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# Business to Business Marketing: Service Recovery and Customer Satisfaction Issues with Ocean Shipping Lines

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## **Abstract:**

The tenets of relationship marketing are useful in understanding the success of a service provider. Based on a sample of 221 firms in Singapore that use ocean freight shipping services, examines service recovery issues related to satisfaction. It was found that service recovery methods such as claims handling, problem handling and complaint handling are associated with the level of satisfaction of customers. In addition, interfacing departments also have varying association with levels of satisfaction of customers. Finds that users of these services can identify problems they experience with ocean freight shipping services, and this may impact their choice of most preferred vs. least preferred shipping line. Concludes by giving recommendations on how service firms can mitigate and be vigilant for service recovery problems.

**Keywords:** Business-to-business marketing, Relationship marketing, Customer satisfaction, Services marketing, Shipping, Complaints

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## Introduction

An essential ingredient in successful marketing is to keep the customer satisfied on a long-term basis. A prolific outpouring of articles have been written on this necessity under the rubric of relationship marketing. The key to relationship marketing is to develop, maintain and enhance the dynamics of a relationship with a client; the end result will likely be a loyal customer. Duck (1991), a social psychologist, has identified several crucial dimensions of a relationship such as caring, support, loyalty, trustworthiness, trust in others, giving help when needed and working through disagreements. Clearly, failure to deliver quality service can be seen in light of relationship building since a vital component of a relationship is the ability to work through disagreements and unmet expectations. Research by Crosby *et al.* (1990) suggests that sales opportunities in services depend mostly on trust and satisfaction which they view as relationship quality.

A basic requirement, if a service firm is to develop these relationships, is to understand fully the specific business it is in and the requirements to keep customers satisfied (Grönroos, 1990; Thomas, 1978). Occasionally, however, even the best organization makes errors and mistakes in the way they render their service to the client. Perhaps the service firm did not give immediate attention to a problem the client was experiencing or the service firm may have neglected to bill the client accurately, among other problems. These errors, if not remedied, can be destructive to the established relationship. The end result may be a termination of business with the service provider at the behest of the client. The loyalty that was presumed to exist was merely ephemeral.

Relationship marketing requires that a firm view its transactions with clients in a long-term horizon. Strategic competitive advantage cannot be guaranteed by having only a superior service or product. A relatively new body of research has established that it is more

profitable to retain customers in the long term and that a 5 percent increase in customer loyalty can produce profit increases from 25 percent to 85 percent (Reichheld and Sasser, 1990). Firms that do not focus on retaining customers find that they must expend high levels of marketing activities to replace dissatisfied customers who have "defected" due to dissatisfaction with the firm. Even though it is agreed that a strong relationship is a key ingredient in retaining customers, little attention has been given to which customers should be retained and how such a retention-oriented relationship should be developed and continued (Barnes, 1994). Another damaging aspect of inferior service is the bad word-of-mouth that can arise. Studies do show that dissatisfied customers engage in greater word-of-mouth than satisfied ones (Anderson, 1998).

Over the last decade, service firms have identified quality as a driving force in the success of their firm and in developing a sustainable competitive advantage (Lesle and Sheth, 1991). Services are much different than tangible products since services are produced and consumed simultaneously and the delivery of the service often is inseparable from the personnel that provide it. Consequently, service encounters can often produce negative reactions despite the service personnel trying to do their very best (Zeithaml *et al.*, 1985). Quite simply, things can go wrong when least expected. Ultimately, however, the real focus is on customer satisfaction. The service sector now occupies a central role in many economies in the OECD (Organization for Economic Co-operation and Development), over 70 percent are employed in the service sector. Despite the essential role of quality in service firms, problems continue to plague some firms. Crosby (1980) estimates that as much as 35 percent of a service firm's employees are involved in correcting the mistakes made by others. Firms are not well informed on how to deal successfully with failures of service delivery, nor do they understand the impact of complaint handling strategies (Tax *et al.*, 1998).

While it is impossible for service firms to provide flawless service delivery in every transaction, the way a firm responds to a client's post-consumption dissatisfaction may have a crucial impact on retaining the customer and lead to positive word-of-mouth and referrals for future business. As a way to offset consumer dissatisfaction when the service has not been delivered satisfactorily, a firm can offer an apology, a refund, offer free services, and/or offer

compensation to demonstrate good will. Clearly, if compensation is given with impoliteness or disagreeably, this can negatively affect the perceptions of the consumer.

Responding to mistakes or service failures that have been made, therefore, becomes crucial if the vitality of the relationship is to be preserved. The term that has emerged in the service literature to describe the way in which a firm deals with unexpected problems that arise and resolves initial problems is service recovery (Hart *et al.*, 1990). The rewards to the service providers, who satisfactorily resolve these problems, are generally high and such satisfaction can positively impact on customers' perceived service quality evaluation. Despite the critical role of service recovery in the evaluation that clients make of the service provider, a dearth of studies on this topic precludes us from understanding the dimensions of successful service recovery (Kelley and Davis, 1994; Spreng *et al.*, 1995; Bejou and Palmer, 1998). Moreover, the few studies that exist focus more on the consumer sector and not the industrial sector. Clearly, empirical studies are needed to establish dimensions associated with service recovery and concomitant satisfaction.

The goal of this article is to examine an area that is almost virgin territory in the examination of service marketing, to wit, service recovery and its associations with satisfaction in the business-to-business setting. The article first begins with a discussion of the service recovery literature and its relevance to the business-to-business arena. Next, we discuss the research questions that will be examined. The article then details the methodology used to examine the research questions. After the results are reported, discussion and implications follow.

## **Background literature**

The literature on service recovery seems to have started with the seminal article "The profitable art of service recovery" published by *Harvard Business Review* (Hart *et al.*, 1990). The authors make it very clear that, unless an organization is committed to resolving dissatisfaction, the consequences can be destructive for the firm. One way to understand the importance of service recovery is to appreciate how service firms improve sales and market share by managing the flow of new and existing customers. Fornell and Wernerfelt (1987) suggest that this flow consists of new customers into and out of the

market, clients shifting their patronage from one firm to another, and changes in purchase frequency by clients. A service firm must be mindful of this flow since it can determine its growth, decline, or stagnation.

Fornell and Wernerfelt (1987) discuss means to manage this flow in terms of offensive vs. defensive strategies. Offensive strategies seek to obtain additional customers, encourage brand switching, or increase the use of the firm's services; these strategies are often costly since they involve expenditures of limited and precious budgets, and these expenditures can be matched by competitors. The end result is a highly competitive marketplace. The goal of offensive strategy is to recruit dissatisfied clients from other firms. Defensive strategies, on the other hand, are concerned with reducing customer exit or switching to competitors offering similar services. The main emphasis is on minimizing customer turnover and maximizing customer retention (Fornell and Wernerfelt, 1987) and executing effective service recovery strategies. It may be much more cost-efficient to retain existing customers compared to recruiting new ones since obtaining new ones requires offensive strategies costing considerable resources.

Defensive strategies, therefore, are directly concerned with service recovery issues since blunders or mistakes in delivering a service to a client can result in the defection of that client to competitors offering similar services. Fundamentally, defensive strategy seeks to manage customer dissatisfaction to minimize negative and harmful effects on the firm's viability. The literature on consumer affairs dealing with consumer dissatisfaction, complaints and subsequent purchase behavior offers insight into the importance of defensive strategies. Fornell (1976) has documented the value of complaints in serving as a means of communicating with disgruntled or dissatisfied clients and as a way to transform a dissatisfied client into a satisfied and loyal customer. Along these lines, surveys commissioned by the US Office of Consumer Affairs examined business complaint handling and found that these practices were deficient and in need of reform (TARP, 1979, 1986). These surveys also found that complaining customers exhibited greater loyalty than those not complaining and that a firm's ability to handle complaints could improve customer loyalty.

Mathematical analysis of economic theory by Fornell and Wernerfelt (1987) indicates that defensive marketing strategies can affect a firm's market share and profits significantly and can lower the cost of offensive marketing activities considerably. A quantitative analysis of complaining behavior by Fornell and Wernerfelt (1987) demonstrates that complaints from dissatisfied customers should be maximized subject to certain cost restrictions. They argue that defensive marketing (e.g. complaint management) can lower the total marketing costs by dramatically lowering the cost of offensive marketing (e.g. advertising). In essence, the savings from not having to use additional offensive marketing can offset the additional costs associated with compensating complaining customers regardless of whether compensation exceeds the product's profit margin.

Substantial research suggests that complaining behavior of customers who have used a firm's services can be used as a way to improve service quality. Yet, most customers remain silent when they are unhappy with the service they receive. Tax and Brown (1998) have identified reasons why customers do not complain. These include a belief that the company will not respond to the complaint, the fear that the firm will be hostile to their complaints, uncertainty about their rights vs. the company's obligations, and an unwillingness to waste time and effort in complaining. In their research on service companies, Berry and Parasuraman (1991) found that only about half of the customers who experienced problems were satisfied with the way the problem was resolved by the companies. It is also important to stress that satisfaction with complaint resolution may not lead to higher repurchase intentions if the service *per se* is of low quality (Halstead and Page, 1992).

The theory of cognitive dissonance allows us to gain a better appreciation for the psychological dynamics that operate when clients are unhappy with service activities. If a client is relatively contented with the service, the client's state of mind is in a positive equilibrium state of consistency. However, when the service rendered is imperfect or unsatisfactory, the client then experiences disequilibrium in his attitudes about the firm. According to this theory, the client has many options to resolve a dissonant state where his initial perception of the firm was good and now new perceptions indicate something to the contrary. One option is to forget the dissatisfaction or view the poor service as an aberration and continue to think positively. Another way to relieve the dissonance is to complain to the service provider. If the



complaint is not dealt with properly, the client may resolve this dissonant state by lowering his view of the firm and deciding that the firm's capabilities are not good. The end result is to discontinue business with the firm and switch to a new service provider. Clearly, the consequences of these actions are not good for the service provider as they lose business.

Although research has examined the parameters that determine complaint behavior, little attention has been given to the firm's response options (Goodwin and Ross, 1992). Etzel and Silverman (1981) maintain that "secondary satisfaction" that develops from how the firm deals with complaints may create even stronger bonds of loyalty compared to the initial level of satisfaction with the service delivery. Similarly, Best and Andreason (1977) argue that it is necessary to try to identify how firms deal with complaints that are expressed since some complaints will not be satisfactorily resolved.

Few consumer studies have researched how complainants view the process by which their complaint is handled. While some researchers such as Richins (1979) assume that consumers invariably respond positively to their opportunities to express dissatisfaction to management, it is possible that some complainants become even more dissatisfied when management does not respond adequately. This idea has been explored via equity theory in terms of "procedural justice". This framework posits that the consumer who experiences poor service may feel "wronged" and experience the poor service as a victim who has been harmed by the service provider. The dissatisfied consumer then seeks to be compensated somehow for this bad experience. Using the notion of procedural justice as defined by equity theory, Goodwin and Ross (1992) found that allowing customers to voice discontent and offering a concomitant apology enhances perceptions of fairness and satisfaction by customers dissatisfied with service delivery.

A theoretical framework to understand the actions of dissatisfied customers is under the rubric exit-voice theory (Hirschman, 1970). According to this theory, firms can gauge the level of client dissatisfaction from two sources of feedback: exit (i.e. customers discontinue buying from the firm) or voice (i.e. complaints of dissatisfaction to the firm by customers). Hirschman (1970) views exit as an escape from an objectionable situation while voice represents an attempt to orchestrate change. It is to the service provider's



advantage to use mechanisms to increase voice since voice informs the firm that service recovery is needed.

## Research Questions

One industry where service performance is paramount is the ocean freight shipping service industry. Clients depend on the shipping firm to manage a bundle of service activities. For example, if the shipping firm fails to complete the complex customs documentation accurately or fails to deliver the goods on time, the client may suffer dramatically in terms of lost sales and bureaucratic quagmires. Hence, an examination of this industry in terms of service recovery dimensions can give us a glimpse into service recovery issues related to satisfaction. To provide structure into our inquiry, we sought to examine the following questions:

1. How do service recovery methods (i.e. claims handling, problem handling and complaint handling) affect the satisfaction of clients?
2. How do various interfacing departments of the shipping firm affect the overall satisfaction of the clients?
3. Do less satisfied clients have more problems with the service provider compared to those who have higher levels of satisfaction?
4. What are the specific service problems that are listed by those with low satisfaction vs. those with high satisfaction?
5. What reasons do clients give for choosing the most preferred shipping line. In contrast, what reasons are given for not choosing the least preferred shipping line?
6. What reasons do clients give as ways to improve shipping line performance? Are these associated with the personnel of the shipping company?
7. What approach do shipping managers take in selecting shipping lines and with what frequency do they review shipping companies?

## Methodology

### *The sample*

The sample consisted of 221 shipping managers from a cross-section of organizations in Singapore using ocean freight for their exporting requirements. This sample was randomly drawn from a listing of all regular shippers in Singapore, available from a large shipping line which maintained a comprehensive listing of both customers as well as prospects. The type of companies represented by the respondents included manufacturing, trading, or both. Of the sample, 44 percent engaged in trading compared to 14 percent that were solely manufacturing. These companies deal with consumer and industrial products and have an annual turnover ranging from less than \$10 million (for 45 percent of the companies) to more than \$26 million (for 27 percent of the companies). While 50 percent of the companies are locally owned, 31.6 percent are joint ventures and 18.4 percent are foreign owned. The annual freight expenses of these companies varied from less than \$5,000 (for about 23 percent of the sample) to over \$100,000 (for about 32 percent of the sample).

### *The survey measures*

To facilitate service delivery to customers, shipping lines often divide their organizations into specialised departments, each department, directly or indirectly, having an interface with the customers. Most commonly found departments in the shipping lines are sales and marketing, bookings, documentation, operations, and claims. In addition, customers also use telephone services and many times personally visit the office of the shipping lines. Because customer satisfaction is context dependent (Peterson and Wilson, 1992), we developed the questions to correspond to the interfacing departments affecting satisfaction. The customer's perception of the line's service quality is determined considerably by his experience with these contact or support personnel in the service provider's organization. This study therefore included a measure of customer's evaluation of the service provided by these departments on a 1 (worst service) to 7 (excellent service) scale. Items to measure performance of these departments or support services were generated from a search of the literature on carrier selection (Baker, 1980; McGinnis, 1979) as well as in-depth discussions with shippers and shipping lines. Reliability estimates of these scales, as estimated by coefficient alpha,

are as follows: 0.95 for booking services, 0.92 for operations, 0.94 for documentation, 0.92 for telephone services, 0.91 for sales/marketing representatives, 0.95 for personal visits to shipping lines, and 0.93 for claims.

To assess service recovery dimensions this study examined the impact of customer satisfaction with complaint handling, problem handling, and claims handling. Three seven-point scales (i.e. speedy action, fairness in judgment of liability and payments, and simple and convenient claims procedures) measured satisfaction with claims handling. This composite scale had a reliability estimate (as measured by coefficient alpha) of 0.93. Satisfaction with problem handling was measured by two seven-point scales (i.e. informs promptly of any problems, and explains problems/difficulties). This composite scale had a reliability estimate of 0.82. Next, satisfaction with complaint handling was measured by four seven-point scales (i.e. efficient in complaint handling, settles disputes quickly, settles claims fairly, and settles claims quickly). The reliability estimate for this composite scale was 0.85. All seven-point scales had anchors of 1 (extremely poor) and 7 (excellent).

In addition, the research instrument provided many open-ended questions which provided a more qualitative approach as recommended by Edvardsson and Matteson (1993) for understanding service quality. For example, subjects were asked to list up to five reasons for selecting the best shipping line on their most frequently used route. Subjects were also asked to list up to five reasons for not selecting their least preferred shipping line. Next, subjects were asked to list major problems or difficulties that they experienced in their dealings with shipping lines in general. They were also asked to provide suggestions for improving the performance of shipping lines in general. This approach was developed in light of the research findings of Matear and Gray (1995) who found that there may be different segments in the sea freight sector, each with their own needs.

Finally, for each subject, the questionnaire included a measure of the overall evaluation of their most preferred shipping line's service on a 1 (extremely poor) to 7 (excellent) scale. The questionnaire also included background information on the responding organization, such as nature of business, ownership, size, and annual export freight costs.

## Results

### *Question 1: effect of service recovery methods on satisfaction*

Table I features mean overall satisfaction with most preferred shipping lines and how it is affected by service recovery procedures (i.e. claims handling, problem handling, and complaint handling). Each of these three procedures was measured using multi-item scales. To form high vs. low satisfaction groups, the mean for each procedure was used to split the sample into low and high satisfaction groups. Each group's overall satisfaction was then computed and compared using a *t*-test. The results show that for each of the three service recovery procedures, the high satisfaction group had a significantly higher overall satisfaction with their shipping lines' service compared to the low satisfaction group. For example, the group having low satisfaction with claims handling had a statistically lower mean overall satisfaction score (5.54) compared to the mean of the high satisfaction group (6.24). This was significant at the 0.000 level. In sum, these results indicate that service recovery variables have a definite impact on overall satisfaction.

### *Question 2: interfacing departments' effects on satisfaction*

The findings on overall satisfaction with interfacing departments make it clear that the greatest correlations are with those departments that have face to face or close interactions with the clients. The claims department has the least correlation with satisfaction suggesting that there is a lower association between claims handling department (which deals with service recovery) and overall satisfaction. This result may suggest that the claims department is less successful in dealing with satisfaction problems. Specifically, the correlations (all significant at 0.05 alpha level) were 0.68 for sales/marketing representatives, 0.67 for operations, 0.64 for telephone services, 0.63 for personal visit to shipping company office, 0.63 for booking services, 0.63 for documentation and 0.37 for claims.

### [Table I]

### *Question 3: the number of problems experienced by high vs. low satisfied clients*

Shipping managers were asked to list problems they face with shipping lines in general. This information was related to their overall satisfaction with shipping lines. It is assumed that those with high overall satisfaction will have relatively fewer problems than those who have low overall satisfaction. To examine this possibility, the mean overall satisfaction score (1 = extremely poor, 7 = excellent) was used as the basis for dividing the sample into low overall satisfaction group and high overall satisfaction group. The number of problems listed by each group is presented in Table II. It is clear that a larger percentage of the high satisfaction group did not list any problems compared to the low satisfaction group. For those who listed problems, ranging from one to three, the percentage of those in the low satisfaction group who listed problems was higher than the percentage in the high satisfaction group. It is likely that how these problems are resolved determines in part the extent to which the customer continues business with the service provider.

### *Question 4: the specific problems experienced by high vs. low satisfied clients*

Table IIIa provides a detailed list of problems by the low satisfied group while Table IIIb provides the problems for those with high satisfaction. Although few problems were stated according to Table IIIa, punctuality/shipping delays is cited as the first problem of concern. Other problems relate to communication breakdown, document delays and lack of cooperation. Table IIIb illustrates that the high satisfaction group also had problems similar to the lower satisfaction which included punctuality/shipping delays, document delays, and communication breakdown. Hence, the two groups do not seem to have major differences in the problems they experience. It is likely, however, that the way the shipping firm deals with these problems will affect the relationship.

**[Table II]**

**[Table IIIa]**

### *Question 5: reasons given by clients for most vs. least preferred shipping lines*

The results of Tables IVa and IVb detail the reasons for choosing the most preferred shipping line and the reasons for the least preferred line. In examining Tables IVa and Table IVb, it is interesting to note that competitive freight rates is the top ranking attribute identified by the sample. Perhaps having good rates is necessary but not sufficient since the respondents also indicated that good service was a key consideration in choosing the most preferred line. Good relationship/flexible was also an attribute given. Clearly, a service firm must offer competitive pricing at a minimum; good service is also essential.

### *Question 6: ways to improve shipping line performance*

The respondents provided several improvements that would improve shipping line performance as shown in Table V. For example, they noted that advance notice of shipping delays and better trained, knowledgeable and cooperative staff were important means to improve service. These improvements deal with the shortcomings of the present service delivery. These improvements relate to service recovery since the qualities of the staff have a definite impact on the way they deal with service-related problems.

### **[Table IIIb]**

### *Question 7: approach to select shipping companies and frequency of review of shipping companies*

The results in Tables VI clearly show that most shipping managers are not loyal to one shipping line. Instead, they have a tendency to use more than one company and to consider each shipment individually. This finding suggests that shipping companies cannot count on the loyalty of firms needing and using their services. Hence, it is likely that a shipping company that delivers inferior service will not be patronized again.

Table VI also shows that shipping managers are prone to reviewing the performance of their shipping companies either continuously or with great frequency. Clearly, shipping managers seem active in evaluating the shipping company and attentive to the quality of their service. If the shipping company fails to render satisfactory service and fails to deal effectively with service recovery problems, it is likely that the frequent review will detect these problems and lead to switching to another shipping company.

### **[Table IVa]**

## **Conclusion**

In this article, we examined issues relevant to service recovery and service satisfaction in the business-to-business setting of ocean freight shipping. Shipping managers of several manufacturers and trading companies evaluated their satisfaction with factors affecting the post-performance service activities related to service recovery (i.e. claims handling, complaint handling and problem handling). They also evaluated overall satisfaction with the most preferred shipping line. Results clearly indicate that managers belonging to the group that expressed higher satisfaction with claim handling, complaint handling and problem handling have a higher level of overall satisfaction with shipping lines. This group also cited fewer problems with the most preferred shipping lines than the group that had relatively lower overall satisfaction. Research indicates that service quality perceptions positively affect intended behavior (Boulding *et al.*, 1993). Hence, knowing the perceptions of service recovery is a precursor to whether a client continues with a shipper.

### **[Table IVb]**

### **[Table V]**



The results indicate that the respondents experienced problems in the use of shipping services. One way to be proactive in the management of service problems is the use of the critical incident technique (Edvardsson, 1988, 1992). The critical incident technique is a useful way to establish the degree to which service firms are dealing with the problems experienced by specific customers. Bitner *et al.* (1990) have used this technique to uncover specific events and behaviors that relate to the service encounter dissatisfaction. They suggest that the results of using this method can subsequently be used to design customer satisfaction monitoring programs, develop procedures and policies for services and training contact personnel. Stauss and Hentschel (1991) also used this technique and found that negative critical incidents impacted consumer behavior adversely; complaints were made, clients were less willing to use the company's services again, and for each dissatisfied customer they expressed their dissatisfaction to an average of ten people.

### **[Table VI]**

In the case of ocean shipping firms, the critical incident technique could offer a powerful approach to develop more effective services. In this study, for example, shipping managers in the low and high satisfaction groups cited shipping and document delays and non-cooperative staff as the most frequently occurring problems. Use of the critical incident technique would allow the shipping companies to investigate these specific problems in depth. From this investigation, better designed programs could be developed that would minimize these problems. Moreover, use of the critical incident technique could also give insight into how customer monitoring programs could be developed to resolve these problems before they destroy a customer's desire to continue with the shipping firm. It is likely that shipping managers will be less loyal to firms that do not resolve problems effectively. The study did find that 54 percent of shipping managers review shipping companies' performance continuously; this may be due to dissatisfaction resulting from unresolved problems.

To assure that the service being delivered is of high quality, a customer-oriented complaint management system needs to be in place. Complaint management activities are therefore crucial for the

firm if they desire to retain existing customers. Interviews with clients to identify the service delivery problems would help to start a dialogue with firms. Moreover, these interviews might establish that the complaint procedures that the firm uses are viewed as complicated and time-consuming.

Edvardsson (1992) maintains that, if quality service is to be rendered, the following are necessary: the staff must be quality driven, the staff must be considerate to existing customers, the staff must be attentive to "signs" of dissatisfaction among clients and discover quality defects before the client complains, the staff should make complaining easy, generous compensation should be given to customers who have been "wronged", and the staff should provide clear, timely and truthful information. The findings in the present study (Table Va) indicated that the low satisfaction group noted that the shipping firms were not cooperative. This lack of cooperation may be a reflection of the attitude of the staff at the shipping agencies.

Because the employees who deliver the service are integral to the performance of the service, it is important that the firm chooses personnel who have a serving orientation. Along these lines, Cran (1994) found that certain personality tests can be used to select the employees who are more likely to handle customers better and provide more consistent and effective service. Hence, shipping firms can use such tests to select personnel who can best deal with customer complaints agreeably. Goodwin and Ross (1992) suggest that service personnel be trained to apologize and facilitate customers voicing negative feelings and discontent. Their study indicates that such remedies are more effective when a tangible remedy is given. A service provider such as a shipping firm, therefore, should provide even a small tangible article of restitution along with an apology. They suggest that an apology unaccompanied by a tangible outcome may be viewed as insincere.

Kierl and Mitchell (1990) recommend that measuring service quality at the industrial level is crucial if business-to-business firms are to be in touch with those they serve. Berry *et al.* (1991) recommend that service firms monitor the factors of their service offering with a procedure known as a service marketing audit. In this audit, the dimensions that can be assessed are marketing orientation, marketing organization, new customer marketing, existing customer marketing, internal marketing, and service quality. Specifically, these authors

advise firms to examine if sufficient attention is paid to solving customer problems when they occur and if the firm is delivering on promises. The findings in Table IVb provide the many reasons why firms do not choose shipping companies. These reasons could be incorporated into an audit as described by Berry *et al.* (1991) to make sure that a shipping firm is not committing these problems.

Heskett *et al.* (1994) also provides auditing questions; some of these focus specifically on gathering data on customer satisfaction, identifying the listening posts for obtaining customer feedback and how information is used to solve customer problems. The results in Table V. offer a step in that direction since they list the areas that firms need to consider in improving their performance. Similarly, Laws (1992) argues that a service must be dissected into phases, events, and part-encounters that collectively describe the service encounter. The findings in the present study concerning the correlations between overall satisfaction and interfacing departments clearly show that satisfaction can be examined in terms of the phases or events that occur when a service is rendered.

It is by examining these parts that a service provider can best understand the extent to which a delivered service equals the expected service. In addition, research by Gilly (1987) concludes that complainant surveys are essential if a firm is to understand the post-complaint process; internal data are insufficient to understand this process.

In sum, service firms must be attentive to service recovery issues and its connection with customer satisfaction. A service firm must be proactive in developing systems that minimize service failure while also building mechanisms to assure that service recovery is not impeded by complacent attitudes and lack of understanding. Successful service recovery requires appreciation of the ideas identified in this research.

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**Table I.** Overall satisfaction for high vs. low groups

| Groups formed on variable | Low group | Overall satisfaction mean |         | prob. |
|---------------------------|-----------|---------------------------|---------|-------|
|                           |           | High group                | t-value |       |
| Claims handling           | 5.54      | 6.24                      | 4.12    | 0.00  |
| Problem handling          | 5.69      | 6.28                      | 4.43    | 0.00  |
| Complaint handling        | 5.78      | 6.17                      | 2.08    | 0.04  |

Notes: Groups with low and high satisfaction with claims handling were formed via mean split at 4.86. The low satisfaction with claims handling group had scores less than 4.86 and the high satisfaction group had scores above 4.86. The anchors for this scale were 1 (extremely poor) and 7 (excellent); groups with low and high satisfaction with problem handling were formed via mean split at 5.64. The low satisfaction with problem handling group had scores less than 5.64 and the high satisfaction group had scores above 5.64. The anchors for this scale were 1 (extremely poor) and 7 (excellent); groups with low and high satisfaction with complaint handling were formed via mean split at 5.04. The low satisfaction with complaint handling group had scores below 5.04 and the high satisfaction with complaint handling group had scores above 5.04; overall satisfaction with most preferred shipping line was measured on a 7-point scale with anchors of 1 (extremely poor) and 7 (excellent)

**Table II.** Number of problems listed by respondents about shipping lines

|                         | Low satisfaction group |         | High satisfaction group |         |
|-------------------------|------------------------|---------|-------------------------|---------|
|                         | Frequency              | Percent | Frequency               | Percent |
| No problems listed      | 29                     | 46.8    | 87                      | 54      |
| At least one problem    | 33                     | 53.2    | 73                      | 45.6    |
| At least two problems   | 21                     | 33.9    | 43                      | 26.9    |
| At least three problems | 7                      | 11.3    | 8                       | 5.0     |

Notes: Overall satisfaction was measured on a 7-point scale with 1 being least satisfied and 7 being most satisfied. The mean of this scale was 5.92. Using this mean as the basis, the sample was divided into low overall satisfaction group (where mean is less than 5.92) and high overall satisfaction group (where mean is above 5.92). This Table compares the number of problems listed by shipping managers in the two groups



**Table IIIa.** Frequency of problems listed by low satisfaction group

|                              | Frequency | Valid % |
|------------------------------|-----------|---------|
| <i>Problem 1</i>             |           |         |
| Shipping delays/not punctual | 9         | 27.3    |
| Short shipped                | 6         | 18.2    |
| Communication breakdown      | 6         | 18.2    |
| Document delays              | 5         | 15.2    |
| Not cooperative              | 4         | 12.1    |
| Freight charges              | 1         | 3.0     |
| Special/new equipment        | 1         | 3.0     |
| Sailing schedules            | 1         | 3.0     |
| Total                        | 33        |         |
| <i>Problem 2</i>             |           |         |
| Document delays              | 9         | 42.9    |
| Not cooperative              | 5         | 23.8    |
| Shipping delays/not punctual | 3         | 14.3    |
| Freight charges              | 1         | 4.8     |
| Communication breakdown      | 1         | 4.8     |
| Special/new equipment        | 1         | 4.8     |
| Short shipped                | 1         | 4.8     |
| Total                        | 21        |         |
| <i>Problem 3</i>             |           |         |
| Not cooperative              | 3         | 42.9    |
| Document delays              | 2         | 28.6    |
| Shipping delays/not punctual | 1         | 14.3    |
| Freight charges              | 1         | 14.3    |
| Total                        | 7         |         |

**Table IIIb.** Frequency of problems listed by high satisfaction group

|                              | Frequency | Valid % |
|------------------------------|-----------|---------|
| <i>Problem 1</i>             |           |         |
| Shipping delays/not punctual | 19        | 26.0    |
| Document delays              | 16        | 21.9    |
| Communication breakdown      | 13        | 17.8    |
| Freight charges              | 9         | 12.3    |
| Not cooperative              | 5         | 6.8     |
| Special/new equipment        | 4         | 5.5     |
| Sailing schedules            | 4         | 5.5     |
| Short shipped                | 1         | 1.4     |
| Others                       | 2         | 2.7     |
| Total                        | 73        |         |
| <i>Problem 2</i>             |           |         |
| Document delays              | 13        | 30.2    |
| Shipping delays/not punctual | 8         | 18.6    |
| Special/new equipment        | 6         | 14.0    |
| Communication breakdown      | 5         | 11.6    |
| Freight charges              | 4         | 9.3     |
| Sailing schedules            | 4         | 9.3     |
| Not cooperative              | 2         | 4.7     |
| Short shipped                | 1         | 2.3     |
| Total                        | 43        |         |
| <i>Problem 3</i>             |           |         |
| Communication breakdown      | 3         | 37.5    |
| Shipping delays/not punctual | 1         | 12.5    |
| Freight charges              | 1         | 12.5    |
| Sailing schedules            | 1         | 12.5    |
| Not cooperative              | 1         | 12.5    |
| Short shipped                | 1         | 12.5    |
| Total                        | 8         |         |

**Table IVa.** Reasons for choosing the most preferred shipping line

|                            | Frequency | Valid % |
|----------------------------|-----------|---------|
| <i>Reason 1</i>            |           |         |
| Competitive freight rates  | 68        | 32.4    |
| Regular service            | 34        | 16.2    |
| Good service               | 30        | 14.3    |
| Customer's choice          | 21        | 10.0    |
| Good relationship/flexible | 14        | 6.7     |
| Short transit time         | 13        | 6.2     |
| Reliable                   | 8         | 3.8     |
| Good reputation            | 7         | 3.3     |
| Punctual                   | 5         | 2.0     |
| Speedy documentation       | 2         | 1.0     |
| Wide network               | 2         | 1.0     |
| Prompt shipment            | 2         | 1.0     |
| Ample vessel space         | 1         | 0.5     |
| Special equipment          | 1         | 0.5     |
| Efficient                  | 1         | 0.5     |
| Gives me priority          | 1         | 0.5     |
| Total                      | 210       |         |
| <i>Reason 2</i>            |           |         |
| Competitive freight rates  | 44        | 24.6    |
| Good service               | 40        | 22.3    |
| Regular service            | 36        | 20.1    |
| Short transit time         | 24        | 13.4    |
| Good relationship/flexible | 7         | 3.9     |
| Punctual                   | 6         | 3.4     |
| Reliable                   | 4         | 2.2     |
| Efficient                  | 4         | 2.2     |
| Customer's choice          | 3         | 1.7     |
| Wide network               | 3         | 1.7     |
| Good reputation            | 2         | 1.1     |
| Speedy documentation       | 2         | 1.1     |
| Prompt shipment            | 2         | 1.1     |
| Ample vessel space         | 1         | 0.6     |
| Gives me priority          | 1         | 0.6     |
| Total                      | 179       |         |
| <i>Reason 3</i>            |           |         |
| Good service               | 24        | 20.0    |
| Competitive freight rates  | 20        | 16.7    |
| Regular service            | 14        | 11.7    |
| Good relationship/flexible | 12        | 10.0    |
| Short transit time         | 11        | 9.2     |
| Punctual                   | 7         | 5.8     |
| Speedy documentation       | 6         | 5.0     |
| Reliable                   | 6         | 5.0     |
| Good reputation            | 3         | 2.5     |
| Gives me priority          | 3         | 2.5     |
| Wide network               | 3         | 2.5     |
| Prompt shipment            | 3         | 2.5     |
| Efficient                  | 2         | 1.7     |
| Customer's choice          | 2         | 1.7     |

(continued)

|                            |     |      |
|----------------------------|-----|------|
| Ample vessel space         | 1   | 0.8  |
| Special equipment          | 1   | 0.8  |
| Others                     | 2   | 1.7  |
| Total                      | 120 |      |
| <i>Reason 4</i>            |     |      |
| Good relationship/flexible | 12  | 17.9 |
| Competitive freight rates  | 11  | 16.4 |
| Good service               | 9   | 13.4 |
| Regular service            | 9   | 13.4 |
| Punctual                   | 7   | 10.4 |
| Prompt shipment            | 5   | 7.5  |
| Short transit time         | 4   | 6.0  |
| Speedy documentation       | 4   | 6.0  |
| Gives me priority          | 2   | 3.0  |
| Wide network               | 1   | 1.5  |
| Ample vessel space         | 1   | 1.5  |
| Special equipment          | 1   | 1.5  |
| Reliable                   | 1   | 1.5  |
| Total                      | 67  |      |
| <i>Reason 5</i>            |     |      |
| Good relationship/flexible | 6   | 25.0 |
| Good reputation            | 3   | 12.5 |
| Competitive freight rates  | 2   | 8.3  |
| Speedy documentation       | 2   | 8.3  |
| Prompt shipment            | 2   | 8.3  |
| Good service               | 2   | 8.3  |
| Customer's choice          | 2   | 8.3  |
| Reliable                   | 2   | 8.3  |
| Ample vessel space         | 1   | 4.2  |
| Punctual                   | 1   | 4.2  |
| Others                     | 1   | 4.2  |
| Total                      | 24  |      |

**Table IVb.** Reasons for not choosing the least preferred shipping line

|                               | Frequency | Valid % |
|-------------------------------|-----------|---------|
| <i>Reason 1</i>               |           |         |
| Not competitive freight rates | 24        | 36.9    |
| Long transit time             | 10        | 15.4    |
| Poor service                  | 7         | 10.8    |
| Service not regular           | 5         | 7.7     |
| Not punctual                  | 5         | 7.7     |
| Slow documentation            | 3         | 4.6     |
| Poor relationship/inflexible  | 3         | 4.6     |
| Poor reputation               | 2         | 3.1     |
| Inefficient                   | 2         | 3.1     |
| Not wide network              | 1         | 1.5     |
| Shipment not prompt           | 1         | 1.5     |
| No special equipment          | 1         | 1.5     |
| Not reliable                  | 1         | 1.5     |
| Total                         | 65        |         |

(continued)

|                               |    |      |
|-------------------------------|----|------|
| <i>Reason 2</i>               |    |      |
| Poor service                  | 10 | 28.6 |
| Service not regular           | 6  | 17.1 |
| Long transit time             | 5  | 14.3 |
| Not punctual                  | 3  | 8.6  |
| Not wide network              | 2  | 5.7  |
| Not competitive freight rates | 2  | 5.7  |
| Not reliable                  | 2  | 5.7  |
| Slow documentation            | 1  | 2.9  |
| Poor relationship/inflexible  | 1  | 2.9  |
| Shipment not prompt           | 1  | 2.9  |
| Inconvenient office location  | 1  | 2.9  |
| Others                        | 1  | 2.9  |
| Total                         | 35 |      |
| <i>Reason 3</i>               |    |      |
| Poor relationship/inflexible  | 4  | 25.0 |
| Poor service                  | 2  | 12.5 |
| Nor competitive freight rates | 2  | 12.5 |
| Service not regular           | 2  | 12.5 |
| Slow documentation            | 2  | 12.5 |
| Long transit time             | 1  | 6.3  |
| No special equipment          | 1  | 6.3  |
| Not punctual                  | 1  | 6.3  |
| Inefficient                   | 1  | 6.3  |
| Total                         | 16 |      |
| <i>Reason 4</i>               |    |      |
| Not competitive freight rates | 2  | 28.6 |
| Slow documentation            | 2  | 28.6 |
| Poor service                  | 1  | 14.3 |
| Service not regular           | 1  | 14.3 |
| Poor relationship/inflexible  | 1  | 14.3 |
| Total                         | 7  |      |
| <i>Reason 5</i>               |    |      |
| Poor service                  | 1  | 50.0 |
| Slow documentation            | 1  | 50.0 |
| Total                         | 2  |      |

**Table V.** Suggestions for improving shipping line performance

|                                    | Frequency | Percent |
|------------------------------------|-----------|---------|
| <i>Suggestion 1</i>                |           |         |
| Advance notice of shipping delays  | 10        | 20.0    |
| Better trained/knowledgeable staff | 14        | 28.0    |
| More cooperative                   | 7         | 14.0    |
| Speedy document release            | 5         | 10.0    |
| Closer monitoring                  | 5         | 10.0    |
| Faster service/procedures          | 4         | 8.0     |
| Newer/better equipment             | 4         | 8.0     |
| Better freight rates               | 1         | 2.0     |
| Total                              | 50        |         |
| <i>Suggestion 2</i>                |           |         |
| Better trained/knowledgeable staff | 6         | 30.0    |
| Faster service/procedures          | 4         | 20.0    |
| Advance notice of shipping delays  | 3         | 15.0    |
| Speedy document release            | 3         | 15.0    |
| Better freight rates               | 3         | 15.0    |
| Newer/better equipment             | 1         | 5.0     |
| Total                              | 20        |         |
| <i>Suggestion 3</i>                |           |         |
| Speedy document release            | 3         | 75.0    |
| Closer monitoring                  | 1         | 25.0    |
| Total                              | 4         |         |

**Table VI.** Shipping managers' approach to selecting shipping companies

|   | Frequency | Percent |
|---|-----------|---------|
| Consider each shipment individually                                   | 87        | 39.5    |
| Use one line as a major carrier, occasionally use other               | 50        | 22.7    |
| Split business equally between two or more lines                      | 49        | 22.3    |
| Give business to same line for extended period                        | 34        | 15.5    |
| Total   | 220       |         |
| <i>Frequency of review of shipping companies by shipping managers</i> |           |         |
| Continuously  | 120       | 54.5    |
| Every six months  | 35        | 15.9    |
| About once a year   | 27        | 12.3    |
| About once in two or three years                                      | 9         | 4.1     |
| Never/rarely  | 29        | 13.2    |
| Total   | 220       |         |