

**SERVICE RECOVERY STRATEGIES, RECOVERY SATISFACTION AND  
CUSTOMER LOYALTY IN NEPALESE INTERNET SERVICE COMPANIES**

BY

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## **Recommendation**

## **Certification**

**Declaration of authenticity**

I, Ankit Luitel, declare that this GRP is my own original work and that it had fully and specifically acknowledged wherever adapted from other sources. I also understand that if at any time it is shown that I have significantly misinterpreted material presented to SOMTU, any credits awarded to me on the basis of that material may be revoked.

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### **Abbreviations**

AMOS	: Analysis of Moment Structures
ADSL	: Asymmetric Digital Subscriber Line
AVE	: Average Variance Extracted
CFA	: Confirmatory factor analysis
EVDO	: Evolution-Data Optimized
EFA	: Exploratory Factor Analysis
FTTH	: Fiber to the Home
HTMT	: Heterotrait-Monotrait
ICT	: Information and Communication Technology
NTC	: Nepal Telecom Company
PLS-SEM	: Partial Least Square Structure Equation Modeling
SD	: Standard Deviation
SRMR	: Standardized Root Mean Squared Residual
SPSS	: Statistical Package for the Social Sciences
UTL	: United Telecom
VIF	: Variance Inflation Factor

## **Executive summary**

The primary objective of the research is to assess the effect of the strategies of service recovery on recovery satisfaction of the customers and the influence of recovery satisfaction on behavioral and attitudinal loyalty. Descriptive and explanatory research design has been employed to carry out the study. A total of 441 responses have been collected to carry out the study out of which 389 respondents had faced some kind of internet related problems. So, 389 responses have been considered valid to carry out the study.

The respondents for the study are students, self-employed person having some kind of business, government job holders, private job holders, and individuals working in non-profit organizations. Five recovery strategies (apology, explanation, facilitation, problem solving, and follow-up) have been considered for the study and the impact of those strategies on recovery satisfaction has been studied.

In order to collect the responses, five-point likert scale questions have been developed for each construct with each construct having at least two likert items. The theoretical framework for the study is based on the similar study done by Sciarelli et al. (2017) with regard to internet service companies in Egypt. Because of the lack of normality of the data collected structured equation modeling approach has been chosen to evaluate the collected data.

The descriptive analysis of the data collected using mean, standard deviation and correlation. The measurement and structural model have been analyzed using the two staged PLS-SEM analysis. This study is based on reflective measurement model. To evaluate the relationship between the constructs and their indicators, assessment of internal consistency reliability, convergent validity, and discriminant validity are done. Likewise, in the evaluation of the relationship between the constructs, assessment of the collinearity of constructs, model fitness, predictability of constructs and hypothesis testing are done.

The research shows that all of the strategies except apology and explanation impacts positively on satisfaction of the customers with recovery. In addition to that, the study also shows recovery satisfaction of the customers does have significant positive effect on attitudinal and behavioural loyalty. The analysis of predictability of variables shows that problem solving has the highest predictability on recovery satisfaction of customers.

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

The service organizations are facing intensive competition for the customers than they have ever faced before. Along with that, the customers are putting considerable pressure to provide high quality and consistent service. Despite the efforts of the service companies to provide best service, service failure still occurs (Cranage & Mattila, 2006). Service failure is inevitable because of the uncontrollable factors in a service encounter (Michel, 2001). Failure of any service is a error or fault that happens while delivering any service. It refers to the situation when any type of service fails to live up the expectations of the customers.

Customer may react in varied ways when the service fails. The customers either remain with the service provider or leave them. To put it in other ways, customers either complain about the service provider to rectify the failure occurred or do not complain at all. The customers that do not complain at all stay despite the dissatisfaction occurred or leave. And, the ones that complain either stay with the service provider or leave. This is all based on how well the service provider handles the service failure that has occurred or how well service recovery took place. Service recovery is the main reason because of which the customers stay or exit of the organization after the service failure has happened (Colgate & Norris, 2001).

To make sure that the customers stay in the organization despite of the inevitable service failure. So, understanding the approaches that the service organizations may use such that the customers do not tend to leave the organization despite of the failure in the service is very important. Likewise, the outcome of the approaches used in the process of service recovery also should be understood. This is only possible unless the customers are satisfied with the service recovery process.

Gronroos (1988) defined recovery from service failure as the actions that any type of organisation take following any kind of failure of the service. Michel et al. (2009) argues that service recovery is the aggregative activities that the service providers take after service failure to restore customer satisfaction and loyalty.

Recovery from service failure is also an opportunity for the service providers to get into accessing relevant market information in the condition of dissatisfaction of customers that may result to superior market offerings (Mccollough et al., 2000). Organizations should

make sure that all of the reasons which may cause service failure is eliminated such that the firm's financial performance gets alleviated and consumers are happy.

On the other hand, if service provider is not able to handle well service recovery process, customer satisfaction may erode and the service provider's profitability may diminish as well (Bailey, 1994). Simply put, the ineffectiveness in the service recovery processes increases the potential of dissatisfaction among the customers (Richard et al., 1995).

(Hallowell, 1996) concluded that loyalty of the customers is related to the profitability of the firm. In the study, the researcher derived that 40 percent of the variability of the profitability is defined by the loyalty of the customers. Similarly, in the same research, the researcher concluded that the loyalty of the customers is based on their satisfaction from the service. This can be evident to say that the companies need to look forward to make their customers satisfied such that their loyalty increases which ultimately increases the profitability of the company.

The service sector contributes major part of the Nepalese economy and the internet service industry contributes a major portion of it. Information and communication technology were instigated by the government of Nepal in 1971. However the sector flourished only in 1990s. During that period the liberalization was introduced and private institutions led the development (Adhikari, 2010). With the flourishing of the private internet service sector in Nepal, the competition between the private internet service companies also grew rapidly. According to Nepal Telecommunications Authority (2022), there are 58 internet service companies as of October 2022. The number of internet service companies has increased as compared to last year. Within this largely growing sector and increasing number of competitors in the market, the internet service companies need to set up strategies in such a way that they can attract new customers and retain their existing customers. The bargaining power of the customers is high because of which the internet companies should make sure that, in any type of service failure customers do not switch the company. So, understanding the idea of recovery of service and its impact on the satisfaction of the customers is outmost thing to the internet companies today.

## **1.2 Statement of the problem**

Since the internet boom the number of users of the internet and its popularity has been growing significantly in recent years. As per Nepal Telecommunication Authority (2022) around 90% of the people of Nepal have access to the internet and there are around 58 internet service companies in Nepal. The wider reach of the internet service also means that

the internet service companies need to develop themselves in such a way that the service failure happens at minimum. Nonetheless, service failure is inevitable.

In the context of Nepal, after the service failure happens many internet companies do not bother to proactively resolve the failure on time. This leaves the customers unsatisfied and ultimately switching the company. Now that internet has become even more essential, the complaints of the customers regarding the poor internet service has also been increasing as well. The poor complaint management mechanism of the internet companies in Nepal leads the complaints of the customers to unresolved. Meaning, because of the ineffective and less transparent complaint mechanism the consumers are not getting what they have paid for. This creates number of disloyal customers and leads the customers to negative word of mouth about the company and its services (Ward, 1997).

The study tries to answer following research questions:

- What is the status of the service recovery strategies, recovery satisfaction and customer loyalty in Nepalese Internet Service Companies?
- Do service recovery strategies impact recovery satisfaction of customers?
- Is there an impact of recovery satisfaction of customers on customer loyalty?

### **1.3 Research Objective**

The general objective of the study is to study service recovery strategies, recovery satisfaction of customers and customer loyalty in Nepalese Internet service companies.

The study's particular objectives are:

- To explore the status of service recovery strategies, recovery satisfaction and customer loyalty in Nepalese internet service companies
- To examine the effect of service recovery strategies on recovery satisfaction of customers.
- To examine the impact of recovery satisfaction of customers on loyalty of customers.

## **1.4 Research Hypothesis**

Sciarelli et al. (2017) highlighted that service recovery strategies like apologies have significant impact on service recovery satisfaction in the case of internet service companies. A study by Suprpto & Yunanto Hashym (2010) done in the hotel industry of Indonesia showed that apology has the biggest impact on the recovery satisfaction of the customers.

H<sub>1</sub>: Apology has a significant positive influence on recovery satisfaction of the customers.

A research done by Yavas et al. (2004) in the context of Hotel industry in Cyprus revealed that explanation by the service provider regarding the reasons for service failure has a significant relationship with customer satisfaction. A study by Davidow (2003) showed that explanation about the causes for service failure could help in change of state of dissatisfaction of the customers

H<sub>2</sub>: Explanation has a significant positive influence on recovery satisfaction of the customers.

Ikponmwun (2011) revealed that regular follow up from the service provider about the state of the problem increases the recovery satisfaction level of the customers.

H<sub>3</sub>: Follow-up has a significant positive influence on recovery satisfaction of the customers.

A study carried out by Nyer (2000) drew a result that facilitation in lodging complaints can cause higher level of customer satisfaction with service recovery. Cengiz et al. (2017) carried out a research on the effect of facilitation on the recovery satisfaction of customers in context of four major Turkish Banks. The study revealed that if the customers are provided with well facilitated system to put up the complaints they have up to the service provider, this elevates the satisfaction with service recovery.

H<sub>4</sub>: Facilitation has a significant positive influence on recovery satisfaction of the customers.

A study carried out by (Sciarelli et al., 2017) to assess the relationship of recovery strategies on the satisfaction of the customers with service recovery with regard to internet service providers in Egypt showed that fixing the problem of the customers has significant impact on the satisfaction of customers.

H<sub>5</sub>: Problem solving has a significant positive influence on recovery satisfaction of the customers.



The findings of a study by (Hassan, 2015) on public sector of Pakistan showed positive association between satisfaction of the customers with service recovery and attitudinal loyalty of the customers.

H<sub>6</sub>: Recovery satisfaction of customers has a significant positive influence on attitudinal loyalty.

Yavas et al. (2004) conducted a study on the impact of recovery satisfaction on the repurchase intention (behavioral loyalty). The study revealed significant effect of customer satisfaction on the repurchase intention of customers. A research by Quy (2014) revealed that satisfaction of customers with service recovery increases their intention to purchase from same service provider.

H<sub>7</sub>: Recovery satisfaction of customers has a significant positive influence on behavioral loyalty.

### **1.5 Scope and significance of the study**

ICT sector is one of the growing sectors in Nepal. This sector has been flourishing rapidly in Nepal since the liberal policy in 1990s. As of October 2022, there are 58 internet service companies in Nepal. With the increasing number of competitors, the internet service companies need to look for ways in which they can attract new customers and retain the existing customers. Being a sector where technical errors and glitches happen very often, service failure is inevitable in this sector. During the service failure, the internet service companies should make sure they respond to the service failure with utmost commitment. So, the internet companies should understand how they can respond to the service failure such that it impacts recovery satisfaction of the customers.

The findings of study would help the service firms to identify the most appropriate service recovery strategy which they may use such that the customers are satisfied. Similarly, the outcome of the study will also enable the service firms to know the recovery satisfaction of the customers is effective enough to increase the repurchase intention of the customer (behavioral loyalty) and say positive about their service organizations (attitudinal loyalty). The study would help the service firms to know how they can perform to the expectations of the customers.

While the concept of service recovery has been examined in number of industries, very little is known about the service recovery in internet service industry. To be specific, there has been very few researches on service recovery in the context of Nepal. So, this study aims to fulfill that gap and contribute to the existing literature on service recovery.

### **1.6 Limitations**

- The findings are based on the study carried in one sector, so to generalize the findings the similar studies need to be done in other sectors as well.
- Respondents were found to give less attention while filling the questionnaire if there were lengthy items of the constructs, so few numbers of items had to be kept to keep the respondents attentive.
- Samples were taken based on the convenience of the researcher.
- The study only covers few of the service recovery strategies.

### **1.7 Structure of the report**

This graduate research report is mainly segregated into five sections. They are:

In the first chapter the overview of the research topic is given. The chapter explains the value of the research topic and the importance of the topic in the research area. The first chapter has seven sub parts: Background of study, statement of problem, research objective, research hypothesis, scope of the study, significance of the study, limitations and structure of the report.

The second chapter of the report is entitled as related literature and theoretical framework. In the chapter, the findings of the relevant studies are summarized in detail. The chapter illustrates conceptual framework of study. Based on findings of relevant studies in the past, the theoretical framework of the study is set up. The chapter is subdivided into four parts: Theoretical literature review, empirical review, theoretical framework and definition of the variables.

The third chapter of the report is named as research methods. In this chapter, the overview of the data collection and analysis methods adapted while conducting is mentioned. The chapter is further subdivided into six parts: Design of the research, population and sample size, nature of the data and its sources, instruments used, pilot testing and analysis of the data.

The fourth chapter of the graduate research report is labelled as analysis and results. In the chapter, the hypothesis set in the previous chapter is tested using various statistical methods. The data collected are presented and summarized with the means of tables and figures in this chapter.

Lastly, in the fifth chapter, discussion of the study, its conclusion and implications, the overall findings of study is presented in concise manner. Similarly, the reliability of the findings of the study is tested by comparing and contrasting with the findings generated by the researchers in the past. The chapter also depicts the implications of the research and the research areas that can be tested in future.

## CHAPTER II

### RELATED LITERATURE AND THEORETICAL FRAMEWORK

This section illustrates overview of the findings of relevant researches in the past. The literatures mentioned in the chapter provides the framework for the theoretical framework of the study.

#### 2.1 Theoretical Literature review

##### **Expectation Disconfirmation Theory**

According to Mccollough et al. (2000), “The expectation disconfirmation theory says that customers perceive the performance of the product to expectations. Performance that exceeds expectations is positively disconfirmed and the performance that falls short of the expectations is negatively disconfirmed. Meaning, the more negative the disconfirmation, the greater dissatisfaction, the more positive the disconfirmation, the greater the satisfaction”.

Customers have expectations regarding appropriate recovery efforts from providers of the service in case of failure. Therefore, what service provider does to reinstate the failure of the service determines the satisfaction of the customers and if recovery strategies meet the customers’ expectations, the satisfaction level is even elevated. A customer goes to any service organization to file a complaint with the expectancy regarding the way the provider of the service should react to their complaints. The assessment of service recovery efforts by service provider will determine the recovery satisfaction of the customers (Boshoff, 1999).

##### **Justice Theory**

The justice theory serves as the theoretical foundation of service recovery and has received maximum attention from researchers on service recovery around the world. Justice theory says the people involved in rendering service from any service provider must be made to feel that they got fair treatment during the service recovery process and the ones who perceive that they got fair treatment are more likely to use the service provider again (Tyrrell & Woods, 2013).

The aspects of this theory are many like distributive, procedural and interactional. Distributive justice means the fairness in tangible form during the recovery of the service. Interactional justice comprises of the process the customers are served during the recovery of service (Blodgett et al., 1997).

Procedural justice is based on the equity in the service recovery process, which can be assessed on the basis of the easiness that the customers have while filing their complaint (Chebat & Slusarczyk, 2005).

Customers who experience higher level of procedural interactional and procedural justice are highly to get into positive mouth as well as repurchase intention (Sousa & Voss, 2009).

## **2.2 Empirical Review**

This section illustrates the literature review of the relevant literatures on service recovery strategies, recovery satisfaction of customers and loyalty (attitudinal loyalty and behavioral loyalty). The review of the relevant past literatures provides the foundation to develop the theoretical framework for the study.

### **2.2.1 Service recovery**

Miller et al. (2000) argued that, “Service recovery involves those actions designed to resolve problems, alter negative attitudes of dissatisfied consumers and to ultimately retain these customers”.

Service recovery is refers to improve from service failure and a another chance to deliver positive customer service (Miller et al., 2000). Service companies need to be gymnasts, which means they need to able to regain their balance instantly and continue their daily routines. This can be done unless and until, the service companies are focused on customer satisfaction and they do have the necessary skills of service recovery. The companies that want to improve their capacity of recovering from the service problems should calculate the cost of effective service recovery, listen well the complaints of the customers and boost up the front-line staffs (Hart et al., 1990).

Failure is least disconfirming and the recovery has greater disconfirming effect, which would eventually result to satisfaction level greater or equal to the control case of no service failure. This concept is also known as ‘service recovery paradox’(Mccollough et al., 2000; Smith & Bolton, 1998).

An empirical review done by Miller et al. (2000) highlighted that resolving service failure is positively related to the retention, satisfaction and loyalty of the customers. The tangible service recovery activities are highly related to successful service recovery. The study also added that intangible service recovery like apology without a fair fix is ineffective. It was discovered that the higher percentage of the customers tend to return if the service recovery

is successful. Even the service failure for the first time is severe and the customers are loyal beforehand, the customers tend to return if the service recovery is successful. According to the study, sooner the service recovery process starts and completed quickly, more customers tend to be retained.

The inability of any organization to recover from the service failure i.e to carry out service recovery for the second time can lead to consequences like, loss of the confidence in the organization and spread of negative word-of-mouth communication (Lewis & McCann, 2004).

The organizations trying to recover from the failure of service need to consider the kind of service failure and the extent of the service failure. (Smith et al., 1999) concluded that during the service recovery process customers are less satisfied because of the process failure than after the outcome. In addition, the research also generated result that the impact of the attributes of service recovery on the perception of customers differed in regard to kind and extent of failure experienced. The consumers expect higher degree of recovery efforts if the loss they suffered due to the service failure is high. To do that the providers of service may increase the customer evaluations while reacting with the different type of methods that corresponds failure of service.

### **2.2.2 Service recovery strategies**

Strategies of service recovery are different set of steps that organizations take with the motive of fixing the problem of an unhappy customer. The usage of the service recovery strategies is important so that the unsatisfied from the service failure are retained back. It refers to the fusion of psychological as well as tangible actions that ensure recovery from the service failure (Miller et al., 2000).

Cranage & Mattila (2006) generated a finding that the customer loyalty and satisfaction was higher after the service failure when the service recovery strategy of apology or compensation was used rather when neither of the service recovery strategy when used. Most of the service literatures discuss on which of the service recovery strategy is useful and effective. Most of the literature defined the recovery strategies like apology after service failure, solving problem, follow-up, response and compensation.

In this study the service recovery strategies defined by Sciarelli et al. (2017), which are apology, problem solving, explanation, follow-up, speed of response and problem solving are discussed.

### **Apology**

Apology refers to a service providers apologizing the customers for the inconvenience that occurred because of the failure of the service (Boshoff, 1999). According to Davidow (2000), apology needs to be considered a compensation that assists the customers in restoring the satisfaction. If companies apologize for the service failure accompanied by the token of atonement, it would enhance the customer perception regarding fairness and satisfy the customers (Goodwin & Ross, 1992).

### **Explanation**

Explanation means briefing the customers about reasons for service failure in a clear and concise way (Boshoff, 1999). Providing explanation is crucial because it leads to customer satisfaction, intention to repurchase and word of mouth intention (Yavas et al., 2004). Some service takers may take the explanation of the service provider as just an effort from the provider of service to defend the service failure rather not being accountable for it (Liao, 2007).

### **Follow-up**

Follow up refers to the process of an organization to make sure whether the problem has been solved through the means of phone call or email (Johnston & Mehra, 2002). Follow-up is a process in making sure if service takers are satisfied with the service recovery efforts.

### **Facilitation**

Davidow (2000) defined facilitation as “the policies, procedures and tools that the company has in place to support customer complaints”. Facilitation from the service firms enables the customers to file their complaint in an easier way. This is done by setting by a point of contact through which complaints can lodged.

### **Problem Solving**

Problem solving is an important service recovery approach because it can provide the customers the level of service they have expected (Sciarelli et al., 2017). It is the act of the provider of the service to resolve what failed. By using this strategy, the provider of the service seeks to give the service taker the benefits which equals the loss caused by the service failure (Levesque & McDougall, 2009).

### **2.2.3 Customer Loyalty**

Customer loyalty has been the topic of study in service and marketing literatures since the very early 1920's. Loyalty refers to the state of attachment and devotion towards certain brand, product or company. This sense of devotion ultimately lead the customers with a sense of personal attachment with the product, brand or company (Ghadeer, 2015). Oliver (2014) defined loyalty of the customers as a strong determination to consistently repurchase any goods or service again, resulting in repetitive purchases of the same brand or group of brands, despite the interference and marketing and promotion possessing the potential to result in switching behavior. Literature on loyalty explains loyalty in three ways: behavioral, attitudinal and composite loyalty.

#### **Behavioral loyalty**

Behavioral loyalty refers to the willingness of the service takers to buy back the products or service from any provider again and prolong the association with the provider of the service (Goyal et al., 2013). Behavioral loyalty of the customers can be determined if they consider to stay with their service provider in the near future. Zeithaml et al. (1990) developed a multidimensional framework to assess the behavioral loyalty of customer. The author argued that customers who are loyal do not shift another service provider, purchase from the same service provider and are less sensitive to prices.

#### **Attitudinal loyalty**

The term attitudinal loyalty refers to the willingness of the customers to suggest the provider of the service to the known ones and engage in positive communications (Goyal et al., 2013). In other words, attitudinal loyalty of the customers is associated with the customer's inner thought of attachment which makes them say positive things about their service provider. Some researchers even argue that attitudinal loyalty is the situation that customers may attain because of the relationship they have with their service providers. Attitudinal loyalty does not result to direct translation into profit of the company. However, it will create a positive outcome for the company because of the positive word of mouth communication. Attitudinal loyalty of a customer can be determined if they think that the service or product is best for them that is available.



#### **2.2.4 Service recovery strategies and recovery satisfaction**

Davidow (2000) conducted a study on the impact of organizational response to customer complaints (service recovery) on recovery satisfaction. The study is based on six approaches of service recovery strategy: timelines, facilitation, redress, apology, credibility and attentiveness. Study revealed that attentiveness, timeliness, facilitation, credibility and redress have a significant impact on recovery satisfaction of the customers.

Yavaas et al. (2004) examined outcomes of service recovery strategies. Study was done using a sample of the hotel guests in Northern Cyprus. Total of 376 responses were collected for the interview and data was collected by distributing questionnaire which was later filled up in a self-administered manner. The study generated the findings that promptness, redress, explanation and attentiveness has significant impact on the satisfaction of the customers.

Duffy et al. (2006) analyzed the linkage of customer satisfaction and various service recovery strategies. The study has generated findings that service recovery strategy like solving problem increases the customer satisfaction. Whereas, recovery strategies like apology and compensation have not resulted to add value to increase the satisfaction of the customers. Additionally, the study has also resulted that introducing more and more service recovery strategy is not the way of enhancing the customer satisfaction. Instead, organizations should look for selective use of strategies for the enhancement of the customer satisfaction after service failure.

Kim (2007) researched on the impact of recovery strategies on satisfaction of customers. The research was based on the three service recovery strategies: apology, fixing the problem and compensation. The study illustrates that apology as well as compensation have a significant influence on satisfaction of customers whereas another variable, fixing a problem do not have a significant influence on satisfaction of customers.

A research was conducted by Suprpto et al. (2010) on the effect of service recovery strategy on satisfaction of customers with service recovery. The primary strategy studied on this research are compensation, speed of recovery and apology. The study revealed that speed of recovery, compensation and apology can influence the service recovery satisfaction of customers partially.

Komunda & Ossarenkhoe (2012) examined the relationship between service recovery and satisfaction of the customers with service recovery. The study showed that customer satisfaction has a positive relationship with service recovery.

Petnji Yaya et al. (2013) analyzed the relationship between recovery of service and satisfaction of the customers with service recovery. The data for the study was collected by distributing online-based questionnaire. A total of 123 responses were collected for the study. The statistical methods such as structural equation modeling and multi-regression were opted to assess the association between constructs. The outcome of study shows that service recovery positively and significantly affects customer satisfaction of the customers.

Hassan (2015) carried out a study to assess the association between service recovery, satisfaction of the customers, trust of customers and their loyalty. The study was carried out in the public sector organizations of Pakistan. For the study, survey questionnaire was used to collect data which resulted to total of 300 responses collected from three different public sector of Pakistan. The researcher employed SPSS and AMOS software to analyze the data and statistical techniques like regression and correlation were used. The study showed that there exists positive association between the service recovery and satisfaction of customers. Not only, association between service recovery and satisfaction of the customers is positive, service recovery has a significant relationship with customer satisfaction.

Sciarelli et al. (2017) assessed the relationship between recovery strategies, satisfaction of the customers with service recovery and the two aspects of loyalty of the internet providers in Egypt. Study was carried using structured equation modeling based on 430 samples. The data were collected based on the 5-point likert questions. The research shows that some of the recovery strategies significantly impact recovery satisfaction. It showed that service recovery strategies like apologies and showing empathy were having a significant effect on service recovery satisfaction.

Alhawbani et al. (2021) tested the impact of recovery strategies on recovery satisfaction. 354 samples were collected for the study. The results of the research study shows significant impact of explanation, apology and compensation on service recovery satisfaction. The study also revealed that quick response of the service provider impacts the satisfaction of the customers with service recovery.

### **2.2.5 Recovery satisfaction, attitudinal loyalty and behavioral loyalty**

Kau & Loh (2006) researched on the impact of recovery of service on the satisfaction of customers. The research was carried out based on a survey of 428 respondents using structured questionnaire. The study revealed that satisfaction with service recovery causes higher level of trust, positive word of mouth behavior and loyalty of customers.

A study was carried by Kim (2007) on the impact of satisfaction of customers on their loyalty. In the study, data was collected from internet shopping malls in South Korea. A total of 165 responses were collected. The study showed that loyalty of the customers is significantly affected by the satisfaction of the customers.

Kommunda & Osarenkhoe (2012) assessed the impact of customer satisfaction on service recovery and loyalty of customers (Word of mouth behavior and repurchase intention). The study showed that satisfaction of the customers has a positive and significant effect on recovery which further leads loyalty among customers.

T. Kim et al. (2012) assessed the association between satisfaction of the customers with service recovery and loyalty of customers. To measure constructs of model 37 items were used. For the study, total of 317 responses were used after thorough refinement and filtration. The measurement model of the study was assessed using confirmatory factor analysis (CFA) and then path analysis was done to assess the relationship between the variables using AMOS 7.0. The study generated an outcome that service recovery satisfaction following service recovery positively influences loyalty of customers. If an organization responds to the customer complaints in appropriate manner then it may result to higher customer (positive word-of-mouth and rebuying intention).

Petnji Yaya et al. (2013) investigated the association between satisfaction of customers and loyalty of customers. The data was collected by distributing online-based questionnaire. A total of 123 responses were collected for the study. The statistical methods such as structural equation modeling and multi-regression analysis was opted to assess the association. The research generated the result that satisfaction of the customers influences the loyalty of the customers.

Hassan (2015) carried out a study to assess the connection between recovery of service, satisfaction of customers, trust of customers and their loyalty. The study was carried out in the public sector organizations of Pakistan. For the study, survey questionnaire was used to collect data which resulted to total of 300 responses collected from three different public sector of Pakistan. The researcher employed SPSS and AMOS software to analyze the data and statistical techniques like regression and correlation were used. The study showed that there exists positive association between customer satisfaction after service recovery and customer loyalty.

Sciarelli et al. (2017) carried a study of casual relationships between recovery satisfaction of the customers and the two aspects of loyalty of customers which is attitudinal loyalty and

behavioral loyalty. The study was carried based on the sample of 430 internet users. The data were collected based on the 5-point likert questions. In the study PLS-SEM approach was used to analyze the data that were collected. The study showed that service recovery satisfaction was having a direct influence on customer loyalty and attitudinal loyalty.

Shams et al. (2020) conducted a study on service outcome favorability, satisfaction with service recovery and loyalty of customers. The research assessed influence of recovery satisfaction of customers on loyalty of customers. SEM was used to assess relationship of the variables. The findings of the study show that satisfaction with service recovery significantly impacts the customer loyalty.

Mahato & Goet (2020) examined the correlation between quality of service, satisfaction of customers and their loyalty in Nepalese restaurant industry. To conduct the study a total of 490 students' samples were collected for the study. In order to collect the data, structured questionnaire based on convenience sampling was used for the study. The study reveals that customer satisfaction has a significant effect on loyalty of customers. Similarly, research also shows the mediating effect of customer satisfaction in the relationship between service quality and customer loyalty.

### 2.3 Summary of the article reviewed

*Table 1*

Summary of the Article Reviewed

Author	Variable Used	Methodology	Findings
Sciarelli et al. (2017)	Apology, Problem solving, providing explanation, Speed of recovery, Empathy, Compensation, Follow up, Recovery satisfaction, Attitudinal Loyalty, Behavioral Loyalty	Survey based questionnaire distribution with 430 responses. Path analysis to test the hypothesis. Explanatory and descriptive research design.	Service recovery strategies like apologies and showing empathy significantly impacts service recovery satisfaction. Service recovery satisfaction directly influences on loyalty of customers and attitudinal loyalty.

Davidow (2000)	Timeliness, facilitation, redress, apology, credibility, attentiveness, recovery satisfaction, word of mouth valence, word of mouth likelihood, repurchase intention	CFA and EFA to test the measurement model. Cross sectional survey of 319 samples. SEM with Lisrel 8.	Attentiveness, timeliness, facilitation, credibility and redress significantly influences satisfaction of the customers with service recovery.
Suprpto et al. (2010)	Compensation, Speed to recovery, apology, customer satisfaction	200 samples, regression analysis between the variables	Recovery speed, compensation and apology can influence the service recovery satisfaction of customers partially.
Kau & Loh (2006)	Complainants, Non-complainants, Procedural justice, distributive justice, interactional justice, service recovery, trust, word of mouth, consumer loyalty	Survey of 428 respondents using structured questionnaire.	Satisfaction with service recovery causes higher level of trust, positive word of mouth behavior and loyalty of customers.
Kim (2007)	Apology, fixing the problem, compensation, customer satisfaction, loyalty	CFA to test measurement model and structural equation analysis to test hypothesis.	Apology and compensation significantly effect on the customer satisfaction whereas another variable, fixing a problem does not have a significant effect on customer satisfaction. Customer loyalty is significantly influenced by customer satisfaction.
Komunda & Osarenkhoe (2012)	Customer satisfaction, service recovery, Word of mouth behavior, repurchase intention	Systematic sampling of 120 staffs and students of business school, five point Likert scale ranging from strongly agree to strongly disagree, analysis using SPSS	Satisfaction of the customers positively impact the service recovery which further increases loyalty of the customers.
Duffy et al. (2006)	Age, gender, tenure, recovery strategy, customer satisfaction	Sample of 310 bank customers, frequencies,	Listening and fixing the problem influences the customer satisfaction. Strategies like apology

		chi-square and correspondenc e to analyze the data.	and compensation does not result to add value to increase the satisfaction of the customers.
Honore Petnji Yaya et al. (2013)	Recovery, loyalty, satisfaction, value	SEM and multi-regression analysis to assess the relationship	Service recovery positively and significantly affects customer satisfaction of the customers and satisfaction of the customers influences the loyalty of the customers.
Hassan (2015)	Service recovery, customer satisfaction, word of mouth, customer trust, customer loyalty	Survey questionnaire, SPSS and AMOS to analyze data, regression and correlation, sample of 300	Positive relationship between service recovery and satisfaction of customers. Customer satisfaction after service recovery and customer loyalty are positively associated
Yavas et al. (2004)	Promptness, apology, redress, explanation, attentiveness, Satisfaction, repurchase intention	Survey questionnaire, sample of 376	Promptness, redress, explanation and attentiveness has significant impact on the satisfaction of the customers.
T. Kim et al. (2012)	Procedural justice, interactional justice, distributive justice, service recovery satisfaction, trust, relationship commitment, perceived switching cost, loyalty, participation, cooperation	CFA and path analysis. 317 responses	Service recovery satisfaction following service recovery positively influences loyalty of customers.
Shams et al. (2020)	Service recovery, outcome favorability, satisfaction with service recovery and customer loyalty	SEM to assess relationships. 346 samples	Satisfaction with service recovery significantly impacts the customer loyalty.
Mahato & Goet (2020)	Perceived price, service quality, customer satisfaction, perceived price and customer loyalty	Model is tested using AMOS-SEM. 490 samples	Significant positive impact of satisfaction of customers on customer loyalty.

Alhawbani et al. (2021)	Response speed, explanation, apology, compensation, distributive justice and satisfaction with service recovery	354 samples. SEM to test the model.	Explanation, apology and compensation do not have a significant impact on satisfaction of the service recovery
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## 2.4 Research gap

Most of the researches conducted in the past shows that banking sector is the most considered sector while conducting research on service recovery. Very few studies in the past have focused on assessing the impact of follow up in service recovery in the online context (Manu & Sreejesh, 2021). So, in this study the impact of follow up in recovery satisfaction has been analyzed. Very few researchers have considered internet service industry while conducting the study on service recovery studies. Quy (2014) found that apologies and explanation positively have significant influence on recovery satisfaction in case of commercial banks. In addition, the study also shows that recovery satisfaction has a significant positive influence on repurchase intention and word of mouth intention. This study aims to test the result of the study but in case of Nepalese internet service companies.

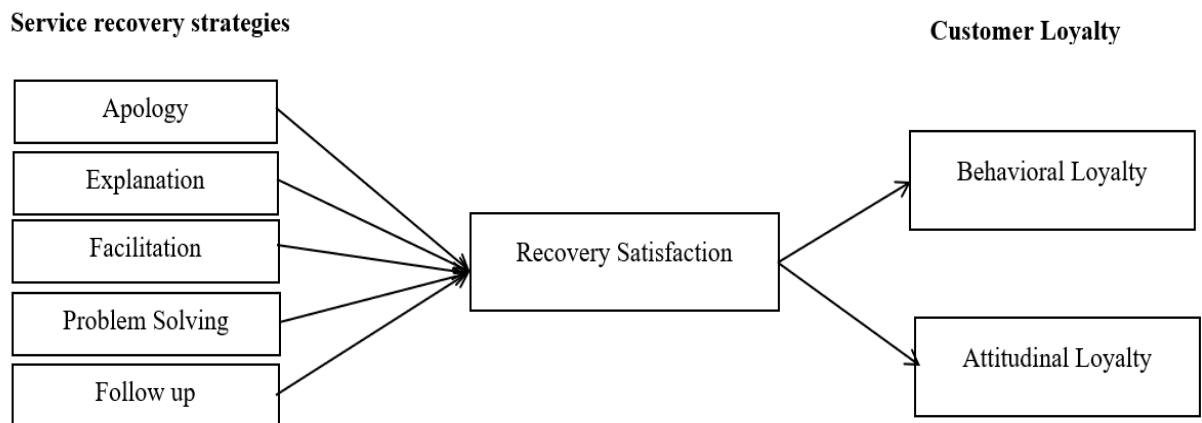
In the context of Nepal, there is almost no research studying the relationship of service recovery strategy, recovery satisfaction and customer loyalty (attitudinal loyalty and behavioral loyalty). So, attempts in filling up identified gap by analyzing effect of five recovery strategies (apology, explanation, facilitation, solving problem and follow-up) on satisfaction of the customers with service recovery and the influence of satisfaction with service recovery on loyalty of customers within Kathmandu Valley.

## 2.5 Theoretical framework

The framework of the research has been developed reviewing the existing set of literatures in related domain.

*Figure 1*

Theoretical Framework



Adapted from: (Sciarelli et al., 2017)

## 2.6 Definition of the variables

The variables evaluated in this study are:

### Apology

An apology is when a service provider expresses regret to a client for any inconvenience brought on by a service failure.

### Explanation

Giving clients a concise and clear description of the causes of a service outage is known as explanation.

### Facilitation

Facilitation means easiness in the company's policies, practices, and resources for handling consumer complaints. Customers can more easily file complaints thanks to assistance from service providers.

### Problem Solving



It is the act of the provider of the service to resolve what failed. By solving the problems customer had the provider of the service aims in giving the client the benefit equal to the inconvenience due to the failure of service.

#### Follow-up

The term "follow up" is the procedure used by an organization to determine whether a problem has been resolved via phone call or email.

#### Recovery satisfaction

Boshoff (1999) defined recovery satisfaction as “the degree to which a customer is satisfied with a service firm’s transaction specific service recovery effort following a service failure”.

#### Behavioral Loyalty

The willingness of customers to repeatedly acquire goods or services from any source and to uphold a connection with that supplier is referred to as behavioral loyalty.

#### Attitudinal Loyalty

Attitudinal loyalty refers to the willingness of the customers to engage in positive word-of-mouth marketing and promote the service provider to their friends and family.

## CHAPTER III

### RESEARCH METHODS

This chapter reflects the research methodology used while carrying out the study. The chapter mainly includes the design opted for the study types and data source used, instruments for allocation of data and the techniques used to analyze data.

#### 3.1 Research design

In this study, the descriptive and explanatory research design is employed. Using the descriptive research design, the variables and items have been explained or described employing mean, standard deviation and correlation. Likewise, using the explanatory research design, the influence of the recovery strategies on satisfaction of the customers with service recovery and the effect of satisfaction of the customers with service recovery on loyalty of customers (attitudinal and behavioral loyalty) have been assessed. The use of the explanatory research design has allowed to evaluate the cause and effect relationship between the variables. In addition to that, the explanatory research, in this study is important to know the degree of impact that one variable has on the other.

#### 3.2 Population and sample

As per Nepal Telecommunications Authority (2022), there are three types of broadband (internet) services in Nepal. The first one is fixed broadband (Wired) which has subcategories of ADSL, Cable/FTTH and internet lease line. These services are provided by Nepal Doorsanchar Company Limited (NTC) and other internet service companies.

The second type of broadband category is fixed broadband (Wireless). The subcategories of it are radio (Wi-fi) and Wifi-Max. These services are provided by the internet service companies.

The third type is mobile broadband which has the subcategories of 3G, 4G and EVDO. Companies like Ncell, NTC, UTL and Smart Telecom provide this service.

The companies providing fixed broadband (Wired) and fixed broadband (Wireless) have only been considered for this study. As per Nepal Telecommunications Authority (2022), as of 17 October 2022, there are total of 58 internet service providers in Nepal.

Table 2

Internet Service Providers

SN	Internet Service Providers	Internet Subscribers	Market Coverage (%)
1	WorldLink Communications Ltd.	690604	28.61641709
2	Nepal Doorsanchar Company Limited	290425	12.03428149
3	Classic Tech Pvt. Ltd.	248440	10.29455761
4	Vianet communications Pvt. Ltd.	244895	10.14766417
5	Subisu Cablenet Ltd.	242333	10.04150309
6	Others (Including 53 other companies)	696617	28.86557655
	Total	2413314	

Source: Nepal Telecommunication Authority (2022)

On the basis of number of internet subscribers, Wordlink, Nepal Doorsanchar Company Limited (NTC), Classic Tech, Vianet and Subisu have the maximum market coverage out of 58 internet service providers in Nepal. The customers of 58 internet companies would be the population for the study. To determine the sample size for the city the formula specified by Cochran (1977) has been used.

$$n = \frac{pqZ^2}{e^2}$$

where,

p= population proportion

q= 1-p

z= value of Z (1.96 for 95% confidence interval)

e= value of margin of error

When the population is unknown, p and q is recommended to be set at 50% each. Likewise, margin of error is set at 5%.

$$n = \frac{0.5*0.5* 1.96^2}{0.05^2} \quad n = 384$$

Using the formula specified by Cochran (1977), the sample size of 384 is ascertained.

The total number of responses collected for this study is 411 which is approximate with the similar study of Sciarelli et al. (2017) conducted in Egypt.

### **3.3 Nature and sources of data**

To perform this study, primary data has been employed. Major proportion of the data was collected by sending questionnaire online using the medium of google form. Along with that, printed questionnaire was also distributed where the responses are filled up in self-administered way.

### **3.4 Instrumentation**

The recovery strategies, satisfaction of customers with service recovery and two aspects of the loyalty of customer have been measured using the scales developed by various researchers. In the first part, the demographic questions are developed in order to assess the demographic profile of the respondents.

Scale developed by Liao (2007) to measure apology, explanation and problem solving has been used in the study. Likewise, the scale developed by Davidow (2000) and Mostafa et al. (2014) to measure facilitation and follow up has been used in the study. To measure the two aspects of loyalty of customers (attitudinal loyalty and behavioral loyalty), the scales developed by Goyal et al. (2013) has been adopted.

### **3.5 Pilot testing**

In pilot testing, researcher distributes questionnaire to the intended group of respondents who are the part of the test population. However, the group will not fall under the sample of the study. To assess the reliability of the instruments, a total of 50 responses have been collected and Cronbach alpha test have been used. The coefficient of at least 0.7 is acceptable for the instrument to be considered reliable (Hair et al., 2010). After the pilot testing was done few of the items from the constructs behavioral loyalty and facilitation had issue in their loading value. So, those items have been removed from the study.

Table 3

Pilot Testing Result

Variables	Cronbach's alpha
Attitudinal Loyalty (AL)	0.955
Apology (AP)	0.922
Behavioral Loyalty (BL)	0.79
Explanation (EX)	0.899
Facilitation (FA)	0.893
Follow-up (FU)	0.935
Problem Solving (PS)	0.925
Recovery Satisfaction (RS)	0.947

Source: Survey Data (2022)

The Cronbach Alpha value of all the variables exceeds 0.7 because of which the instruments defined can be considered reliable.

### 3.6 Data analysis

In order to analyze the data collected, descriptive statistics and PLS-SEM is used. To assess the characteristics of the respondents and quantify the association between the variables descriptive statistics is used. Likewise, to assess the impact of one variable on the other step wise regression analysis has been carried out. Analysis using PLS-SEM is fragmented into two staged process. First of all, the measurement model is evaluated. To do that, the criteria of content validity, internal consistency reliability, convergent validity and discriminant validity needs to be fulfilled. To fulfill the criteria of internal consistency reliability, two major tests, Cronbach's Alpha and Composite reliability is opted. Likewise, to assess convergent validity outer loadings and average variance extracted is evaluated. To assess discriminant validity three indicators: Cross loading, Fornell-Larcker criterion and HTMT ratio are employed. After the evaluation of the relationship between underlying constructs and the indicators, the relationship between the constructs i.e structural model is evaluated. While assessing the structural model, the collinearity among constructs is evaluated examining the VIF value. Likewise, the hypothesis is tested by bootstrapping. Similarly, other indicators like R squared, f squared, Q squared and the fitness of the model is assessed while evaluating the structural model.

**CHAPTER IV**  
**ANALYSIS AND RESULTS**

This section illustrates summarization and analysis of the collected data using the techniques mentioned in the previous chapter. The chapter includes the descriptive analysis of the data collected using mean, standard deviation and correlation. The measurement and structural model have been analyzed using the two staged PLS-SEM analysis. To simply put, this chapter aims to fulfill the objective of this research.

**4.1 Respondents having internet problem**

*Table 4*

Respondents having Internet Problem

Internet Problem	Frequency	Percent
Yes	389	88.2086
No	52	11.7914
Total	441	100

*Source: Survey Data (2022)*

The valid respondents of the study are the ones who are having any kind of internet problems. So, the questionnaire of the study starts asking the respondents if they had any type of internet problems. If the respondents are having any kind of internet problems, then the further responses of the respondents have been taken into consideration. Out of the total 441 responses, 389 (88.2%) respondents were having some kind of internet problems. While, 52 (11.9%) respondents did not have any kind of internet problem. So, it could be observed that 88.2% of the responses were valid for the study

**4.2 Demographic profile**

*Table 5*  
Demographic Profile

		Frequency	Percent
Gender	Male	210	54.0
	Female	179	46.0
Age	Less than 20	39	10.0
	20-30	328	84.3
	31-40	15	3.9
	41 and above	7	1.8
Education	Up to intermediate	6	1.5
	Bachelors	218	56.0
	Masters and above	165	42.4
Marital Status	Married	70	18.0
	Unmarried	316	81.2
	Divorcee	3	0.8
Internet Service Provider	Worldlink	178	45.8
	Nepal Telecom	43	11.1
	Subisu	57	14.7
	Classic Tech	22	5.7
	Vianet	48	12.3
	Others	41	10.5
Internet Bandwidth	Less than 20 Mbps	38	9.8
	20-40	123	31.6
	41-60	70	18.0
	61-80	54	13.9
	More than 80	104	26.7
Duration of Service	Less than one year	45	11.6
	1-2 years	141	36.2
	3-4 years	109	28.0
	More than 4 years	94	24.2
Occupation	Self Employed/ Business	25	6.4
	Government Job	13	3.3
	Private job	129	33.2
	Non-profit organization	1	0.3
	Retired	1	0.3
	Student	220	56.6

*Source: Survey Data (2022)*

Table 5 shows the demographic figure of the respondents. It could be observed that out of the total 389 valid responses, 210 (54%) are male respondents and 179 (46%) are female respondents. This depicts that most of the sample respondents are male. In the context of age, 39 (10%) respondents are less than 20 years of age, 328 (84.3%) respondents have an age of 20 to 30, 15 (3.9%) respondents have an age of 31 to 40, and 7 (1.8%) respondents are 41 years and above which shows that the greater number of respondents have an age of 20 to 30. Of the total valid respondents, 6 (1.5%) are educated up to intermediate level, 218 (56%) have taken bachelors level education and 165 (42.4%) have education level of masters and above. This reflects that majority of the respondents have taken education up to bachelors' level. Regarding the marital status of the respondents, 70 (18%) are married, 316 (81.2%) are unmarried, and 3 (0.8%) are divorcee which shows that majority of the respondents are unmarried. Concerning internet service provider of the respondents, 178 (45.8%) respondents were taking service from Worldlink, 43 (11.1%) were taking service from Nepal telecom, 57 (14.7%) were taking service from Subisu, 22 (5.7%) were taking service from Classic Tech, 48 (12.3%) were taking service from Vianet, and 41 (10.5%) were taking service from other internet service providers like CG Net, Arrow Tech, Dish Home, and Web surfer. This shows that majority of the respondents are taking service from Worldlink followed by Subisu and Vianet. With regard to internet bandwidth of the respondents, 38 (9.8%) were taking internet service having bandwidth of less than 20 Mbps, 123 (31.6%) were taking internet service having bandwidth from 20 to 40 Mbps, 70 (18%) were taking internet service having bandwidth from 41 to 60 Mbps, 54 (13.9%) were taking internet service having bandwidth from 61 to 80 Mbps, and 104 (26.7%) were taking internet service having bandwidth of more than 80 Mbps. Out of the total respondents, 45 (11.6%) have been taking internet service for less than one year, 141 (36.2%) have been taking internet service for 1 to 2 years, 109 (28%) have been taking internet service for 3 to 4 years, and 94 (24.2%) have been taking internet service for more than four years. This reflects that majority of the respondents have been taking internet service for 1 to 2 years. With respect to the occupation of the respondents, 25 (6.4%) are self-employed or having some kind of business, 13 (3.3%) have government job, 129 (33.2%) have private jobs, 1 (0.3%) is working in non-profit organization, 1 (0.3%) is retired, and 220 (56.6%) are students. This depicts that majority of the respondents are student.



### 4.3 Service recovery strategies in Nepalese Internet Service Companies

#### 4.3.1 Descriptive analysis of apology

Table 6

Descriptive Analysis of Apology

Statement	Mean	Std. Deviation
The company apologized to me for what had happened.	2.99	1.172
The company expressed regret for the mistake that occurred	2.92	1.148
The company apologized for the inconvenience the problem had brought to me	3.03	1.201
The company apologized for what I have suffered because of the problem	2.98	1.197
Overall	2.98	1.18

Source: Survey Data (2022)

Table 6 reflects the mean of the responses provided by the respondents regarding the apology strategy used by the companies during service recovery. The overall mean of the response is 2.98 (SD=1.18). One sample t-test was done to test if the overall population mean value is equal to 3. P value of greater than 0.05 shows that the population mean response is equal to 3 (Appendix-2). This shows that the respondents are unsure whether the company apologized after service failure.

The item ‘The company apologized for the inconvenience the problem had brought to me’ has the highest mean value of 3.03. One sample t-test ( $t= 0.507$ ,  $p>0.05$ ) shows that the population mean for the statement is equal to 3 (Appendix-3). This shows that the customers are neutral about the company apologizing for the inconvenience of the problem.

### 4.3.2 Descriptive analysis of explanation

Table 7

Descriptive Analysis of Explanation

Statement	Mean	Std. Deviation
The company explained why the service problem might have happened.	3.37	1.127
The company provided a convincing explanation for the reason of the problem.	3.07	1.162
The company explained what factors might have caused the problem.	3.33	1.091
The company explained what might have gone wrong.	3.32	1.084
Overall	3.27	1.12

Source: Survey Data (2022)

Table 7 exhibits the overall mean of the responses provided by the respondents regarding the explanation strategy used by the internet service companies during the process of service recovery. The overall mean of the response is 3.27 (SD=1.12). One sample t-test was done to test if the overall population mean value is equal to 3. The population mean of the response is not equal to 3 ( $p < 0.05$ ) (Appendix-2). This shows that the respondents slightly agree that the internet service companies explained them the reasons for service failure.

The statement ‘The company explained why the service problem might have happened’ has the highest mean of 3.37. One sample t-test ( $t = 6.436$ ,  $p < 0.05$ ) shows that the population mean for the statement is not equal to 3 (Appendix-3). This depicts that the customers show slight agreeableness that internet service companies justified why the internet service failed.

### 4.3.3 Descriptive analysis of facilitation

Table 8  
Descriptive Analysis of Facilitation

Statement	Mean	Std. Deviation
It was easy to determine where to lodge my complaint.	3.27	1.145
Company policies made it clear how to complain.	3.19	1.158
I did not face any difficulty in communicating my complaint to the company.	3.08	1.219
Overall	3.18	1

Source: Survey Data (2022)

Table 8 exhibits the overall mean of the responses provided by the respondents regarding the facilitation strategy used by the internet service companies during the service recovery process. The overall mean value of the response for facilitation is 3.18 (SD=1). One sample t-test was done to test if the overall population mean value is equal to 3. The population mean of responses of the construct is not 3 ( $p < 0.05$ ) (Appendix-2). This shows that the customers slightly agree if the internet service company used the facilitation strategy after the service failure.

The statement 'It was easy to determine where to lodge my complaint' has the highest mean value of 3.27. One sample t-test ( $t = 4.650$ ,  $p < 0.05$ ) shows that the population mean for the statement is not equal to 3 (Appendix-3). This shows that the customers slightly agree regarding the easiness to lodge the complaints after the service failure.

### 4.3.4 Descriptive analysis of problem solving

Table 9  
Descriptive Analysis of Problem Solving

Statement	Mean	Std. Deviation
The service provider had the required knowledge and skills to handle the problem.	3.41	0.988
The service provider was able to answer my questions.	3.42	0.973
The service provider knew the solutions to the problem.	3.40	1.004
The service provider solved the problem efficiently.	3.28	1.056
Overall	3.38	1.01

*Source: Survey Data (2022)*

Table 8 exhibits the overall mean of the responses provided by the respondents regarding the problem-solving strategy used by the internet service companies during the service recovery process. The overall mean of the response is 3.38 (SD=1.01). One sample t-test was done to test if the overall population mean value is equal to 3. The population mean of responses of the construct is not 3 ( $p < 0.05$ ) (Appendix-2). This shows that the respondents slightly agree that service provider solved the problem they faced.

The item 'The service provider solved the problem efficiently' has the lowest mean of 3.28. One sample t-test ( $t = 5.235$ ,  $p < 0.05$ ) shows that the population mean for the statement is not equal to 3 (Appendix-3). This depicts slight agreeableness of the customers that the problem was solved in an efficient way.

#### **4.3.5 Descriptive analysis of follow up**

*Table 10*

Descriptive Analysis of Follow-up

Statement	Mean	Std. Deviation
After solving the problem, the company contacted me to ensure that the problem has been solved completely.	2.72	1.251
After handling the complaint, the company followed-up to make sure that everything is satisfactory.	2.58	1.141
The company asked me to use the service to ensure that the problem has been entirely solved.	2.92	1.192
The company has contacted me to inform me about the status of my complaint.	2.71	1.148
Overall	2.74	1.18

*Source: Survey Data (2022)*

Table 8 exhibits the overall mean of the responses provided by the respondents regarding the follow-up strategy used by the internet service companies during the service recovery process. The overall mean value of the response is 2.74 (SD=1.18). One sample t-test was done to test if the overall population mean value is equal to 3. The population mean of responses of the construct is not 3 ( $p < 0.05$ ) (Appendix-2). This shows the customers disagree that the internet service companies have used any of the follow up strategy after the service failure.

The statement ‘After handling the complaint, the company followed-up to make sure that everything is satisfactory’ has lowest mean of 2.58. One sample t-test ( $t = -7.246$ ,  $p < 0.05$ ) shows that the population mean for the statement is not equal to 3 (Appendix-3). This depicts that customers disagree that the company followed-up after service recovery.

#### 4.3.6 Descriptive analysis of recovery satisfaction

*Table 11*

Descriptive Analysis of Recovery Satisfaction

Statement	Mean	Std. Deviation
I am satisfied with the way my problem was dealt with and resolved.	3.02	1.062
I am happy with the way my problem was solved.	3.08	1.030
I am satisfied with the treatment from the employees involved in resolving the problem.	3.19	1.008
I am satisfied with the procedure and the resources used to solve the problem.	3.14	0.994
In my opinion. the firm provided a satisfactory solution to this particular problem.	3.14	1.019
Overall	3.11	1.02

*Source: Survey Data (2022)*

The overall mean value of the response for recovery satisfaction is 3.11 (SD=1.02). One sample t-test was done to test if the overall population mean value is equal to 3. The population mean of responses of the construct is not 3 ( $p < 0.05$ ) (Appendix-2). This shows that customers slightly agree that they are satisfied after the internet service companies used the service recovery strategies.

The statement “I am satisfied with the treatment from the employees involved in resolving the problem” has the highest mean of 3.19. One sample t-test ( $t = 3.724$ ,  $p < 0.05$ ) shows that the population mean for the statement is not equal to 3 (Appendix-3). This shows that customers agree that they are satisfied of the treatment they received from the employees.

#### 4.3.7 Descriptive analysis of behavioral loyalty

Table 12

Descriptive Analysis of Behavioral Loyalty

Statement	Mean	Std. Deviation
I will try new services that are provided by this company.	3.18	1.031
In future, if I ever need a new connection, I will go for the same company.	2.98	1.076
Overall	3.08	1.05

Source: Survey Data (2022)

The overall mean value of the response for behavioral loyalty is 3.08 (SD=1.05). One sample t-test was done to test if the overall population mean value is equal to 3. P value of greater than 0.05 shows that the population mean of the response is equal to 3 (Appendix-2). This shows that the customers are neutral about having a sense of behavioral loyalty for their internet service company. The statement ‘In future, if I ever need a new connection, I will go for the same company’ has the lowest mean value of 2.98. One sample t-test ( $t=-0.330$ ,  $p>0.05$ ) shows that the population mean for the statement is equal to 3 (Appendix-3). This shows that the customers are unsure about choosing the company they are using right now if they need new connection in the future.

#### 4.3.8 Descriptive analysis of attitudinal loyalty

Table 13

Descriptive Analysis of Attitudinal Loyalty

Statement	Mean	Std. Deviation
I use this internet service because it is the best that is available.	3.03	1.069
This internet service company is as good as others.	3.24	1.009
I encourage friends and relatives to use services of this company.	3.13	1.082
I say positive things about my internet service company to others.	3.15	1.058
I recommend my internet service company to anyone who seeks my advice.	3.09	1.099
Overall	3.13	1.06

Source: Survey Data (2022)

Table 13 depicts if the customers, after the internet service companies use service recovery strategy, have a sense of attitudinal loyalty for their internet company. The overall mean of the response for attitudinal loyalty is 3.13 (SD=1.06). One sample t-test was done to test if the overall population mean value is equal to 3. The population mean of responses of the construct is not 3 ( $p < 0.05$ ) (Appendix-2). This shows that the customers slightly agree that they have a sense of attitudinal loyalty for their internet service companies.

The statement ‘This internet service company is as good as others’ has the highest mean value of 3.24. One sample t-test ( $t=4.722$ ,  $p < 0.05$ ) shows that the population mean for the statement is not equal to 3 (Appendix-3). This shows that customers slightly agree that their internet service company is similar to others in terms of the internet service.

#### 4.4 Normality Test

Table 14

Shapiro Wilk Test

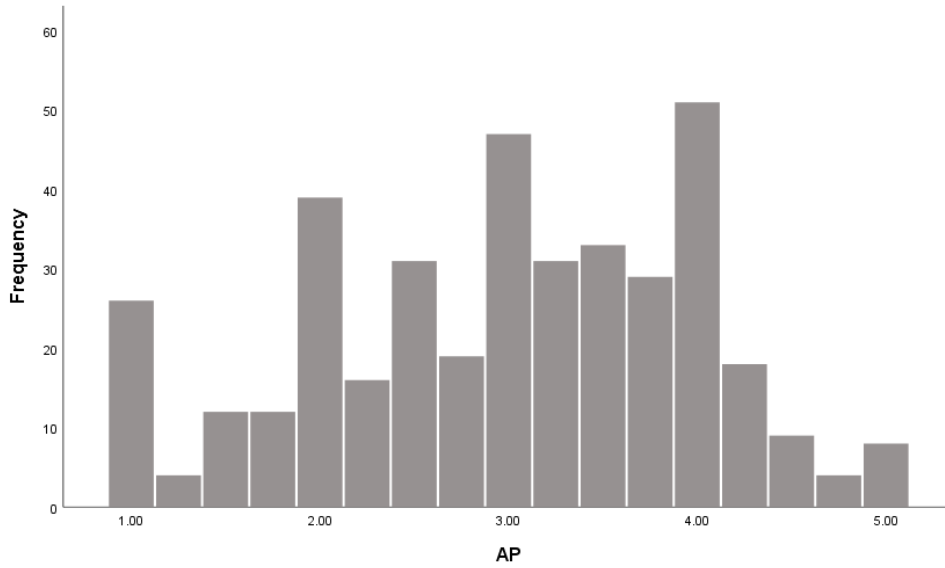
Variables	Statistic	df	Sig.
Apology	0.966	389	0.000
Explanation	0.966	389	0.000
Facilitation	0.971	389	0.000
Problem Solving	0.941	389	0.000
Follow up	0.969	389	0.000
Recovery satisfaction	0.971	389	0.000
Behavioral loyalty	0.955	389	0.000
Attitudinal loyalty	0.981	389	0.000

Source: Survey Data (2022)

Table 14 shows the results of Shapiro-Wilk test for the variables of the study. As the table shows that p-value of every construct is below 0.05 ( $p < 0.05$ ), apology, explanation, facilitation, problem solving, follow-up, recovery satisfaction, behavioral loyalty and attitudinal loyalty is not normally distributed.

Figure 2

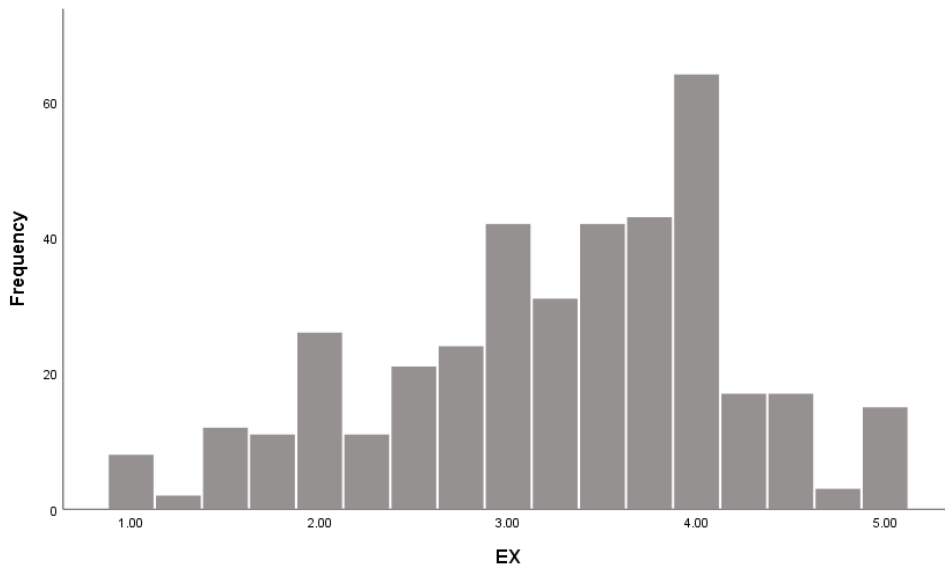
Histogram of Apology



By observing the figure 2, it can be said that the data for apology is left skewed (Skewness= -0.265) and not normally distributed.

Figure 3

Histogram of Explanation

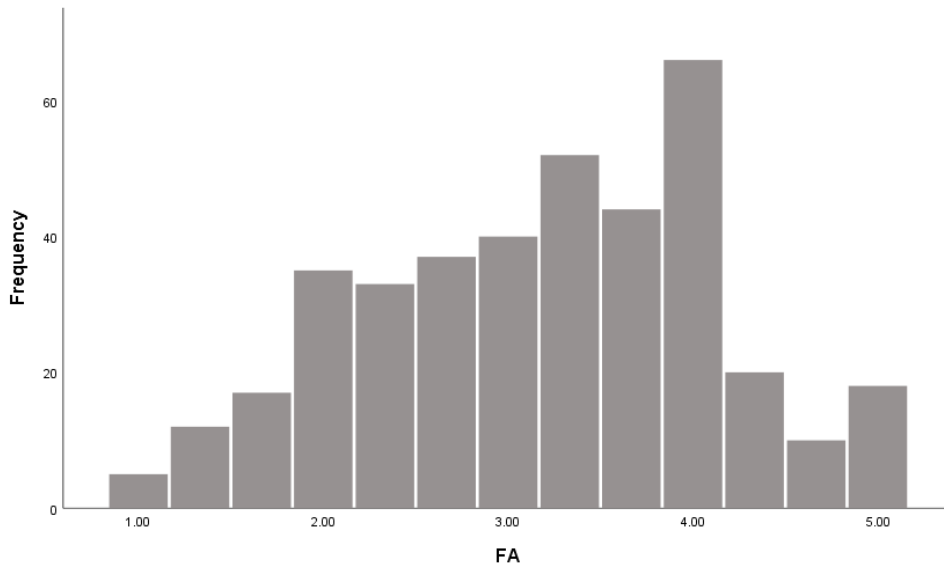


By observing the figure 3, it can be said that the data for explanation is left skewed (Skewness= -0.430) and not normally distributed.



*Figure 4*

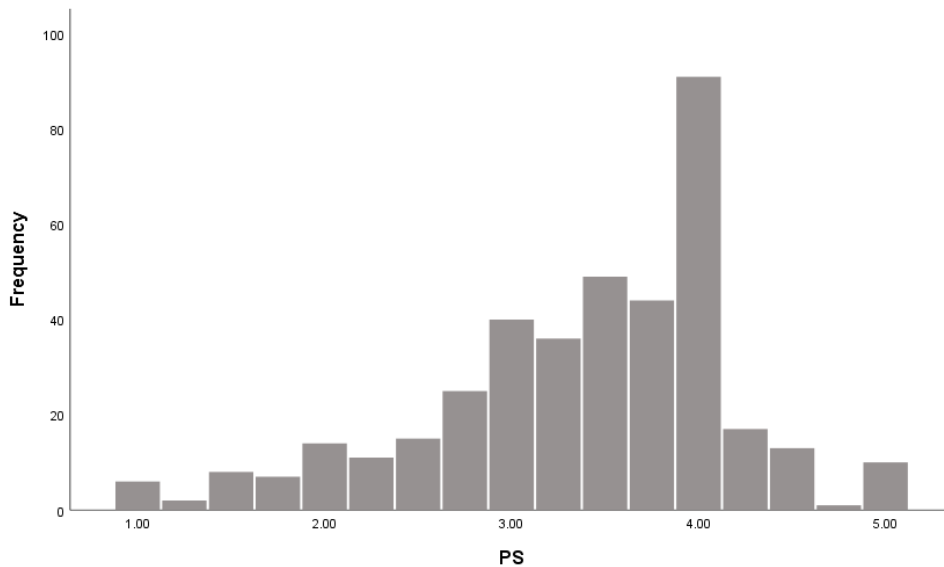
Histogram of Facilitation



By observing the figure 4, it can be said that the data for facilitation is left skewed (Skewness= -0.166) and not normally distributed.

*Figure 5*

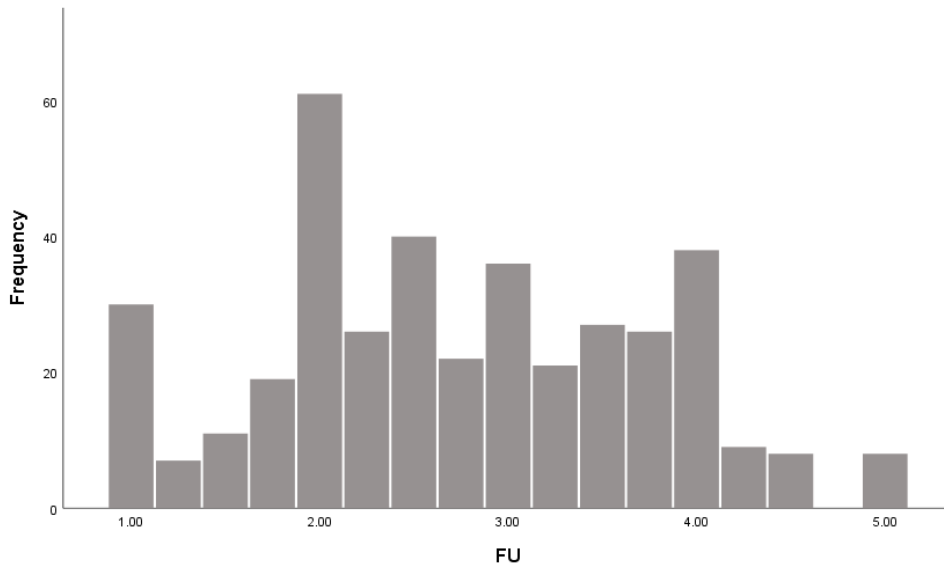
Histogram of Problem Solving



By observing the figure 5, it can be said that the data for problem solving is left skewed (Skewness= -0.749) and not normally distributed.

Figure 6

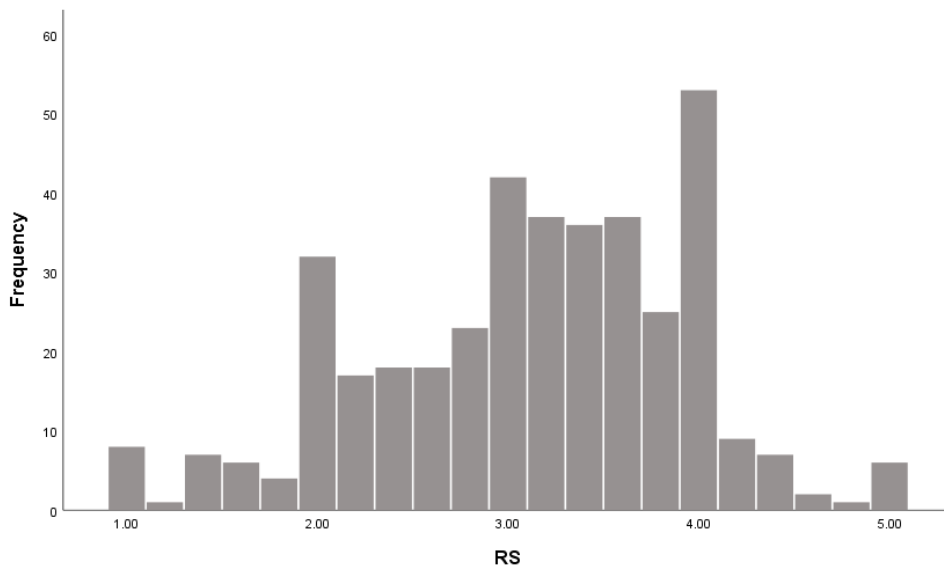
Histogram of Follow-up



By observing the figure 6, it can be said that the data for follow up is approximately normal (Skewness= 0.111).

Figure 7

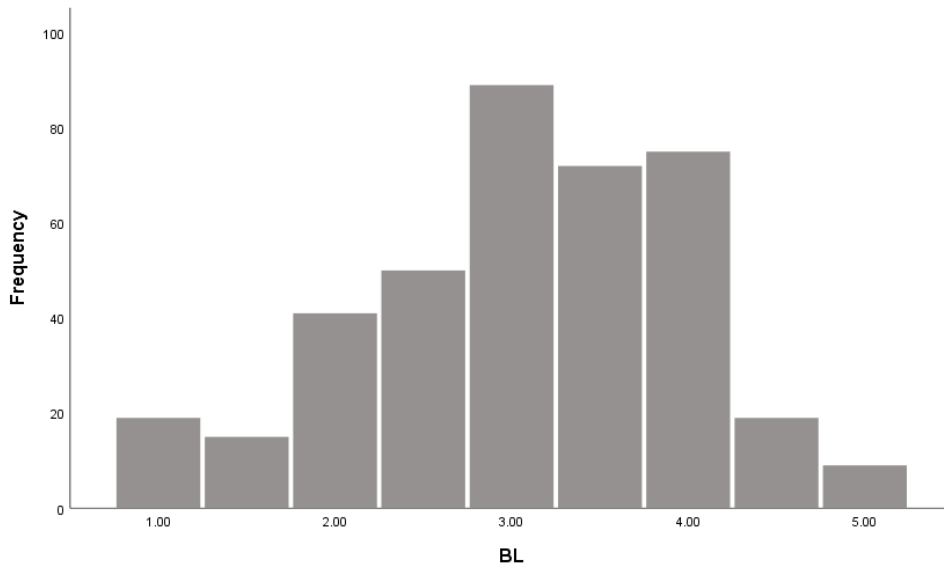
Histogram of Recovery Satisfaction



By observing the figure 7, it can be said that the data for recovery satisfaction is left skewed (Skewness= -0.391) and not normally distributed.

Figure 8

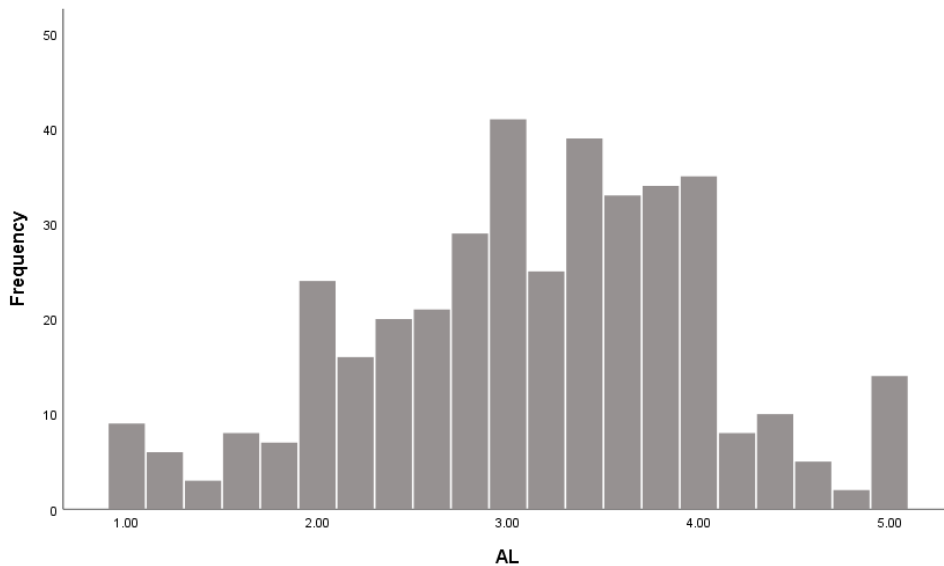
Histogram of Behavioral Loyalty



By observing the figure 8, it can be said that the data for behavioral loyalty is left skewed (Skewness= -0.357) and not normally distributed.

Figure 9

Histogram of Attitudinal Loyalty



By observing the figure 9, it can be said that the data for attitudinal loyalty is left skewed (Skewness= -0.299) and not normally distributed.

## 4.5 Correlation Analysis

Table 15

Correlation Analysis

	AP	EX	FA	PS	FU	RS	BL	AL
AP	1							
EX	.550**	1						
FA	.343**	.448**	1					
PS	.349**	.506**	.510**	1				
FU	.408**	.356**	.324**	.373**	1			
RS	.424**	.489**	.508**	.617**	.529**	1		
BL	.352**	.341**	.371**	.384**	.399**	.535**	1	
AL	.423**	.420**	.445**	.511**	.462**	.650**	.616**	1

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Survey Data (2022)

Table 15 exhibits the degree of correlation between apology, explanation, facilitation, problem solving, follow up, recovery satisfaction, attitudinal loyalty and behavioral loyalty. From the table it can be concluded that apology ( $r= 0.424$ ,  $p<0.05$ ), explanation ( $r= 0.489$ ,  $p<0.05$ ), facilitation ( $r= 0.508$ ,  $p<0.05$ ), problem solving ( $r= 0.617$ ,  $p<0.05$ ) and follow up ( $r= 0.529$ ,  $p<0.05$ ) have positive and significant correlation with recovery satisfaction. Also, recovery satisfaction has positive and significant correlation with both behavioral loyalty ( $r= 0.535$ ,  $p<0.05$ ) and attitudinal loyalty ( $r= 0.650$ ,  $p<0.05$ ).

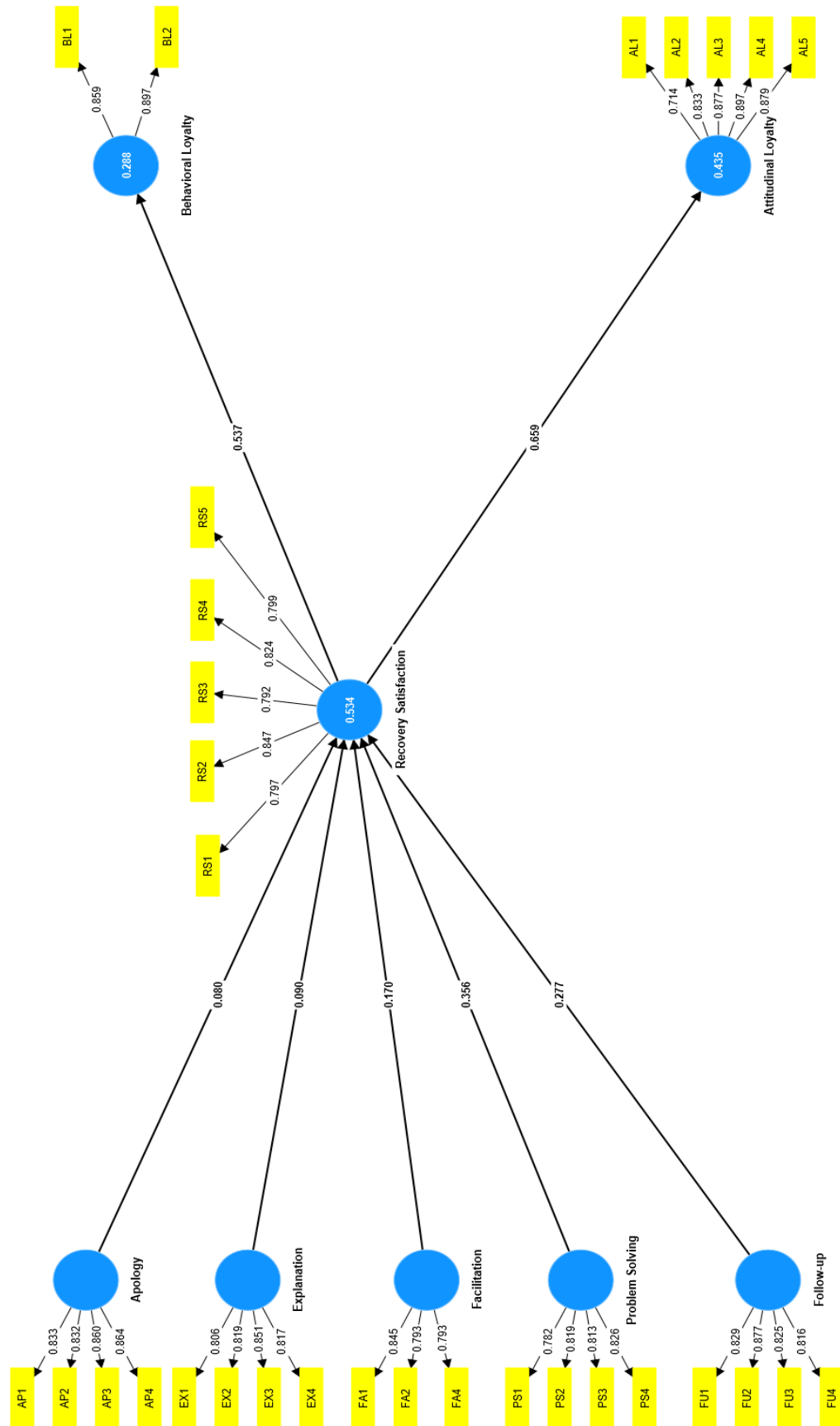
This means that when internet service companies use strategy like apology, explanation, facilitation, problem solving and follow up the degree of recovery satisfaction among the customers increases. In the same way, when the recovery satisfaction of the customer increases, the attitudinal loyalty and behavioral loyalty of the customers increases.

## 4.6 Assessment of the measurement model

Measurement model are of two types: reflective and formative. This study is based on reflective measurement model. To examine the relationship between underlying constructs and their indicators, evaluations of internal consistency reliability, convergent validity, and discriminant validity are done. The measurement model of the study with outer loading value is depicted in figure 10.

Figure 10

Assessment of the measurement model



#### 4.6.1 Reliability and Convergent Validity

Table 16

Reliability and Convergent Validity

Construct and Items	Loadings	$\alpha$	CR	AVE
Apology		0.87	0.911	0.718
AP1	0.833			
AP2	0.832			
AP3	0.86			
AP4	0.864			
Explanation		0.842	0.894	0.678
EX1	0.806			
EX2	0.819			
EX3	0.851			
EX4	0.817			
Facilitation		0.739	0.852	0.657
FA1	0.845			
FA2	0.793			
FA4	0.793			
Follow-up		0.857	0.903	0.701
FU1	0.829			
FU2	0.877			
FU3	0.825			
FU4	0.816			
Problem Solving		0.826	0.884	0.656
PS1	0.782			
PS2	0.819			
PS3	0.813			
PS4	0.826			
Recovery Satisfaction		0.871	0.906	0.66
RS1	0.797			
RS2	0.847			
RS3	0.792			
RS4	0.824			
RS5	0.799			
Behavioral Loyalty		0.705	0.871	0.771
BL1	0.859			
BL2	0.897			
Attitudinal Loyalty		0.897	0.924	0.71
AL1	0.714			
AL2	0.833			
AL3	0.877			
AL4	0.897			
AL5	0.879			

Source: Survey Data (2022)

To assess the internal consistency reliability of the construct's indicators Cronbach Alpha and Composite reliability are opted. Cronbach alpha of more than 0.6 is acceptable,

otherwise 0.7 is the threshold. The construct with the alpha value of more than 0.8 is highly significant and reliable (Nunnally, 1978). As stated by Nunnally (1978) and Fornell & Larcker (1981), the Cronbach alpha and Composite Reliability of greater than 0.7 which means that the criteria of reliability is fulfilled.

(Das et al., 2008) stated that the loading value of 0.5 or greater than that can be considered significant. The loading value of all the items are greater than 0.5.

To fulfill the criteria of convergent validity of each construct, the minimum AVE value of 0.5 or greater than that is acceptable (Hair et al., 2018). Here, the AVE value ranging from 0.656 to 0.771 indicates that the construct describes greater than 50% of the variance of the items that makes up any construct.

#### 4.6.2 Discriminant Validity

*Table 17*

Fornell and Larcker Criterion

	AL	AP	BL	EX	FA	FU	PS	RS
AL	0.842							
AP	0.429	0.847						
BL	0.619	0.359	0.878					
EX	0.428	0.553	0.343	0.824				
FA	0.446	0.344	0.372	0.446	0.811			
FU	0.467	0.412	0.402	0.358	0.325	0.837		
PS	0.517	0.356	0.388	0.505	0.506	0.376	0.81	
RS	0.659	0.43	0.537	0.49	0.509	0.532	0.621	0.812

*Source: Survey Data (2022)*

Fornell & Larcker (1981) argued that to fulfill the criteria of discriminant validity, the square root of AVE of any construct needs to be higher than the correlation of that construct with another construct. This also means that average variance extracted of any construct needs to be higher than the value of square of correlation between the construct and another constructs. The values depicted in Table 18 shows that condition of discriminant validity is fulfilled.

Table 18

Cross Loadings

	AL	AP	BL	EX	FA	FU	PS	RS
AL1	<b>0.714</b>	0.292	0.448	0.249	0.315	0.314	0.356	0.406
AL2	<b>0.833</b>	0.322	0.51	0.302	0.373	0.365	0.419	0.507
AL3	<b>0.877</b>	0.358	0.562	0.363	0.409	0.422	0.46	0.568
AL4	<b>0.897</b>	0.393	0.527	0.433	0.382	0.442	0.461	0.626
AL5	<b>0.879</b>	0.424	0.553	0.418	0.394	0.408	0.469	0.629
AP1	0.387	<b>0.833</b>	0.294	0.45	0.334	0.369	0.302	0.388
AP2	0.305	<b>0.832</b>	0.211	0.41	0.234	0.311	0.238	0.285
AP3	0.371	<b>0.86</b>	0.395	0.49	0.304	0.339	0.313	0.381
AP4	0.379	<b>0.864</b>	0.294	0.512	0.278	0.367	0.339	0.383
BL1	0.485	0.286	<b>0.859</b>	0.282	0.305	0.341	0.302	0.435
BL2	0.595	0.342	<b>0.897</b>	0.318	0.346	0.364	0.376	0.504
EX1	0.336	0.482	0.252	<b>0.806</b>	0.352	0.265	0.378	0.405
EX2	0.396	0.499	0.355	<b>0.819</b>	0.407	0.382	0.402	0.433
EX3	0.351	0.418	0.246	<b>0.851</b>	0.328	0.273	0.426	0.401
EX4	0.322	0.416	0.269	<b>0.817</b>	0.379	0.249	0.462	0.369
FA1	0.365	0.262	0.332	0.368	<b>0.845</b>	0.268	0.378	0.439
FA2	0.365	0.34	0.311	0.348	<b>0.793</b>	0.274	0.402	0.385
FA4	0.355	0.239	0.26	0.367	<b>0.793</b>	0.249	0.454	0.41
FU1	0.378	0.356	0.31	0.286	0.241	<b>0.829</b>	0.327	0.427
FU2	0.388	0.344	0.319	0.315	0.268	<b>0.877</b>	0.292	0.421
FU3	0.36	0.328	0.332	0.306	0.287	<b>0.825</b>	0.33	0.443
FU4	0.432	0.348	0.377	0.291	0.288	<b>0.816</b>	0.307	0.482
PS1	0.34	0.184	0.271	0.379	0.423	0.266	<b>0.782</b>	0.453
PS2	0.406	0.343	0.31	0.426	0.415	0.262	<b>0.819</b>	0.483
PS3	0.407	0.284	0.304	0.43	0.396	0.304	<b>0.813</b>	0.476
PS4	0.503	0.331	0.362	0.402	0.41	0.372	<b>0.826</b>	0.582
RS1	0.47	0.346	0.461	0.381	0.376	0.428	0.506	<b>0.797</b>
RS2	0.569	0.355	0.424	0.409	0.424	0.436	0.516	<b>0.847</b>
RS3	0.526	0.346	0.373	0.432	0.427	0.418	0.52	<b>0.792</b>
RS4	0.553	0.368	0.419	0.395	0.423	0.452	0.508	<b>0.824</b>
RS5	0.555	0.331	0.501	0.373	0.414	0.426	0.473	<b>0.799</b>

Source: Survey Data (2022)

(Chin W, 1998) suggested that the discriminant validity of an indicator can be assessed based on the loading it has with its own construct and other construct. If an indicator loads higher with the other construct than the one it is intended to measure, then the indicator is inappropriate to be used. The cross-loading value shown in Table 19 shows that the cross-loading value of any indicator is higher with the construct it is intended to measure than the other constructs. Meaning, the indicators appropriately reflect the construct it is intended to measure.



Table 19

Heterotrait Monotrait Ratio

	AL	AP	BL	EX	FA	FU	PS	RS
AL								
AP	0.477							
BL	0.772	0.447						
EX	0.481	0.639	0.441					
FA	0.547	0.426	0.512	0.564				
FU	0.527	0.473	0.513	0.417	0.407			
PS	0.591	0.41	0.501	0.607	0.65	0.44		
RS	0.735	0.487	0.681	0.57	0.633	0.613	0.726	

Source: Survey Data (2022)

When the research is carried based on multiple items along with adequate number of sample size, the appropriate cutoff value for HTMT ratio is 0.85 (Voorhees et al., 2016). The HTMT ratio of the constructs are less than the cutoff. This means that criteria of discriminant validity is fulfilled.

#### 4.7 Assessment of structural model

##### 4.7.1 Collinearity assessment

Table 20

Assessment of Lateral Collinearity (VIF values)

Construct	RS	AL	BL
AP	1.569		
EX	1.775		
FA	1.467		
FU	1.318		
PS	1.602		
RS		1	1

Source: Survey Data (2022)

VIF is a measure used in evaluating the collinearity of variables. VIF values apology, explanation, facilitation, follow-up and problem solving have the VIF value of 1.569, 1.775, 1.467, 1.318 and 1.602 respectively. Likewise, attitudinal loyalty and behavioral loyalty both have the VIF value of 1. Joseph F. Hair et al. (2013) suggested that VIF value of greater than five indicates collinearity. Because, the value of VIF are way below five so collinearity is not a problem.

#### 4.7.2 Model fit

Table 21

SRMR Index

	SRMR
Saturated Model	0.051
Estimated Model	0.071

Source: Survey Data (2022)

Hair et al. (2020) suggested that the SRMR value of less than 0.08 depicts a good fit of the model. Since, the values of SRMR in the table is less than 0.08. This means that the model proposed in the study is appropriate for research study.

#### 4.7.3 Hypothesis Testing

Table 22

Hypothesis Testing

	Beta	Sample mean (M)	T statistics	P values
AP -> RS	0.08	0.081	1.852	0.064
EX -> RS	0.09	0.092	1.719	0.086
FA -> RS	0.17	0.172	3.586	0
FU -> RS	0.277	0.277	6.497	0
PS -> RS	0.356	0.353	7.008	0
RS -> AL	0.659	0.66	20.375	0
RS -> BL	0.537	0.537	12.202	0

Source: Survey Data (2022)

Table 23 exhibits the path coefficient (Beta) of the variables and also depicts whether the effect of one variable on other is significant or not. It can be observed apology does not have

significant impact on recovery satisfaction (Beta= 0.08, p-value>0.05). The beta value and p-value of 0.09 and p-value >0.05 of explanation and recovery satisfaction depicts that the influence of explanation is positive but insignificant. Similarly, facilitation significantly and positively influences recovery satisfaction (Beta= 0.17, p-value<0.05). Likewise, follow-up and has a positive and significant influence on recovery satisfaction (Beta=0.2777, p-value<0.05). Another service recovery strategy, that is problem solving has a positive and significant effect on recovery satisfaction (Beta=0.356, p-value <0.05). In the same way, it can be observed that the beta value and p-value of recovery satisfaction and one of the dimensions of customer loyalty, that is attitudinal loyalty are 0.659 and less than 0.05 which shows that the influence is positive and significant. The beta value of 0.537 and p-value less than 0.05 illustrates the positive and significant influence of recovery satisfaction on another dimension of customer loyalty, that is behavioral loyalty

*Table 23*

Result of R<sup>2</sup>

	R-square
AL	0.435
BL	0.288
RS	0.534

*Source: Survey Data (2022)*

Table 24 shows the value of R<sup>2</sup>, which depicts the degree to which the exogeneous variable predicts the endogenous variable. The R<sup>2</sup> value of recovery satisfaction of 0.534 shows that the variables apology, explanation, facilitation, follow-up and problem solving explains 53.4% of the recovery satisfaction. Likewise, R<sup>2</sup> value of 0.435 shows that 43.5% variation in attitudinal loyalty is explained by recovery satisfaction. Similarly, the value of 0.288 depicts that 28.8% variation in the behavioral loyalty is explained by recovery satisfaction.

Table 24

Result of  $f^2$

	AL	BL	RS
AP			0.009
EX			0.01
FA			0.042
FU			0.125
PS			0.17
RS	0.768	0.405	

Source: Survey Data (2022)

$f^2$  is the measure used to quantify the change in the  $r^2$  value when any exogeneous variable is eliminated from the model and analyze if the eliminated variable has effect on the endogenous variable (Joseph F. Hair et al., 2013). Cohen (1988) argued that the value of  $f^2$  over 0.02 and till 0.15 reflects small effect;  $f^2$  over 0.15 and till 0.35 reflects medium effect and  $f^2$  value over 0.35 reflects large affect. It can be observed that, apology ( $f^2=0.009$ ), explanation ( $f^2=0.01$ ), facilitation ( $f^2=0.042$ ) and follow up ( $f^2=0.125$ ) have small effect on estimating  $r^2$  of recovery satisfaction. On the other hand, problem solving ( $f^2=0.17$ ) has medium effect on estimating  $r^2$  of recovery satisfaction. Also, recovery satisfaction has large effect on estimating  $r^2$  of both attitudinal loyalty ( $f^2=0.768$ ) and behavioral loyalty ( $f^2=0.405$ ).

Table 25

Hypothesis Result

Hypothesis	Result
H1: Apology has a significant positive influence on recovery satisfaction of the customers.	Rejected
H2: Explanation has a significant positive influence on recovery satisfaction of the customers.	Rejected
H3: Follow-up has a significant positive influence on recovery satisfaction of the customers.	Accepted
H4: Facilitation has a significant positive influence on recovery satisfaction of the customers.	Accepted
H5: Problem solving has a significant positive influence on recovery satisfaction of the customers.	Accepted
H6: Recovery satisfaction of customers has a significant positive influence on attitudinal loyalty.	Accepted
H7: Recovery satisfaction of customers has a significant positive influence on behavioral loyalty.	Accepted

Source: Survey findings

#### 4.8 Findings

- Out of the total 441 responses, 389 (88.2%) respondents were having some kind of internet problems. While, 52 (11.9%) respondents did not have any kind of internet problem.
- Among the 389 valid responses, 210 (54%) are male and 179 (46%) are female. This depicts that greater number of respondents are male.
- Among the 389 valid responses, 39 (10%) respondents are less than 20 years of age, 328 (84.3%) respondents have an age of 20 to 30, 15 (3.9%) respondents have an age of 31 to 40, and 7 (1.8%) respondents are 41 years and above which shows that the greater number of respondents have an age of 20 to 30.
- Of the total valid respondents, 6 (1.5%) are educated up to intermediate level, 218 (56%) have taken bachelors level education and 165 (42.4%) have education level of

masters and above. This reflects that majority of the respondents have taken education up to bachelors' level.

- Among the 389 valid responses, 70 (18%) are married, 316 (81.2%) are unmarried, and 3 (0.8%) are divorcee which shows that majority of the respondents are unmarried.
- Among the 389 valid responses, 178 (45.8%) respondents were taking service from Worldlink, 43 (11.1%) were taking service from Nepal telecom, 57 (14.7%) were taking service from Subisu, 22 (5.7%) were taking service from Classic Tech, 48 (12.3%) were taking service from Vianet, and 41 (10.5%) were taking service from other internet service providers like CG Net, Arrow Tech, Dish Home, and Web surfer. This shows that majority of the respondents are taking service from Worldlink followed by Subisu and Vianet.
- Among the 389 valid responses, 38 (9.8%) were taking internet service having bandwidth of less than 20 Mbps, 123 (31.6%) were taking internet service having bandwidth from 20 to 40 Mbps, 70 (18%) were taking internet service having bandwidth from 41 to 60 Mbps, 54 (13.9%) were taking internet service having bandwidth from 61 to 80 Mbps, and 104 (26.7%) were taking internet service having bandwidth of more than 80 Mbps.
- Among the 389 valid responses, 45 (11.6%) have been taking internet service for less than one year, 141 (36.2%) have been taking internet service for 1 to 2 years, 109 (28%) have been taking internet service for 3 to 4 years, and 94 (24.2%) have been taking internet service for more than four years. This reflects that majority of the respondents have been taking internet service for 1 to 2 years.
- With respect to the occupation of the respondents, 25 (6.4%) are self-employed or having some kind of business, 13 (3.3%) have government job, 129 (33.2%) have private jobs, 1 (0.3%) is working in non-profit organization, 1 (0.3%) is retired, and 220 (56.6%) are students. This depicts that majority of the respondents are student.
- Descriptive analysis of apology shows the overall mean of 2.98 (SD=1.18) which means that customers are unsure whether the company apologized after service failure.
- Descriptive analysis of explanation shows the overall mean of 3.27 (SD=1.12) which means that the respondents slightly agree that the internet service companies explained them the reasons for service failure.

- Descriptive analysis of facilitation shows the overall mean of the 3.18 means that the customers agree that their internet service company used the facilitation strategy after the service failure.
- Descriptive analysis of problem solving shows the overall mean of 3.38 means that the customers slightly agree if the service provider solved the problem they faced.
- Descriptive analysis of follow up shows the overall mean of 2.74 means that the customers disagree that the internet service companies has used any of the follow up strategy after the service failure.
- Descriptive analysis of recovery satisfaction shows the overall mean of 3.11 which means that customers were slightly satisfied after the internet service companies used the service recovery strategies.
- Descriptive analysis of behavioral loyalty shows the overall mean of 3.08 means that the customers slightly agree that they will try the new services provided by their internet service companies.
- Descriptive analysis of attitudinal loyalty shows the overall mean of 3.13 which means that after the internet service companies use service recovery strategy, customers have a slight sense of attitudinal loyalty for their internet company.
- Correlation analysis of apology, follow up, facilitation, problem solving, explanation, recovery satisfaction, attitudinal loyalty and behavioral loyalty shows that when internet service companies use strategy like apology, explanation, facilitation, problem solving and follow up the degree of recovery satisfaction among the customers increases. In the same way, when the recovery satisfaction of the customer increases, the attitudinal loyalty and behavioral loyalty of the customers increases.
- H1 is rejected which means that apology does not significantly impact the satisfaction of the customers with service recovery. This also means if internet companies apologize for the service failure, this would not enhance the recovery satisfaction of customers.
- H2 is rejected which means that explanation does not significantly impact satisfaction of the customers with service recovery. This means that explaining the reasons for service failure may not be the appropriate strategy to make the customers satisfied with service recovery.
- H3 is accepted which means that follow-up has a significant positive influence on recovery satisfaction of the customers. This means that making regular follow ups

about the problem that customers have faced is an appropriate strategy to make the customers satisfied with the recovery process.

- H4 has been accepted which means facilitation significantly influences satisfaction of the customers with service recovery. This also means that facilitating the customers in the process of filing process after service failure enhances their satisfaction with service recovery.
- H5 is accepted which means that problem solving has a significant positive influence on recovery satisfaction of the customers. This also means that if the problems that customers are facing during service failure are solved efficiently, the customers will be satisfied with the recovery.
- H6 is accepted which means that recovery satisfaction of customers has a significant positive influence on attitudinal loyalty. This also means that customers who are satisfied with the service recovery they say positive things about the company.
- H7 is accepted which means that recovery satisfaction of customers has a significant positive influence on behavioral loyalty. This also means that customers who are satisfied with the service recovery repurchase products from the same company in the coming future.



## CHAPTER V

### DISCUSSION CONCLUSIONS AND IMPLICATIONS

This chapter of the study illustrates discussion of the findings and the conclusion and implications of the research. The findings of the research is summarized in line with the outcome drawn by the previous researchers in the same field of study. Likewise, the practical and managerial implications of the study is reflected in the chapter.

#### 5.1 Discussion

The aim of the research was to assess effect of recovery strategies on satisfaction of the customers with service recovery and the influence of satisfaction of the customers with service recovery on loyalty of customers. In the study five service recovery strategies have been defined: apology, explanation, facilitation, problem solving and follow-up.

On the initial phase, descriptive evaluation of the defined variables is done. Doing that, the study reveals that respondents moderately agree regarding the usage of service recovery strategies like apology, explanation, facilitation, follow up and problem solving. Likewise, respondents are slightly agreeing that they are satisfied by the recovery process of their company. Lastly, customers are unsure if they will go for the same company in the next future or recommend the service of the company to others.

The study has identified that apology does not have significant impact on the recovery satisfaction of the customers. This finding is contradicting with the findings of Hu et al. (2021) and Wirtz and Mattila (2004) who discovered that apology of the service providers be it human generated or robot generated influences the recovery satisfaction of the customers. On the other hand. However, the findings is consistent with the study of Sciarelli et al. (2017) which shows that apology significantly impacts service recovery satisfaction.

Mostafa et al. (2014) discovered that solving the problem of the customers is important after service. This should be done in an efficient manner and unless and until the customers problem are solved properly, they become satisfied. Outcome of the study is similar with Mostafa et al. (2014).

Regarding the impact of facilitation on recovery satisfaction, the study reveals that facilitation has significant and positive impact on recovery satisfaction of the customers. This is consistent with the findings of Johnston and Mehra (2002) which shows that facilitating in the process of lodging complaints after service recovery is impactful on the satisfaction of the customers.

The outcome of this study is similar with the findings of Liao (2007) which generated an outcome that providing an explanation of the service failure is negatively (non-significantly) related to the service recovery satisfaction. This result could be drawn because the customers might feel that the service providers are providing excuses with their unwanted excuses. This could also be because when the customers are apologized for the failure and provided with a solution, they may consider employees effort on explaining the cause of failure as waste of time.

The study reveals that regular follow up from the service providers impacts the recovery satisfaction of the customers significantly. This findings contradicts the contention of Mostafa et al. (2014) who argue that regular follow up after service failure is not effective enough for the recovery satisfaction of the customers.

Similarly, study shows satisfaction of the customers with service recovery positively and significantly impacts the attitudinal loyalty of the customers which means that if the customers are satisfied with service recovery process and its outcomes then they tend to say positive things about the service provider. This findings is supported by the result of Ghadeer (2015).

The result of this study affirms with the findings of the study by Chao and Cheng (2017) which reveals that recovery satisfaction leads to behavioral outcomes like trust commitment and loyalty of the customers. Meaning, the customers get committed to any brand or product and make repeated purchase i.e they develop behavioral loyalty if they are satisfied with recovery process.

## **5.2 Conclusion**

The study is carried out to examine the influence of recovery strategies on satisfaction of customers with service recovery and the impact of satisfaction of customers with service recovery on customer loyalty. The study revealed that all of the service recovery strategies (apology, explanation, facilitation, problem solving, and follow up) has a positive relationship with recovery satisfaction of the customers. However, not all recovery strategies have a significant positive association with satisfaction with service recovery. All recovery strategies except apology and explanation have a significant positive impact on recovery satisfaction of the customers.

Similarly, recovery satisfaction of customers also has a positive relationship with attitudinal and behavioral loyalty of the customers. The relationship is not only positive but significant as well. However, the higher beta value for attitudinal loyalty shows that recovery

satisfaction does not impact the behavioral aspects of the customers like that of attitudinal aspects.

These findings show importance of a well facilitated system in order to ease the customers to lodge complaints. In addition, the study also shows that the internet service companies should make sure that they solve the problems of customers properly and make a regular follow up to make sure that the problem has been solved properly. Likewise, the study also shows the necessity to make the customers satisfied with the service recovery process such that they say positive about their company and make repeated purchase as well.

### **5.3 Implications**

#### **5.3.1 Practical implications**

All of the service recovery strategies except apology and expectation has significant positive impact on recovery satisfaction of customers. Likewise, the study shows that customers satisfaction with service recovery positively and significantly impacts behavioral loyalty and attitudinal loyalty.

Since all of recovery strategies except apology and explanation has significant positive impact on recovery satisfaction of customers, major implications of the study could be that the managers should look forward to implement the strategy of facilitation, problem solving and follow-up so that the recovery satisfaction of the customers increases. Since, the study shows that customers are unsure if the internet service companies apologized for service, so the managers need to make sure that they use effective apology strategy after the customers have faced any service related problems.

The positive relationship between facilitation and recovery satisfaction implies that managers need to put in place a well-organized structure that makes it simple for clients to file complaints. Management of the internet service companies should ensure that they solve the problem of the complainants accurately else dissatisfaction arises among the customers.

In addition, the management also should consider to do follow ups on problems of the consumers on a regular basis to ensure that they were dealt with appropriately. Likewise, the management of the internet service companies should ensure to satisfy customers with the service recovery process so that they will speak favorably of the business and make additional purchases. The management of the service companies should also ensure to make the customers satisfied of the recovery process to improve the customer-management relationship.

### **5.3.2 Implications for future research**

The aim of the study is to examine the influence of service recovery strategies on satisfaction of the customers with service recovery. However, further studies can be done employing other strategies as well.

Majority of the studies in the past have been carried concentrating on justice theory. This shows the negligence of other related theories of service recovery. So, future research may use other related theories in service recovery domain so that it helps in better understanding theoretically and practically. In addition, future researches are needed to examine the effectiveness of two or more strategies collectively on recovery satisfaction. Likewise, future studies can be carried out study why certain service recovery strategy fails to perform on a certain environment. In addition, studies need to be done to find out which service recovery strategy is appropriate in which context.

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## APPENDIX-1

### Service Recovery Strategies, Recovery Satisfaction and Customer Loyalty In Nepalese Internet Service Companies

Dear Respondent,

I am Ankit Luitel, conducting a study entitled Service Recovery Strategy, Recovery Satisfaction and Customer Loyalty in the Nepalese Internet Service Companies as a requirement of MBA at School of Management, Tribhuvan University (SOMTU).

The aim of the research is to examine the impact of service recovery strategies on recovery satisfaction of customers, and the impact of recovery satisfaction of customers on customer loyalty.

I kindly request your assistance in completing the questionnaire and reassure you that the data will be kept private and used solely for academic purposes.

Did you ever have a problem with your internet service?

Yes

No

#### Demographic Questions

Gender

Male

Female

Age

Less than 20

20-30

31-40

More than 40

Education

Upto Intermediate

Bachelors

Masters and above

Marital Status

Married

Unmarried

Divorcee

Internet Service Provider

Worldlink

NTC

Subisu

Classic Tech

Vianet

Others \_\_\_\_\_

Internet Bandwidth

Less than 20 Mbps

20-40

41-60

61-80

More than 80

Duration of service

Less than one year

1-2 years

3-4 years

More than four years

Occupation

Self Employed/ Business

Government Job

Private Job

Non-profit organisation

Retired

Student

Others \_\_\_\_\_

<i>Service recovery strategies</i>	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>Apology</b>					
The company apologized to me for what had happened.					
The company expressed regret for the mistake that occurred.					
The company apologized for the inconvenience the problem had brought to me.					
The company apologized for what I have suffered because of the problem.					
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>Explanation</b>					
The company explained why the service problem might have happened.					
The company provided a convincing explanation for the reason for the problem.					
The company explained what factors might have caused the problem.					
The company explained what might have gone wrong.					
<b>Facilitation</b>					

It was easy to determine where to lodge my complaint.					
Company policies made it clear how to complain.					
I did not face any difficulty in communicating my complaint to the company.					
<b>Problem-solving</b>					
The service provider had the required knowledge and skills to handle the problem.					
The service provider was able to answer my questions.					
The service provider knew the solutions to the problem.					
The service provider solved the problem efficiently.					
<b>Follow-up</b>					
After solving the problem, the company contacted me to ensure that the problem has been solved completely.					
After handling the complaint, the company followed-up to make sure that everything is satisfactory.					
The company asked me to use the service to ensure that the problem has been entirely solved.					
The company has contacted me to inform me about the status of my complaint.					

### Customer Satisfaction with Recovery

<b>Recovery satisfaction</b>	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I am satisfied with the way my problem was dealt with and resolved.					
I am happy with the way my problem was solved.					

I am satisfied with the treatment from the employees involved in resolving the problem.					
I am satisfied with the procedure and the resources used to solve the problem.					
In my opinion, the firm provided a satisfactory solution to this particular problem.					

### Customer Loyalty

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
<b>Behavioural loyalty</b>					
I will try new services that are provided by this company.					
In future, if I ever need a new connection, I will go for the same company.					
<b>Attitudinal loyalty</b>					
I use this internet service because it is the best that is available.					
This internet service company is as good as others.					
I encourage friends and relatives to use the services of this company.					
I say positive things about my internet service company to others.					
I recommend my internet service company to anyone who seeks my advice.					

**APPENDIX-2**

Variables	t	df	Sig. (2-tailed)
Apology	-0.367	388	0.714
Explanation	5.794	388	0.000
Facilitation	3.729	388	0.000
Problem Solving	9.194	388	0.000
Follow-up	-5.275	388	0.000
Recovery Satisfaction	2.699	388	0.007
Behavioral Loyalty	1.698	388	0.090
Attitudinal Loyalty	2.810	388	0.005



**APPENDIX-3**

Items	t	Sig. (2-tailed)
AP1	-0.130	0.897
AP2	-1.413	0.158
AP3	0.507	0.613
AP4	-0.254	0.800
EX1	6.436	0.000
EX2	1.134	0.257
EX3	5.948	0.000
EX4	5.752	0.000
FA1	4.650	0.000
FA2	3.151	0.002
FA4	1.373	0.171
PS1	8.266	0.000
PS2	8.602	0.000
PS3	7.875	0.000
PS4	5.235	0.000
FA1	-4.335	0.000
FA2	-7.246	0.000
FA3	-1.276	0.203
FA4	-4.945	0.000
RS1	0.382	0.703
RS2	1.477	0.141
RS3	3.724	0.000
RS4	2.806	0.005
RS5	2.688	0.007
BL1	3.392	0.001
BL2	-0.330	0.742
AL1	0.474	0.636
AL2	4.722	0.000
AL3	2.390	0.017
AL4	2.828	0.005
AL5	1.568	0.118