiple regression analysis

Hypothesis 4: Analysis of the data indicated on table 12 predicted that recovery satisfaction is positively correlated with customer loyalty. Hence, H4 is supported.

Consequently, how recovery satisfaction could have affected customer loyalty was examined. The regression analyses result indicated that recovery satisfaction affects customer loyalty. The R^2 value was 0.240 indicating recovery satisfactions was able to explain 24. % of the variance. This confirmed, its effect is not strong

because 76% of the variation on loyalty explained by other factors (see table 11). The t - value was 5.686. This indicated that customer satisfaction independently affects customer loyalty ($t > 2$) (Chang and Chang, 2010). The value of VIF is 1.000, implied the non-existence of co-linearity.

CORRELATION ANALYSIS

According to Rubin et al., (1994) Pearson correlation coefficients between shows:

- 0.19- slight or negligible correlation
- 0.20 – 0.39, quite small
- 0.40 – 0.69-Moderate correlation
- 0.70 – 0.89 - high correlation and
- 0.90 – 1.00, very high correlation respectively.

Results of correlation between service recovery strategies and recovery satisfaction, procedural justice and service recovery satisfaction, interactional justice and service recovery satisfaction, distributive justice and service recovery satisfaction and service recovery satisfaction and customer loyalty are analyzed using Pearson correlation analysis.

Summary of the Results of correlation analysis suggested that recovery satisfaction was positively correlated with the three dimensions of perceived justice namely, procedural justice ($r = 0.846$), interactive justice ($r = 0.899$) and distributive justice ($r = 0.855$). Similarly, recovery satisfaction measures are positively correlated with customer loyalty ($r = 0.500$).

CONCLUSION

All the three dimensions of the perceived justice (i.e. Procedural justice, interactional Justice, Distributive justice) were found to be significantly and positively related to recovery satisfaction. Interactional justice made the highest contribution while procedural justice made the least contribution to recovery satisfaction. Recovery satisfaction has positive relationship with loyalty. However, the correlation (relationship) was not significant meant though customers were not satisfied with the banks service and recovery strategies they are less likely to switch to competitors.

RECOMMENDATION

In a service industry, employees are part of the service. Every action of employees, behavior, even their facial expressions play a prominent role in customers' evaluation of the service experience (Zeithamal and Bitner, 2003). In addition, employees should always be attentive to help customers. The corporation is advised to hire competent, talented, employees and individuals who have interest in the job. Those unwilling employees should be identified and trained as to how to deal with different employees problems. EIC should understand the importance of recovery. It should not let customers to go back with their disappointment grief. Nowadays there is stiff competition in the insurance industry and customers do have alternatives. In addition, customer retention costs five times less than customer attraction/acquisition. Hence, the corporation should work hard on customer retention by developing effective service recovery strategies or properly implementing whatever service recovery strategies it had.

FURTHER AREA OF INVESTIGATION

Other interested researchers can make a critical evaluation of the service recovery strategy document of the corporation as well as other company's both domestic as well as overseas service recovery strategies. Moreover, they can organize a Focus Group Discussion with the corporation's top management to make sure that the working strategy is up to international standard.

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