



**The mediating influence of service failure explanation on customer repurchase intention through customers satisfaction**

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## The Mediating Influence of Service Failure Explanation on Customer Repurchase Intention through Customers Satisfaction

### Introduction

Failure to deliver consistent service is detrimental to the success of organisations and a significant inconvenience to consumers. In the unfortunate event of failure, the firm should acknowledge their failure and take the necessary steps to remedy the situation. Although a degree of service failure is inevitable, an effective recovery strategy can give the company an edge over the situation. The need to research effective recovery strategies is highlighted by the claim that it can affect future consumer behaviour such as future purchase intentions (Swanson and Kelley, 2001). Negative outcomes of service failure have been demonstrated in many prior studies (Mikael 2013; Wang, Hsu and Chih 2014). Past studies agreed on five common outcomes which include dissatisfaction, complaining, switching, negative word-of-mouth, and ceasing to patronise that particular service provider. In their attempt to mitigate the negative outcomes of service failures, many researchers emphasised the importance of successful recovery efforts. Such efforts benefit organisations by improving customer perceptions and enhancing customer loyalty, among others.

Globally, telecommunication is one of the fastest growing service industries, largely due to the Internet and related products and services. The advent of the internet has completely changed human society and lifestyles. Given the dependency of contemporary human life on the internet, providing stable internet service is a major challenge for internet service providers. This is evident in Hardeep and Pinkey's (2013) finding that customer complaints regarding internet service failure has seen tremendous increase compared with the last two decades. These complaints centre on fluctuating speeds and poor coverage, among others. Ana *et al.* (2011)

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opined that such failures could have catastrophic consequences on the organisation be it the service provider or service subscriber. When customers experience service failure, companies can either offer a tangible recovery in the form of compensation for example, or intangible recovery such as offering an explanation or apology (Wang and Mattila, 2011). Little is known about the role of service failure explanation in service recovery and its impact on customer satisfaction and repurchase intention. According to Suveera (2014), recovery efforts play a crucial role in how customers feel about an encountered failure. Many prior studies identified that explanation can effectively mitigate service failures (Koushiki, 2013). Bies (1987) illustrates and defines 'explanation' using four dimensions including justification, reference, excuse, and apology. Although many researchers regard Bies' four components as effective measures of explanation, there nevertheless remains strong indication that this concept has yet to be thoroughly studied (Daniel *et al.*, 2012).

For many reasons, service failure is unavoidable. To help contain the negative consequences of service failure, organisations emphasise the importance of customer service. With this in mind, this study endeavours to understand how upon service failure explanation affects customer satisfaction. Moreover, this study also aims to unlock the secret of consumers' repurchase intention after listening explanation from the service providers. Despite the focus of many prior studies on service failure, among the unique contributions of this study that set it apart from past studies is that most prior studies examined 'explanation' as a single factor influencing customer satisfaction, whereas this study examines how consumers react to different types of explanation when encountering service failure. Similarly, whereas most prior studies predominantly focus on the direct influence of explanation on customer satisfaction, this study examines the mediating effect of excuse, justification, reference, and apology inherent in explanation on repurchase

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3 intention through customer satisfaction. Hence, this study will certainly fill the lacuna in existing  
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5 knowledge about categorising explanation into intangible recovery efforts and the measure of  
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7 their efficacy towards bringing about positive outcomes such as greater customer satisfaction and  
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9 repurchase intentions.  
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## 11 12 13 **Literature Review**

### 14 15 16 **Dimensions of Explanation**

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19 Offering an explanation is a basic yet effective strategy when consumers experience service  
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21 disruption. Bies (1987) classified explanation into the following four main streams:  
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25 • Excuse. Service providers use excuse to attribute the root of the problem to external  
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27 reasons. In this case, the service provider is trying to evade responsibility for the incident.
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29 • Justification. This is similar to excuse as they both attribute the failure to external  
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31 reasons; however, in justification the service provider accepts that it is their responsibility  
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33 to fix the failure. In this regard, the cause of failure must be justified.
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35 • Reference: This compares a customer's current situation with those who have  
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37 experienced worse failures. Apparently, such an action will reduce the negative  
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39 perception of customers of the current situation by comparing their experience with those  
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41 who have experienced worse, thereby regarding their experience "not that awful".
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43 • Apology: This is an expression of regret. Admitting what has occurred is the  
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45 responsibility of the service provider and offering an apology may be necessary in almost  
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47 every case.  
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55 Studies have shown that customers in western societies expect efficient explanations from their  
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57 service provider (Wang and Mattila, 2011). Another study has shown that eastern countries have  
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3 a tendency to search for internal reasons for the failure (Mattila and Patterson, 2004). This  
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5 supports the premise that in eastern countries explanation is a sufficient strategy to recover from  
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7 the failure. However, such a claim may require greater empirical evidence in order to be  
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9 justified.  
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13 According to Tammo *et al.* (2014), providing an explanation for the failure and offering  
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15 compensation can mitigate dissatisfaction. Similarly, Davoud *et al.* (2012) found that using such  
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17 a technique can create a memorable experience for customers which can foster satisfaction.  
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19 However, many researchers contend that no comprehensive theories exist to which support when  
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21 and how explanations produce favourable results (Hsin-Hui et al. 2011; Yang 2012; Kai-Yu et al.  
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23 2014). Moreover, Beth *et al.* (2010) suggested that customers tend to be highly satisfied when  
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25 they are offered an explanation by the company after which they consider the company more  
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27 credible.  
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33 However, there are significant inconsistencies in the previous findings focusing on the effect of  
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35 different types of explanation on customer satisfaction. For instance, researchers found that  
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37 excuse is more effective than justification (Bradley and Sparks, 2012). In contrast, Thomas and  
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39 Tracy (2014) found that excuse is relatively less favourable than justification, and this is more  
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41 sensible since customers who receive an excuse tend to react negatively. According to Sparks  
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43 and Fredline (2007), the efficacy of the four components of explanation (excuse, justification,  
44  
45 reference, and apology) in service failure episodes are unclear. According to previous studies, the  
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47 use of explanation may not have favourable outcomes when the severity of failure is  
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49 considerable (Folger and Cropanzano, 1998). This means that the severity of failure can play a  
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51 moderating effect and in situations wherein failure is serious, there is a chance that explanation  
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3 will not suffice as a recovery mechanism, however, the generalizability of such an argument  
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5 must be empirically tested.  
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### 8 **Satisfaction with Recovery Strategies and Repurchase Intention**

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11 Komunda and Osarenkhoe (2012) suggested that customer satisfaction as the “main theme of  
12 service recovery”. According to Miller *et al.* (2000), service recovery can be considered another  
13 service experience. More precisely, if a customer is dissatisfied with service failure, he or she  
14 can similarly be dissatisfied with an unsuccessful recovery or vice versa. According to Michel *et*  
15 *al.* (2009), companies that manage successful recoveries enhance their customers’ opinion over  
16 the quality of service. The fact that less than 50 per cent of complaints are attended shows how  
17 companies neglect customers’ right to receive a satisfactory response for the failure (Graham and  
18 Beverly, 2012). Michel and Meuter (2008) reported that only 30 per cent of customers are  
19 satisfied with the company’s effort in recovering from the failure.  
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34 Different types of failure and the ensuing recovery can influence customer satisfaction and future  
35 intention (Kristen *et al.* 2014). Tsai *et al.* (2014) suggested that the willingness of the firm to  
36 recover from a failure and prevent its repeated occurrence can enhance customer satisfaction.  
37 This eventually yields positive word-of-mouth (WOM), loyalty, and a high level of trust in  
38 customers (Kau and Loh, 2006). In contrast, unsuccessful recovery may elicit negative  
39 behavioural intentions such as negative word-of-mouth and discontinued purchase or  
40 subscription to the service. Studies have shown that a customer who has encountered a bad  
41 experience may tell 10 to 20 people (Zemke, 1999). Zhu *et al.* (2004) cited the example of  
42 service companies like Federal Express and Xerox to show that recovering from service failure  
43 can cost some 30 per cent of revenue. They also found that 70 per cent of recovery efforts are  
44 misguided due to a general neglect of what customers require from a recovery (Amro and Rana  
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3 2014). This highlights the importance of providing justification after service failure for procuring  
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5 consumer satisfaction.  
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9 Similarly, many prior studies investigated post-decision behaviour of end-consumer after  
10 consulting with the organisation during service disruption (Tammo *et al.*, 2014). The majority of  
11 such studies concluded that in the event of service failure, companies must select a suitable  
12 recovery or risk discontinued purchases or subscriptions. Studies have reported that when failure  
13 occurs, customers tend to spread negative word-of-mouth (NWOM) and are unlikely to purchase  
14 again (Mikael 2013; Beth *et al.*, 2010). Recovery efforts can exert a positive influence on  
15 repurchase intention (Goodwin and Ross, 1992; Kelley *et al.*, 1994). Among those who have  
16 questioned the efficacy of recovery efforts, Jean (2012) argued that it is not necessary the case  
17 the all customers will continue subscribing to the service despite recovery efforts. This is  
18 probably due to substandard recovery efforts. This possibility emphasises the importance of  
19 examining the mediating effect of explanation on consumer repurchase intention through  
20 customer satisfaction.  
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### 38 **Hypotheses Development**

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40 **Excuse:** By definition, excuse is a method of shifting the customer's opinion to external reasons  
41 implying that the company is not responsible for the failure. According to Bradley and Sparks  
42 (2012), using such a technique increases the possibility that customers believe what happened  
43 was beyond the firm's control. However, recent studies found high levels of satisfaction from the  
44 use of excuse as an explanation compared to other types of explanation (Bradley and Sparks,  
45 2012). This is debatable, as using such a technique can increase the likelihood of negative  
46 customer perceptions of the firm's accountability. Absolving of all responsibility can result in  
47 negative responses from customers (Conlon and Murray, 1996). Wang and Matilla (2011)  
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3 suggested that justification is more favourable rather than using excuse to shrug off  
4 responsibility; however, their findings show that both East Asians and Westerners perceive the  
5 fairness of excuse and justification as the same. Studies typically found that angry customers  
6 usually evaluate excuse as an unfavourable response (Tax *et al.*, 1998; Wang and Mattila, 2011).  
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13 **H1:** There is significant negative effect of excuse on customer satisfaction and repurchase  
14 intention in the process of service recovery.  
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19 **Justification:** Justification is similar to excuse, however, unlike excuse, in justification,  
20 responsibility of the failure is accepted. Conlon and Murray (1996) found that firms which  
21 implemented justification received better customer evaluation compared to those that  
22 implemented excuse. According to Lee and Park (2010), there are inconsistencies between  
23 findings such as the meta-analysis of 36 studies by Shaw *et al.* (2003) who concluded that  
24 excuses are more promising than justification. In contrast, other studies support the fact that the  
25 nature of justification, which contains accepting the full responsibility for failure, is perceived  
26 more favourably by customers than evading responsibility through the use of excuse (Wang *et*  
27 *al.*, 2014). Generally, the logical explanation is supportive of such a claim. Researchers  
28 identified various factors that can lead to increased positive evaluations of a firm's responses  
29 such as believability, being responsible, appropriateness, and consideration (Hareli, 2005).  
30 Hence, it is clear that justification is considered more reasonable than excuse and yields more  
31 positive outcomes among customers.  
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50 **H2:** There is significant positive effect of justification on customer satisfaction and  
51 repurchase intention in the process of service recovery.  
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3 **Reference:** Employing reference as an explanation reduces customer anger by helping them  
4 realise that there are others who experienced worse scenarios. Wang and Matilla (2011) found  
5 that Westerns are more receptive to reference and find it more convincing compared to their  
6 Eastern Asian counterparts. However, there is a lack of empirical research on the effect of  
7 reference on customer satisfaction and repurchase intention. Following the rationale given by  
8 Bies (1987), referential accounts can lower the negative aspects of experiencing failure, which  
9 leads to the following hypothesis.

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13 **H3:** There is significant positive effect of reference on customer satisfaction and repurchase  
14 intention in the process of service recovery

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21 **Apology:** Interpersonal recoveries are better used in process failures (Smith *et al.*, 1999) which  
22 implies the importance of recoveries such as offering an apology. This can lower the anxiety of  
23 customers and indicates the goodwill of the company to take responsibility and to show their  
24 penitence (Boshoff and Leong, 1998). Using apology can also reduce the likelihood of negative  
25 outcomes of service failure such as NWOM (Nguyen and McColl-Kennedy, 2003). However,  
26 apology may not be very effective for outcomes such as repurchase intention (Davidow, 2003).  
27 Bradley and sparks (2012) found that using apology resulted in higher levels of satisfaction in  
28 customers when accompanied with high quality explanations. Johnston and Fren (1999) found  
29 that in both serious and less serious failures, apology is an appropriate recovery effort. The  
30 importance of using such a strategy is highlighted by numerous researches. Hence, we  
31 hypothesise:

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53 **H4:** There is significant positive effect of apology on customer satisfaction and repurchase  
54 intention in the process of service recovery.

### Mediating Effect of Customer Satisfaction

To better perceive the mediating role of satisfaction, we review the positive outcome of service recoveries and the relationship between customers satisfaction and repurchase intention. Repurchase intention is considered an outcome of satisfaction (Daniel *et al.*, 2012; Maria *et al.*, 2013; Lin and Ding, 2005). Many researchers have suggested that successful service recovery can result in customer satisfaction which in turn can bring favourable outcomes such as repeat purchase (de Matos *et al.*, 2009; Johnston and Michel, 2008; Bhandari *et al.*, 2007; Harris *et al.*, 2006). In spite of successful recovery, customers can still be dissatisfied with an incident buy nevertheless continue to purchase from the company (Mabel and Aihie, 2012). The role of service recovery in realising customer satisfaction is crucial as satisfaction has yielded a positive impact on repurchase intentions.

**H5a:** Customer intention to repurchase is reduced by (a) using excuse through reduced customer satisfaction.

**H5b:** Repurchase intention is increased by (b) using justification through increased customer satisfaction.

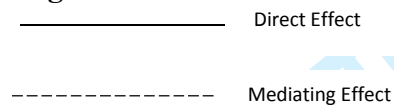
**H5c:** Repurchase intention is increased by using reference through increased customer satisfaction,

**H5d:** Repurchase intention is increased by using apology through increased customer satisfaction.

**Fig 1: Proposed Model**



### Legend



## Methodology

### Sampling and Procedure

This study aims to establish and verify the hypothesised relationships between repurchase intentions of broadband subscribers towards service failure explanation components given by Malaysian internet service providers. The sample represents the population consisting of Malaysians who use high speed internet broadband and encountered service failure at least once in their subscription period. From the customer complaints database of four prominent internet service providers in Malaysia, this study identified 1563 internet users complained of service disruption during December 2013 to April 2014. The subscription period for 654 of the sampled 1563 users was set to expire by the middle of 2014. An e-mail had been sent to all 1569 users that included a cover letter explaining the objectives of this study. Data collection through e-mail

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3 was most appropriate for the intended research purposes in view of its minimal cost, time, and  
4 required travel. After three reminders and two months effort, a total of 331 responses were  
5 returned. Nine responses were invalid as the respondents did not answer the follow-up and were  
6 subsequently removed from the study. The remaining 322 were used for further analysis.  
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### 10 11 12 13 **Instrument Development and Measurement** 14

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16 The lack of knowledge about types of explanation and limited empirical studies on this issue  
17 made it measuring the four sampled components challenging. The items that measure each type  
18 of explanation were developed through a thorough analysis of available literature to ensure a  
19 suitable instrument (Bradley and Sparks, 2012). Satisfaction constructs used in previous studies  
20 have been adopted and modified with the dependent variable of repurchase intention (DeWitt  
21 and Brady, 2003; Maxham and Netemeyer, 2003; Mattila, 2001; Swanson and Kelley, 2001b;  
22 Huang, 2011). This necessitated a series of modifications to render the questions suitable to the  
23 research context.  
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36 To analyse the reliability measures, Cronbach's Alpha was calculated and the value of 0.6 was  
37 considered the minimum alpha as suggested by other researchers and presented in the Table 1  
38 (Pallant, 2005; Sekaran and Bougie, 2013). The current study implemented content and construct  
39 validity to ensure the validity of measures (Pallant, 2005). The content validity was performed  
40 through reviewing comprehensive literature in using types of explanation and their relative  
41 outcomes. The construct validity was assessed through factor analysis and any items that did not  
42 load significantly were eliminated from the questionnaire. The final questionnaire underwent the  
43 necessary changes prior to the main study. The questionnaire consists of three main sections. The  
44 first section includes demographic questions about the respondents. The second section asks  
45 respondents about their experience in service failure and service usage characteristics (e.g. place  
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3 of access, hours spent on internet, purpose of use, the ISP of choice, etc.). The final section  
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5 comprises items measuring six variables (excuse, reference, justification, apology, satisfaction,  
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7 and repurchase intention). All items are measured ranging from scale 1 (strongly agree) to 7  
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9 (strongly disagree). After the three main sections, one question was designed to ask the  
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11 customers' opinion about the survey and to encourage them to share their comments with the  
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13 researchers to help improve the quality of the current study. A copy of the questionnaire is  
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15 included in the Appendix.  
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## 30 **Results**

### 31 **Respondents' Attributes**

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33 Respondents' attributes indicated that almost 50 per cent of complaints were reported by young  
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35 adults (Table 1). In Malaysia, more than 50 per cent of internet users age between 20 to 30 years,  
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37 which likely explains this result. Table 2 also indicates that 82.29 per cent of complaints were  
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39 due to speed fluctuations, and 66.45 per cent were complaints over the billing system. The  
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41 respondents agreed that service providers generally take between 24 to 72 hours to fix the  
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43 problem. However, 17 per cent of respondents found that it took one week to fix their problem,  
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45 which is probably a significant factor for high levels of dissatisfaction. Additionally, some  
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47 respondents never got their problem resolved by the service provider. This is almost certain to  
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49 cause serious NWOM. A very instructive finding is that most of those who complained had  
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51 higher education.  
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**Table 1: Descriptive Summary of Demographic Profile**

<b>Gender</b>	N	%	<b>Race</b>	N	%
Male	176	54.7	Malay	168	52.2
Female	146	45.3	Chinese	90	28.0
			Indian	40	12.4
			Other Ethnicity	24	7.5
Total	322	100	Total	322	100
<b>Age (years)</b>			<b>Education level</b>		
20 – 29	160	49.7	Secondary	20	6.2
30 – 39	116	36.0	Diploma	44	13.7
40 – 49	36	11.2	Degree	140	43.5
50 and Above	10	3.1	Master	98	30.4
			PhD	20	6.2
Total	322	100	Total	322	100
<b>Common Complain</b>			<b>Time to Fix</b>		
Speed	265	82.29	Within 24 Hours	32	9.93
No Internet service	56	17.39	24 to 48 Hours	104	32.29
			48 to 72 Hours	123	38.19
Billing	214	66.45	Within 1 Week	56	17.39
Delaying Reconnection	34	10.55			
Hardware Problem	178	55.27	No solution	7	2.17

### Validation of Measurement Model

To assess the measurement model, this study applied Confirmatory Factor Analysis (CFA) because this technique help in improving internal consistency. Moreover, CFA also assists in evaluating convergent and discriminant validity for reflective constructs. Different fit indices were examined in order to evaluate the measurement model in this study including GFI, AGFI, NFI, and RMSEA. In addition, cut point for each indices were adopted from different empirical studies related with this research context. Specific cut-off points were GFI, AGFI, NFI, and CFI greater than 0.90; RMSEA less than 0.06 and RMR less than 0.05. Table 2 presents the results of the measurement model as analyzed by AMOS 6.

CFA's results suggested several modification on few constructs due to the low loading value and insignificant t-value. For instance, one item from excuse was removed because the loading value was below 0.50 (Hair et al. 2006). One possible reason for this low loading value of this construct probably be the irrelevance in the context of internet service. However, loading score for 26 items on 6 variable were higher and adequate to proceed for Structural Equation Modelling (SEM). Loading value for each construct presented in Table 2.

Several techniques were applied in this study for assessing discriminant validity including correlation score among constructs and confidence interval test. Kline (2005) suggested that if the correlation values exceed 0.85 then there is no discriminant validity and results revealed that none of the correlation value exceed 0.85. Hence, it can be concluded that there were discriminant validity in this study. Similarly, this study also computed confidence interval for variables. In relation with confidence interval, Torkzadeh, Koufteros and pflughoeft (2003) suggested that if the value of 1 is not included within the computed confidence interval then discriminant validity is supported. None of the interval value in this study had 1 which ensure discriminant validity for this study. Table 2 presents the results of CFA of six variables.

**Table 2: Results of CFA**

Factor Indicators	X2	Df	P	GFI	AGFI	CFI	RMSEA	Factor Loading	Composite Alpha
<b>Excuse</b>	3.13	2	.156	.992	.958	.95	.023		.909
EX 1								0.83	
EX 2								0.87	
EX 3								0.81	
EX 4								0.88	
<b>Reference</b>	3.13	2	.178	.993	.972	.99	.034		.876
RE 1								0.92	
RE 2								0.91	
RE 3								0.94	
RE 4								0.85	
<b>Justification</b>	3.19	2	.201	.987	.961	.99	.047		.913
JU 1								0.93	
JU 2								0.98	

JU 3								0.89	
JU 4								0.82	
JU 5								0.84	
<b>Apology</b>	3.17	2	.214	.992	.962	.96	.049		.921
AP 1								0.92	
AP 2								0.87	
AP 3								0.83	
AP 4								0.81	
<b>Satisfaction</b>	3.23	2	.116	.985	.949	.99	.027		.915
SA 1								0.95	
SA 2								0.93	
SA 3								0.91	
SA 4								0.87	
SA 5								0.84	
<b>Repurchase Intention</b>	1.68	4	0.24	.993	.975	.96	0.18		.928
RI 1								0.91	
RI 2								0.89	
RI 3								0.86	
RI 4								0.88	

### Hypothesis Testing

In order to assess mediation effect, two structural equation models were developed and compared using AMOS 6. First model, considered as theoretical model, mainly examined direct and indirect relationship between dimensions of explanation, satisfaction and repurchase intention. Similarly, second model, considered as fully mediated model, developed based on a scenario whereby dimensions of explanation only influenced repurchase intention through customer satisfaction. Similarly, several prior studies suggested two main steps for testing mediation effect using structural equation modelling (SEM), includes



- Develop a measurement model and conduct CFA, discussed in previous section, to test the acceptable fit; and then
- Applying structural model techniques to test the hypothesized relationship (Gerbing and Anderson 1988; Hu and Bentler 1999; Amjad et al. 2011).

Then, compared both model to select the best fitting model using different fit indices. This study applied the same approaches applied in many prior studies mentioned above. Table 3 presents the results of structural equation for both models. The fit indices for the theoretical model indicated excellent fit in all aspects ( $X^2 = 10.325$ ; Normed  $X^2 = 0.860$ ; CFI = 0.832; GFI = 0.963; AGFI = 0.822; RMSE = 0.079). Similarly, results for fully mediated model were also excellent ( $X^2 = 14.678$ ; Normed  $X^2 = 1.46$ ; CFI = 0.878; GFI = 0.989; AGFI = 0.897; RMSE = 0.042). Despite being excellent results for both model, this study applied the Satorra-Bentler scaled  $X^2$  difference test cited in Amjad et al. (2011) to compare the theoretical and full mediation model. Results presented in Table 3 indicated that the difference of  $X^2$  between the two models were 4.35 which is less than 11.07 at 95 percent confidence interval, thus favouring the more parsimonious model with full mediation. Furthermore, all other fit indices for the full mediation were better than theoretical model (i.e. CFI, GFI, AGFI and RMSE).

**Table 3: Results of Structural Equation Analysis for the Both Models**

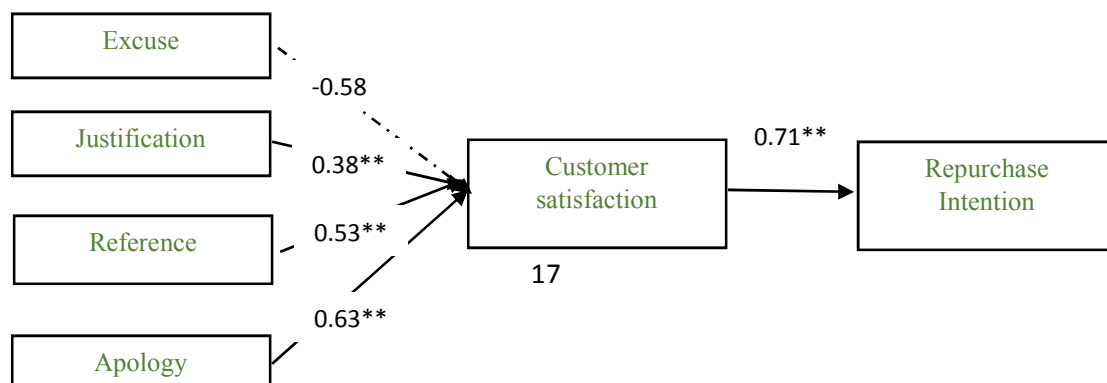
Relationship Between Variables		The Theoretical Model	The fully Mediated Model	Hypothesis
Excuse	Satisfaction	-0.058	-0.058	Not supported
Reference	Satisfaction	0.546	0.534	Supported
Justification	Satisfaction	0.436	0.389	Supported
Apology	Satisfaction	0.726	0.635	Supported
Excuse	Repurchase Intention	-0.236	-0.236	Supported
Reference	Repurchase Intention	0.632	0.513	Supported
Justification	Repurchase Intention	0.485	0.436	Supported
Apology	Repurchase Intention	0.586	0.514	Supported
Satisfaction	Repurchase Intention	0.613	0.716	Supported
$X^2$		10.325	14.678	

Normed $\chi^2$	0.860	1.46	
CFI	0.832	0.878	
GFI	0.963	0.989	
AGFI	0.822	0.897	
RMSE	0.079	0.042	
R <sup>2</sup> (SATISFACTION)	0.723	0.822	
R <sup>2</sup> (REPURCHASE INTENTION)	0.678	0.765	

In more details, R<sup>2</sup> results indicated that the fully mediated model explained customer satisfaction better than the theoretical model (0.822, 0.723 respectively). In a similar fashion, R<sup>2</sup> also indicated that fully mediated model explained repurchase intention better than theoretical model (0.765, 0.678 respectively). In relation with individual effect, results revealed that excuse does not affect satisfaction. However, it has significant negative effect on repurchase intention. In contrast apology has significant positive effect on both satisfaction and repurchase intention (0.635, 0.514 respectively). Similarly, preference and justification also have significant positive effect on both customer satisfaction and repurchase intention.

In relation with mediation effect, results revealed that all dimensions of explanation except excuse have partial mediation on repurchase intention because beta value for all these three dimensions were reduced and also significant (Table 3). Overall, in testing our hypothesized model shown in Figure 2, we found that all four dimensions of explanation have significant effect on repurchase intention, but reference, justification and apology have significant mediation on repurchase intention through customer satisfaction.

**Figure 2: Presenting Fully Mediated Model**



## Legend

————— Partial Mediation

----- No mediation

## Discussion, Limitation, and Further Study

Based on the results, customer satisfaction mediates the relationship between the four different dimensions of explanation and repurchase intention. In other words, customer satisfaction plays a crucial role in the conceptual model of the current study. It can be concluded that gaining customer satisfaction is important when offering an explanation about how or why a service failed. Convincing customers through the correct selection of an explanation's dimensions can reduce the catastrophic effects of failure and can prevent unwanted outcomes. The results of the current study suggest that customer satisfaction can lead to repurchase intention. It is worth mentioning that a lack of research on the mediating role of customer satisfaction between service failure explanation and repurchase intention was a major challenge to validate the findings. Generally, the effect of mediation can be biased through a small sample which led us to perform an empirical study with a relatively larger sample size in order to reduce any biased results.

Considering the results of structural equation modelling, this study realised that the effect of excuse is not considerable compared to justification, reference, and apology which is consistent with Conlon and Murray (1996). Therefore, we can conclude that excuse is not the most favourable answer expected by customers. This is probably due to the negative nature of using an

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2  
3 excuse (Tax et al, 1998). Furthermore, the current study confirmed the positive impact of  
4 justification, reference, and apology indicating that most customers react positively when offered  
5 a logical and polite answer. As supported by the findings of the current study, apology is the  
6 most favourable recovery compared to excuse, justification, and reference. This has been  
7 supported by the findings of Bradley and Sparks (2009) which focused on the impact of  
8 apologies.  
9

10 The findings of this study also yield that justification is effective in realising customer  
11 satisfaction whereas excuse yielded no significant relationship with customer satisfaction. This is  
12 in contrast with the findings of recent studies like Bradley and Sparks (2012) and Shaw *et al.*  
13 (2003). On the other hand, the results of the present study are congruent with the work of Conlon  
14 and Murray (1996) who found that excuse is less favourable compared to justification. Previous  
15 studies implemented explanation as a single strategy without considering its four components  
16 (Karatepe and Ekiz, 2004). Therefore, this study proposed that explanation can be examined  
17 using four different components and can be investigated separately. This proposition is  
18 congruent with the study of Bobocel & Zdaniuk (2005) who suggested that explanation types are  
19 not equal in terms of characteristics.  
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42 This study's findings can fill the gap of empirically examining the mediating effect of four  
43 dimensions of explanation on repurchase intention through customer satisfaction (Amro and  
44 Rana 2014) Moreover, the findings can be widely implemented in consumer behaviour and our  
45 conceptual model can help further analyse the psychological mechanism of accepting failure  
46 incidents using explanations through the embracement of customer feelings. In addition, we  
47 encourage future researchers to use a moderator of failure severity on this conceptual model and  
48 draw on more empirical evidence to support the current study's conceptual model. Hopefully,  
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3 our findings can add evidence to previous studies and fill the lack of empirical studies in the field  
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5 of using service failure explanation and its impact on customer satisfaction and repurchase  
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7 intention.  
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### 10 11 **Managerial Implication** 12

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14 The current study has various managerial implications. While the importance of using  
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16 explanation may be ignored in the service industry, the recovery strategies such as compensation  
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18 and other monetary strategies are common methods in recovering from failure incidents. Using  
19  
20 monetary recoveries are another burden for companies that directly lead to added costs.  
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22 Managers who run service companies may ignore these unwanted costs in their future finance.  
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24 Focusing on strategies that can simply satisfy customers can be rewarding for the company.  
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26 Understanding the fact that customers need to know the reason for the failure is their right and  
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28 their need must be addressed through proper explanation by service providers.  
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33 The results of this study can be valuable for managers in two ways. When service managers face  
34  
35 angry customers suffering from service failure, a sincere apology can minimise the customers'  
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37 level of anger and cause them to accept and be satisfied with the apology. The same reasoning is  
38  
39 true for using a reference. When a customer is dissatisfied with the experience of facing a service  
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41 failure, perhaps an explanation can be provided by the customer service staff that other  
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43 customers have experienced worse failures. The result of the current study supports using  
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45 apology and reference as intangible strategies (non-monetary) to realise customer satisfaction.  
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50 In addition, justification, reference and apology can be effective as a non-monetary recovery.  
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52 Accepting responsibility for a failure can be very important for service managers and their  
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54 employees since denying one can be translated as negligence and can be a destructive force for  
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3 the companies' image. Being responsible is a necessary customer perception of the company.  
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5 Denying responsibility can be translated as the selfish behaviour of a service provider.  
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8 Customers maintain that a service company is responsible for what happens even if the cause of  
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10 failure is external. If the company seeks to play a responsible role, instead of using an excuse as  
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12 a type of explanation, it is better to use justification to satisfy customers. In today's world,  
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14 managers have realised that losing a customer is much more costly than finding new ones. That  
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16 is why customer satisfaction is the most noteworthy concept of consumer behaviour which leads  
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18 us to the second aspect of the managerial implications.  
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23 The results of this study support the role of customer satisfaction in encouraging repurchase  
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25 intention. The ultimate goal for this study was to study the impact of explanation dimensions on  
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27 satisfaction and to determine whether this satisfaction results in repurchase intention. This result  
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29 is valuable for managers since it supports the role of using explanation as a practical tool for  
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31 fostering positive and profitable outcomes like repeat customer purchase. Although it is good to  
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33 know which explanation type might be suitable in cases of failure, it is better to realise how to  
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35 use these explanations effectively. When apology is applicable, it constitutes a sincere gesture to  
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37 show how sorry one is for the failure. This level of customer care is only feasible through deep  
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39 understanding of the psychological process of forgiveness and how emotions can be evoked in  
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41 favour of companies. Training "customer service" employees to perform effectively in using  
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43 explanations is a good investment for service companies to prevent customers from switching to  
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45 other service providers.  
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52 The current study supports the use of justification, reference, and apology as effective intangible  
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54 recovery efforts. We suggest not using excuse; however, this does not mean that this is correct  
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56 for every situation. Our study found that some respondents were not satisfied with an explanation  
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3 and sought full compensation. However, in general, most of our respondents were convinced  
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5 when offered proper explanations. It is worth mentioning that the effect of using explanation can  
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7 be increased with the right mixture of different explanations. For instance, our study showed  
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9 apology is most effective compared to other types of explanation. Therefore, if a service  
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11 company's representative has realised that reference is the right type of explanation for the  
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13 aggrieved customer, then it is better to use apology after using reference. In cases where  
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15 companies find excuse is the only explanation possible, perhaps use of a sincere apology will  
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17 mitigate the ill effects of excuse. Choosing the right type of explanation is highly important but it  
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19 is a difficult task and that is why managers must spend time and energy to train front-line staff  
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21 properly so they can digest the mechanism by which non-tangible recoveries can preserve the  
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23 company's profitability and image.  
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For Review Only

**Appendix**  
**Items in Questionnaire**

Factor and Items	Scale
<b>Excuse</b>	
The ISP took no responsibility for the problem I faced.	7 point Likert Scale
The ISP never admitted that they are responsible to respond to my complaint.	
It was irresponsible of the ISP to find an excuse when they heard my problem.	
The company did not accept the failure because they did not intend the failure.	
The ISP explained that they cannot do anything about my problem because it is not related to them.	
<b>Reference</b>	
The ISP tried to explain the situation by comparing my experience to that of other customers.	7 point Likert Scale
The ISP tried to convince me that the problem I faced was less severe than those experienced by others.	
The ISP explained that other customers experienced worse problems.	
The ISP told me that my condition is much better than other customers.	
<b>Justification</b>	
The ISP took responsibility for the problem.	7 point Likert Scale
The ISP acknowledged that it is their responsibility to fix my problem even though it was not the ISP's fault.	
The ISP explained that the problem was caused by external reasons and promised to fix it.	
After I complained, the ISP accepted full responsibility for the problem.	
The ISP accepted the failure and explained that it was not intentional.	
<b>Apology</b>	
The ISP apologised after I complained about the problem.	7 point Likert Scale
The ISP explained the reason for the problem and apologised for any inconvenience caused by them.	
The ISP tried to express their regret for the failure.	
The company expressed that they are sincerely sorry about the incident.	
<b>Satisfaction</b>	
I am satisfied with the ISP's explanation of the failure.	7 point Likert Scale
I believe the ISP's response to my complaint was satisfactory.	
My overall evaluation of the ISP's explanation is very good.	
After I received an explanation of the failure I felt more satisfied.	
The ISP's response to my complaint was satisfying.	
<b>Repurchase Intention</b>	
I will continue using the same ISP over the next few years.	7 point Likert Scale
In the near future, I will use this ISP again.	
If I have a choice, I will choose the same ISP.	
In the future, I intend to use services from the same ISP.	