UNIVERSITI PUTRA MALAYSIA

IMPACT OF SERVICESCAPE FAILURES AND ASSOCIATED RECOVERY STRATEGIES ON CUSTOMER BEHAVIOR IN THE FOOD SERVICE INDUSTRY

CHUA BEE LIA

FSTM 2009 21
IMPACT OF SERVICESCAPE FAILURES AND ASSOCIATED RECOVERY STRATEGIES ON CUSTOMER BEHAVIOR IN THE FOOD SERVICE INDUSTRY

CHUA BEE LIA

MASTER OF SCIENCE
UNIVERSITI PUTRA MALAYSIA

2009
IMPACT OF SERVICESCAPE FAILURES AND ASSOCIATED RECOVERY STRATEGIES ON CUSTOMER BEHAVIOR IN THE FOOD SERVICE INDUSTRY

By

CHUA BEE LIA

Thesis Submitted to the School of Graduate Studies, Universiti Putra Malaysia, in Fulfilment of the Requirements for the Degree of Master of Science

September 2009
Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirement for the degree of Master of Science

IMPACT OF SERVICESCAPE FAILURES AND ASSOCIATED RECOVERY STRATEGIES ON CUSTOMER BEHAVIOR IN THE FOOD SERVICE INDUSTRY

By

CHUA BEE LIA

September 2009

Chairman: Mohhidin Othman, PhD

Faculty: Food Science and Technology

Servicescape has become an increasingly important element in the delivery of customers’ expectation and delight in services industry. However, servicescape failure can result in customer dissatisfaction. The subsequent interaction with a service employee has a great deal of influence on customer ultimate satisfaction. Despite the acknowledged importance of servicescape and effective recovery strategy, there is a dearth of investigation on servicescape failure and the associated recovery strategy, and the influence of these on customers’ subsequent behaviors, particularly in the food service industry. This study attempted to fill the research gaps by examining the effect of customers’ responses to servicescape failure and satisfaction of recovery strategy on repatronage behavior and word-of-mouth communication.
The Critical Incident Technique (CIT) was used to examine customers’ behaviors associated with servicescape failures and recovery strategies in the food service industry. Food service industry was chosen because it involves a high level of service involvement among customers and is consumed and evaluated in a single episode by the customers. In-depth personal interview was applied because it provides a rare glimpse into how customers respond to servicescape failures and evaluate recovery strategies effectiveness. The transcription was content analyzed through an inductive sorting process to classify data categories that summarize and describe the research phenomenon. The developed classification system was measured by inter-judge reliability and content validity.

Using the CIT, data on 226 servicescape failures and 287 recovery actions were collected from 174 informants by the personal interview. The analysis revealed that cleanliness issues (76.1%) were the most reported problem in the food service industry, followed by design issues (11.1%), social interaction issues (7.1%), and functionality issues (5.7%). Customers exhibited negative reactions to those failures with displaying of emotional (angry, annoyed, disgusted, disappointed, unhappy, shocked, embarrassed, and frustrated) and physiological (sweat, eyes pain, body hurts, and itchy) responses. The recovery strategies identified through the sorting process resulting in five major categories which were empathetic, corrective, compensatory, authority intervention, and no recovery. The implemented recoveries were perceived positively and negatively by the customers. Combination of prompt action-oriented responses and sincere empathetic responses was perceived as far more effective and was likely to meet customers’
satisfaction, regardless of servicescape failure type. A simple apology or explanation did nothing to resolve the customer’s need for immediate action; meanwhile, an action without empathetic response did not ensure customer satisfaction. Customers were most likely not to repatronize the same eatery if they were dissatisfied with the servicescape as well as the way the food service employee handled the complaint. Dissatisfied customers did engage in word-of-mouth communication than satisfied customers. It is apparent that servicescape failures when combined with inappropriate recovery efforts can significantly affect customers’ behavioral responses.

This study has implications for food service managers and/or practitioners who are seeking to improve the tangibles in their eateries. It is recommended that food service managers have to closely monitor the servicescapes and implement appropriate recovery strategies which may greatly affect customer satisfaction and future behaviors. Food service managers not only need to address issues that could minimize the occurrence of servicescape failures but also need to discuss specific and desired recovery efforts. Staff training is a necessary process in developing efficient and effective service delivery systems.

**Keywords:** servicescape failure; recovery strategy; repatronage behavior; word-of-mouth communication; food service industry; critical incident technique
Teknik insiden kritikal (CIT) digunakan untuk mengkaji gelagat pengguna berikut kegagalan persekitaran premis makanan dan kaedah pembetulan di industri perkhidmatan makanan. Industri perkhidmatan makanan dipilih kerana ia melibatkan penggunaan servis yang tinggi dikalangan pengguna dan servisnya diguna dan dinilai oleh pengguna dalam satu masa. Kaedah penemubual secara personal digunakan kerana ia dapat memberikan maklumat secara terperinci bagaimana pengguna respon kepada kegagalan persekitaran premis makanan dan juga kepada keberkesanan kaedah pembetulan. Transkrip dianalisis untuk mendapatkan kategori yang menjelaskan fenomena kajian. Sistem klasifikasi yang dibentuk diukur dengan konsistensi antara juri dan kesahihan kandungan.

Dengan menggunakan teknik insiden kritikal, 226 insiden kegagalan persekitaran premis dan 287 kaedah pembetulan telah dikumpulkan daripada 174 responden melalui penemubual secara personal. Analisis menunjukkan isu kebersihan (76.1%) merupakan masalah yang paling banyak berlaku di industri perkhidmatan makanan, diikuti dengan isu rekabentuk (11.1%), isu interaksi social (7.1%), dan isu kefungsian (5.7%). Pengguna menunjukkan reaksi negatif ke atas kegagalan tersebut dengan reaksi emosional (marah, jijik, kecewa, tidak gembira, terkejut, dan malu) dan fisiologi (berpeluh, sakit mata, sakit badan, dan gatal). Kaedah pembetulan yang dikenalpasti telah dikategorikan ke dalam lima kategori respon iaitu melalui perkataan, pembetulan, ganti rugi, campur tangan penguatkuasa, dan tiada pembetulan. Mengikut pandangan pengguna, kaedah pembetulan dibahagikan kepada positif dan negatif. Kombinasi
tindakan yang pantas dan menggunakan perkataan yang ikhlas daripada staf dapat memuaskan pelanggan, tanpa mengira jenis kegagalan persekitaran. Hanya dengan meminta maaf atau memberi penjelasan tidak dapat memuaskan pengguna yang menginginkan tindakan pembetulan yang pantas; tindakan pembetulan tanpa empati tidak memastikan kepuasan pelanggan. Kebanyakan pengguna tidak lagi mengunjungi ke premis makanan tersebut apabila kegagalan persekitaran premis berlaku dan staf perkhidmatan gagal memuaskan mereka. Pengguna yang tidak puas hati juga cenderung menyebarkan kejadian ketidakpuasan tersebut kepada orang lain berbanding dengan pengguna yang berpuas hati. Ini membuktikan kegagalan persekitaran premis makanan dan strategi pembetulan yang tidak sesuai dapat menjejaskan gelagat pengguna.

Kajian ini memberikan implikasi kepada pengurus dan orang yang terlibat dalam perkhidmatan makanan dalam membaiki kualiti persekitaran premis makanan mereka. Pengurus perkhidmatan makanan seharusnya sentiasa mementingkan persekitaran premis makanan dan mengamalkan strategi pembetulan yang berkesan, memandangkan dua elemen ini akan mempengaruhi kepuasan pengguna dan gelagat mereka. Pengurus perkhidmatan makanan juga seharusnya memastikan bilangan kejadian kegagalan persekitaran dapat dikurangkan dan menyediakan pelan strategi pembetulan yang spesifik yang dapat memenuhi kepuasan pengguna. Latihan staf semestinya diwujudkan untuk memberi perkhidmatan yang efisien dan efektif kepada pengguna.

**Kata kunci:** kegagalan persekitaran premis makanan; strategi pembetulan; pengunjungan; penyebaran; industri perkhidmatan makanan; teknik inciden kritikal
ACKNOWLEDGEMENTS

I started my M.Sc. program in January 2007. The journey of thesis completion was filled with challenges, frustrations, and excitement at time. This thesis would not have been completed without the support and guidance of many people. I have been fortunate to get support from many people who I am indebted to. I would like to take this opportunity to acknowledge many people who deserve recognition. However, first I must thanks to the God for blessing me the opportunity, persistence, strength, and knowledge required to complete this degree.

To my mother and father, I remember the sentence to be affected “mother and father are always supporting you”. Without them, none of my achievements are possible. My parents are priceless jewels that I am forever grateful to. Their blessed and endless loves give me an extra strength to complete my graduate study. I know that I am indebted to them and none of the words could resemble my gratitude to them. To my sisters and brother, they lift up my motivation in achieving my academic goal.

I must say that the chairperson of my supervisory committee – Dr. Mohhidin Othman was directly responsible for my opportunity to achieve my goal. He has attempted to get me prepared to be the top researcher in qualitative approach and has exposed me the process of conducting quality research. I have learned so much about qualitative research from him, and more importantly, to appreciate and enjoy the value of qualitative research. His supervision, inspiration, and constructive guidance have helped
me to feel more at ease throughout my graduate studies. I greatly appreciated his dedication and always ready to help me in any way towards making this journey my best.

The payoff had been big working with my other supervisory committees – Dr. Boo Huey Chern, Dr. Shahrim Karim, and Dr. Sridar Ramachandran. Dr. Boo is well-known for her constructive and creative thinking among the food service and management students. She is stringent on students because she prepares her students for the high quality research. Dr. Boo had gone to strike for me in my proposal and result defense when she did not think that I was doing the correct way. I am truly grateful to have such a valuable supervisor. For Dr. Shahrim, I thank him for the great opportunity he provided me to have an understanding of quantitative research. Dr. Shahrim has always inspired me from the beginning of my graduate study. When I began my Master study journey without any other financial support, Dr. Boo and Dr. Shahrim aided me by offering a job as their research assistant and helped me financially. I thank them all from the bottom of my heart. I would also like to thank Dr. Sridar for his insightful comments. The feedbacks from him had filled up the hole in my thesis.

The thanks do not stop here. I am reminded of my affectionate relatives. I extend my grateful to my caring aunt – Chua Lee Cheng, who has contributed to my success thus far. She is a great woman.
I would like to extend my sincere gratitude to Universiti Putra Malaysia for supporting me financially with the Graduate Research Fellowship allowance.

To my Food Management’s friends – Leong Quee Ling, Ting Lee Hui, Foo Lee Yen, Razif Aman, Faiz Nur Hakim, Roozbeh Babolian Hendijani, and Mohd. Munir Omar, I appreciated their selfless attitude in sharing their knowledge with me. I am also indebted to Fatma Azwani Abdul Aziz for her invaluable advice and assistance at the beginning of my graduate study. They deserve my gratitude.

Thank you for those who shall remain unnamed but remembered.
I certify that an Examination Committee has met on 2\textsuperscript{nd} September 2009 to conduct the final examination of Chua Bee Lia on her Master of Science thesis entitled “Impact of Servicescape Failures and Associated Recovery Strategies on Customer Behavior in the Food Service Industry” in accordance with Universiti Pertanian Malaysia (Higher Degree) Act 1980 and Universiti Pertanian Malaysia (Higher Degree) Regulations 1981. The Committee recommends that the student be awarded the Master of Science degree in Food Management.

Members of the Examination Committee were as follows:

**Mohd. Yazid Abd. Manap, PhD**
Professor
Faculty of Food Science and Technology
Universiti Putra Malaysia
(Chairman)

**Zainal Abidin Mohamed, PhD**
Professor
Faculty of Economics and Management
Universiti Putra Malaysia
(Internal Examiner)

**Ho Jo Ann, PhD**
Senior Lecturer
Faculty of Economics and Management
Universiti Putra Malaysia
(Internal Examiner)

**Clayton W. Barrows, PhD**
Professor
Whittemore School of Business and Economics
University of New Hampshire
United States of America
(External Examiner)

___________________________________
BUJANG KIM HUAT, PhD
Professor and Deputy Dean
School of Graduate Studies
Universiti Putra Malaysia

Date:
This thesis was submitted to the Senate of Universiti Putra Malaysia and has been accepted as fulfilment of the requirement for the degree of Master of Science. The members of the Supervisory Committee were as follows:

**Mohhidin Othman, PhD**  
Senior Lecturer  
Faculty of Food Science and Technology  
Universiti Putra Malaysia  
(Chairman)

**Boo Huey Chern, PhD**  
Senior Lecturer  
Faculty of Food Science and Technology  
Universiti Putra Malaysia  
(Member)

**M. Shahrin Ab. Karim, PhD**  
Senior Lecturer  
Faculty of Food Science and Technology  
Universiti Putra Malaysia  
(Member)

**Sridar A/L Ramachandran, PhD**  
Senior Lecturer  
Faculty of Economics and Management  
Universiti Putra Malaysia  
(Member)

---

**HASANAH MOHD GHAZALI, PhD**  
Professor and Dean  
School of Graduate Studies  
Universiti Putra Malaysia  

Date: 10 December 2009
DECLARATION

I declare that the thesis is my original work except for quotations and citations which have been duly acknowledged. I also declare that it has not been previously, and is not concurrently, submitted for any other degree at Universiti Putra Malaysia or any other institution.

CHUA BEE LIA

Date: 5 January 2009
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>ABSTRACT</th>
<th>ii</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABSTRAK</td>
<td>v</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENTS</td>
<td>vii</td>
</tr>
<tr>
<td>APPROVAL</td>
<td>xi</td>
</tr>
<tr>
<td>DECLARATION</td>
<td>xiii</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>xvii</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>xviii</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>xviii</td>
</tr>
</tbody>
</table>

## CHAPTER

1. **INTRODUCTION**
   1.1 Background of Study  
   1.2 Statement of Problem  
   1.3 Purpose of Study  
   1.4 Research Question  
   1.5 Significance of Study  
   1.6 Operational Definition of Terms

2. **LITERATURE REVIEW**
   2.1 Servicescapes
      2.1.1 Definition of Servicescapes  
      2.1.2 Dimension of Servicescapes  
      2.1.3 Importance of Servicescape in Service Encounter  
      2.1.4 Human Behaviors and Servicescapes  
      2.1.5 The Relationship between Service Quality and Servicescape  
      2.1.6 Servicescape Perceptions on Behavioral Intentions  
   2.2 Servicescape Failure
      2.2.1 Servicescape Failure as a Part of Service Failures  
      2.2.2 Emotions following Service Failure  
      2.2.3 Subsequent Behavior of Dissatisfied Customer  
   2.3 Customer Perception of Effective Recovery Strategy
      2.3.1 Role of Employee after Servicescape Failure  
      2.3.2 Concepts in Service Recovery  
      2.3.3 Theory of Fairness  
      2.3.4 Disconfirmation Model  
      2.3.5 Effect of Perceived Justice and Disconfirmation on Customer Satisfaction  
      2.3.6 Emotions during Recovery Efforts  
      2.3.7 Recovery Efforts in Hospitality Industry
2.4 Behavioral Outcomes following Satisfaction with Recovery Strategy
  2.4.1 Intention to Return
  2.4.2 Word-of-Mouth Communication

3 METHODOLOGY
  3.1 Design of Study
  3.2 Collection of Data
    3.2.1 Critical Incident Technique
    3.2.2 Type of Food Service
    3.2.3 Instrumentation
    3.2.4 Question Development
    3.2.5 Data Collection Procedures
    3.2.6 Sample Size
  3.3 Quality of Data
  3.4 Analysis of Data
    3.4.1 Transcription of Data
    3.4.2 Content Analysis
    3.4.3 Unit of Analysis
    3.4.4 Category Development
    3.4.5 Category Confirmation
    3.4.6 Reliability of Classification Scheme
    3.4.7 Content Validity

4 RESULTS AND DISCUSSION
  4.1 General Characteristics of the Informants
  4.2 Background of Critical Incidents Reported
  4.3 Incident Classification Scheme – Type of Servicescape Failures
  4.4 Customer Immediate Responses to Servicescape Failures
    4.4.1 Group 1: Cleanliness Issues
    4.4.2 Group 2: Design Issues
    4.4.3 Group 3: Social Interaction Issues
    4.4.4 Group 4: Functionality Issues
  4.5 Incident Classification Scheme – Recovery Strategies
  4.6 Customer Perceived Justices of Recovery Strategies
    4.6.1 Perceived Justices within Cleanliness Issues
    4.6.2 Perceived Justices within Design Issues
    4.6.3 Perceived Justices within Social Interaction Issues
    4.6.4 Perceived Justices within Functionality Issues
  4.7 Repatronization Following Servicescape Failure and Recovery Strategy
    4.7.1 Cleanliness Issues and Recovery Strategies
    4.7.2 Design Issues and Recovery Strategies
4.7.3 Social Interaction Issues and Recovery Strategies 132
4.7.4 Functionality Issues and Recovery Strategies 133

4.8 Word-of-Mouth Behavior following Servicescape Failure and Recovery Strategy 135
4.8.1 Cleanliness Issues and Recovery Strategies 136
4.8.2 Design Issues and Recovery Strategies 137
4.8.3 Social Interaction Issues and Recovery Strategies 137
4.8.4 Functionality Issues and Recovery Strategies 138

4.9 Summary of the Findings 138

5 SUMMARY, CONCLUSION AND RECOMMENDATIONS
5.1 Summary
5.1.1 Background of Problem 143
5.1.2 Purpose of Study 144
5.1.3 Methodology 144
5.1.4 Finding of Study 146

5.2 Conclusion
5.2.1 Theoretical Implication 150
5.2.2 Managerial Implication 152

5.3 Limitations and Recommendations for Future Research 157

REFERENCES 161
APPENDICES 173
BIODATA OF STUDENT 180
LIST OF PUBLICATIONS 181
# LIST OF TABLES

<table>
<thead>
<tr>
<th>Table</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Prior Research on the Servicescape Dimensions</td>
<td>17</td>
</tr>
<tr>
<td>2.2</td>
<td>Prior Research on Servicescape Problems in Service Failures</td>
<td>31</td>
</tr>
<tr>
<td>3.1</td>
<td>Classification and Confirmation of Servicescape Failure Incidents</td>
<td>77</td>
</tr>
<tr>
<td>3.2</td>
<td>Classification and Confirmation of Recovery Response Reported</td>
<td>78</td>
</tr>
<tr>
<td>4.1</td>
<td>Demographic Characteristics of the Informants</td>
<td>80</td>
</tr>
<tr>
<td>4.2</td>
<td>Background of Critical Incidents Reported</td>
<td>81</td>
</tr>
<tr>
<td>4.3</td>
<td>Category Classification by Types of Servicescape Failure</td>
<td>83</td>
</tr>
<tr>
<td>4.4</td>
<td>Customer Reactions to Cleanliness Failures</td>
<td>86</td>
</tr>
<tr>
<td>4.5</td>
<td>Customer Reactions to Design Failures</td>
<td>93</td>
</tr>
<tr>
<td>4.6</td>
<td>Customer Reactions to Social Interaction Failures</td>
<td>98</td>
</tr>
<tr>
<td>4.7</td>
<td>Customers Reactions to Functionality Failures</td>
<td>101</td>
</tr>
<tr>
<td>4.8</td>
<td>Type and Definition of Recovery Category Responses</td>
<td>104</td>
</tr>
<tr>
<td>4.9</td>
<td>Satisfaction of Recovery Strategy by Type of Servicescape Failure</td>
<td>105</td>
</tr>
<tr>
<td>4.10</td>
<td>Customer’s Evaluation of Recovery Action within Cleanliness Issues</td>
<td>108</td>
</tr>
<tr>
<td>4.11</td>
<td>Customer’s Evaluation of Recovery Action within Design Issues</td>
<td>117</td>
</tr>
<tr>
<td>4.12</td>
<td>Customer’s Evaluation of Recovery Action within Social Interaction Issues</td>
<td>120</td>
</tr>
<tr>
<td>4.13</td>
<td>Customer’s Evaluation of Recovery Action within Functionality Issues</td>
<td>123</td>
</tr>
<tr>
<td>4.14</td>
<td>Percentage of Repatronization</td>
<td>127</td>
</tr>
<tr>
<td>4.15</td>
<td>Other Intervening Factors that Lead to Repatronization</td>
<td>128</td>
</tr>
</tbody>
</table>
LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Bitner’s Servicescape Model</td>
<td>22</td>
</tr>
<tr>
<td>2.2</td>
<td>Research Framework of Servicescape and Recovery Strategy that</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>Influence Customer Behaviors</td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Framework of the Impact of Servicescape Failures and Recovery Strategies</td>
<td>142</td>
</tr>
<tr>
<td></td>
<td>on Customers’ Behaviors</td>
<td></td>
</tr>
</tbody>
</table>

LIST OF ABBREVIATIONS

CIT  Critical Incident Technique
CHAPTER ONE

INTRODUCTION

This chapter describes an introduction to the present study. The purpose of this chapter is to delineate the role of servicescape in service encounter and the important of recovery strategy as a key factor in gaining customer satisfaction leading to various behavior intentions. The chapter covers the following sections: background of study, statement of problem, purpose of study, research question, significance of study, and operational definition of terms.

1.1 Background of Study

Malaysia has a rapidly rising food service market today (Malaysia HRI Food Service Sector Report, 2009). The food service industry ranges from food stalls operating by the roadside to high class restaurant operating in hotels, restaurant chains or as independent restaurant businesses. The industry continues to remain fragmented with approximately 75% of the operations being made up of small food service operators such as open air food stalls, food stalls in food courts, single site restaurants, and coffee shops (Malaysia HRI Food Service Sector Report, 2009). With stronger purchasing power and a higher standard of living, today, Malaysia provides a significant pool of customers who are hunting to modernize their eating habit lifestyles. To meet customer demand and expectation of food service quality (Kivelä & Chu, 2001), Malaysia food service industry is continuously upgrading to standards similar to other developed countries. With increasing competition in the food service industry, food service managers are challenged to enhance the core services with value-added benefits to sustain competitive
advantage. In an effort to compete against an increasing competitor base, the physical environment has become a crucial point in the delivery of customers’ expectation and delight (Hightower, Brady, & Baker, 2002).

The heightened significance of providing excellent service quality is well-documented in services marketing literature (Bell, Gilbert, & Lockwood, 1997; Cronin, Brady, & Hult, 2000; Zeithaml, Berry, & Parasuraman, 1996). In the hospitality industry, managing service quality is particularly complex as services combining features of both tangibles and intangibles (Lockwood, 1994). The rush to deliver superior intangibles somehow may lead service managers to overlook the importance of tangible aspects in service quality. A brief review of previous service quality literature which focused on effects of service quality dimensions on customers’ behaviors has concluded that physical environment is apparently insignificant or the least important to customers’ perceptions and behaviors. For instance, research examining customer satisfaction in restaurant industry suggested that customer satisfaction was influenced mostly by responsiveness of contact personnel and unrelated to physical environments (Andaleeb & Conway, 2006). Johnston (1995) in his research on service quality in banks found that ‘tangibles’ comprise the least important dimension in service quality. Wakefield and Blodgett (1999) summarized three reasons of tangibles being unimportant in service industries: (i) short duration upon service consumption; (ii) inadequate research in capturing customers’ affective responses to tangibles; and (iii) inadequate dimensions of tangible aspects in SERVQUAL scale.
The physical environment in which services are delivered, which is also known as the ‘servicescape’, however, has been receiving increasing attention in the services marketing literature in recent decades (Ezeh & Harris, 2007; Reimer & Kuehn, 2005; Wakefield & Blodgett, 1996). Servicescape refers to manmade physical surroundings (such as ambient condition, spatial layout, signs and artifacts) which can be seen, felt, and touched and where service employees and customers interact (Bitner, 1992). Several researchers have highlighted the insufficiency of theoretical and empirical research of the area (Bitner, 1992; Cronin, 2003; Hoffman & Turley, 2002; Kotler, 1973) and the critical importance of the physical environments on customers’ responses in service settings (Bitner, 1992; Ezeh & Harris, 2007; Wall & Berry, 2007). Since consumer is often experiencing the total service, service managers must look at all the elements of service and should not overlook the physical environments. Physical environments have a strong impact on customers’ perceptions of the service experience (Reimer & Kuehn, 2005) and psychological responses (Kim & Moon, 2009), in turn, facilitate customers’ repatronage behavior (Wakefield & Blodgett, 1999).

Service encounter generally involves a series of interactions between customers and both the service contact personnel and the physical environment of the organizations (Hoffman & Turley, 2002). Hence, in addition to the influence of service personnel, the influence of physical environment on customers must take into account. Physical environment would seem to be an important element of service interactions given that it has an influence on customers’ attitudes and behaviors beyond their perceptions of the core product and service (Greenwell, Fink, & Pastore, 2002). Namasivayam and Mattila
(2007) reported significant effect of servicescapes on consumers’ affective responses prior to a service exchange. Wall and Berry (2007) supported the conceptualization of the physical environment as an implicit service promise, with the potential to influence customers’ expectations of service quality. Regardless of the image imparted by physical environments, Wall and Berry (2007) further concluded that service personnel behavior dominated physical environments in influencing service quality perceptions of restaurant. The subsequent interactions with a service employee in a service exchange have a great deal of influence on customers’ eventual satisfaction levels (Namasivayam & Mattila, 2007). Integrating servicescapes with service personnel in service encounter has become increasingly crucial in determining customer perception of food service quality and satisfaction.

One important objective of any good food service eatery is reaching a high level of customer satisfaction and repatronage intention. However, no service is perfect at all time and customer dissatisfaction can be resulted from service failures. Customers who are dissatisfied with a service experience may complain to the service employee in the hope of righting matters on the spot or say nothing but never to return; they may also complain to anyone or continue to patronize despite the under-delivered service. Dissatisfied customers, however, may be turned into satisfied customers through exemplary responsiveness of service personnel (Mohr & Bitner, 1995; Spreng, Harrell, & Mackoy, 1995). The recovery is perfectly rested on the service personnel’s understanding of customers’ complaint, given that recovery cannot occur without a complaint (Singh & Wilkes, 1996). The measure of experience with the recovery is
pertaining to how customers feel about the service personnel attempt at rectifying the failures and how well their complaint is handled (Susskind, 2002).

Susskind (2002) concluded that customer word-of-mouth communication patterns about a service failure and the associated recovery in restaurant depend largely on the degree of correction offered, customer’s perception of the complaint’s resolution, and customer intention to repatronize. Indeed, customers who do not intend to return to the restaurant are far more likely to tell people about their bad service experience than who will return (Susskind, 2002). Knowing how to handle customers’ complaint and implement effective recovery is critical to achieving high levels of customer satisfaction, preventing negative word-of-mouth communication, and generating favorable repatronize behavior.

1.2 Statement of Problem

Researchers acknowledge that the tangible aspect such as servicescapes and intangible aspects such as responsiveness, assurance, reliability, and empathy of a service are complementary in their effects on customers’ evaluations of service quality (Kotler, 1973; Parasuraman, Zeithaml, & Berry, 1988; Wall & Berry, 2007). Services are increasingly being integrated with the physical settings in which they are rendered (Shostack, 1977) for the significant influence of servicescapes on consumers’ behavior (Bitner, 1992; Kim & Moon, 2009; Mehrabian, 1977). Previous studies have emphasized the importance of servicescape in a service firm (Hoffman, Kelley, & Chung, 2003; Reimer & Kuehn, 2005; Santos, 2002; Wakefield & Blodgett, 1999). Several studies have dealt with the aspects of servicescape on behavioral effects, such as color (Bellizzi,