The impact of perceived justice on behavioural intentions in retail banking: An investigation of explanatory roles of service recovery and overall satisfaction

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ABSTRACT

Customers' behavioural intentions following a service failure is a major concern in the retail banking sector, especially given the fact that the cost of keeping an existing customer is much less than that of acquiring a new one. Service recovery is widely used as a strategy to please a customer after a service failure and yet literature focusing on service recovery ignores the role of overall satisfaction, and in this way, provides an incomplete explanation of the long-term impact of perceived justice on customers' behavioural intentions. The current study strives to develop and test a service recovery model that explains the relationships among perceived justice, recovery satisfaction and overall customer satisfaction; and their effects on behavioural intentions for a retail bank in a developing economy. The study also seeks to examine the mediation roles of recovery satisfaction and overall satisfaction on the relationship between justice and behavioural intentions. To test the proposed model, data collected from 210 bank customers who recently experienced problems with their bank, were analysed using the partial least squares structural equation modelling (PLS-SEM). The results suggest that the influence of justice on behavioural intentions is mediated by recovery satisfaction and overall satisfaction in series. Thus, the results reveal that the inclusion of overall satisfaction in service recovery models increases their explanatory power. Furthermore, an exploration of the mechanisms that enable justice to influence behavioural intentions stands out as one of the few empirical attempts that can bridge the theoretical gap arising from paucity of studies in this area. The theoretical and practical implications are discussed.

Keywords: Behavioural intentions, overall satisfaction, perceived justice, serial mediation, service recovery satisfaction, retail banking

INTRODUCTION

Prediction of the future behavioural intentions (BIs) of customers is critical for business survival in the financial services industry (Cronin, Brady & Hult, 2000; Petzer, De Meyer-Heydenrych & Svensson, 2017). From a marketing perspective, BIs refer to the likelihood of a customer to take specific favourable behavioural actions (repurchase and positive word-of-mouth (WOM) intentions) (Nadiri, 2016) or unfavourable behavioural intentions like switching to another supplier (Söderlund & Colliander, 2015). The factors that lead to favourable future BIs arise from satisfaction of the customer while factors that lead to unfavourable BIs emanate from the customers' dissatisfying service experiences (Oliver, 2015:6; Sheeran & Webb, 2016). As a result, organisations strive for total satisfaction of customers all the time to develop loyal customers for their survival. However, total satisfaction is sometimes not

achievable, especially in retail banking, because service failures are always inevitable (Nadiri, 2016) as they are in most retail service industries (Singh & Crisafulli, 2016).

The occurrence of a service failure may lead to customer dissatisfaction and a decline in the customer's confidence with the supplier, especially in the retail banking sector (Petzer et al., 2017). The different actions customers may take after experiencing a service failure include complaining to the supplier, spreading negative WOM (Choi & Choi, 2014; Nadiri, 2016) or switching to an alternative supplier (Petzer et al., 2017). In general, there is a strong positive association between customer dissatisfaction and their switching intentions (Oliver, 2015:4). Switching intentions refers to the wishes of the customer to voluntarily stop buying from the current supplier in preference for another (Nadiri, 2016). Such actions of customers are not desirable given that the cost of retaining an existing customer is almost five times more than that of acquiring a new one (Reichheld & Sasser, 1990). Furthermore, retaining existing customers increases the profitability of an organisation (Reichheld & Sasser, 1990). The undesirable consequences of service failures compel service providers to have effective service recovery systems. Every occurrence of a service failure is a potential to lose some customers. It is from that view that researchers in the service recovery stream emphasise on the need to determine the customer's future BIs, once a service failure occurs.

Competition in the retail banking industry has become so intense that survival is leveraged mainly on customer retention (Petzer et al., 2017). The unavoidability of service failures means that organisations have to rely on service recovery to restore the satisfaction of customers. Service recovery refers to all the actions of a service provider to address the problem caused by service failure (Han et al., 2019; Harun et al., 2019). Both practitioners and researchers recognise the importance of customer's satisfaction with service recovery solution (RecSat) for the formation of favourable BIs. However, other researchers (Jones & Suh, 2000; Maxham & Netemeyer, 2002; Kruger et al., 2015; Oliver 2015:6) hold the view that, while RecSat reflects the immediate emotional response of a customer to the service failure, it may not be sufficient to influence the long-term decision of customer to continue with or terminate the relationship with a supplier. The argument is that customers make their long-term loyalty decisions on the basis of their overall satisfaction with the supplier (OCS). Given this argument, the ultimate strategic goal of every retail banker should be to achieve OCS (Petzer et al., 2017; Harun et al., 2019). However, the frequent service failures that frustrate customers in this industry works against this goal (Kruger et al., 2015).

It will be difficult to achieve OCS without an understanding of its antecedents in the context of service failures and service recovery. Researchers contend that when customers evaluate their overall satisfaction with a service provider, they also consider perceived justice (Zhao et al. 2012). Perceived justice is a subjective judgment about how consumers feel about their treatment by the supplier (Zhao et al., 2012). As a result, perceived justice has been used to evaluate the effectiveness of a recovery solution to a service failure (Choi & Choi, 2014) and OCS (Maxham & Netemeyer, 2002). Therefore, the outcome of service recovery evaluations may lead to overall satisfaction or dissatisfaction, which may trigger favourable or unfavourable behavioural intentions respectively (Smith et al., 1999; McCollough et al., 2000; Orsingher et al., 2010; Gelbrich & Roschk, 2011).

Most of the service recovery researchers (Tax et al., 1998; Smith et al., 1999; McColl-Kennedy & Sparks, 2003; Matikiti et al., 2018; Petzer et al., 2017) who used perceived justice to evaluate service recovery, focused on RecSat as the target construct. Although this stream of studies has improved our understanding of the service recovery concept, they may have overlooked the long-term impact of perceived justice on the BIs of customers. The argument for this is that customers may be dissatisfied with a specific service encounter and yet still be satisfied with the overall performance of the supplier.

Some authors (Blodgett et al., 1997; Tax et al., 1998; Smith et al., 1999; Maxham & Netemeyer, 2002; Matikiti et al., 2018; Han et al., 2019) have suggested that RecSat contributes to OCS, which in turn affects the BIs of the customer. Such an argument would suggest that the exclusion of OCS from BIs frameworks presented by previous researchers (McCollough et al., 2000; Nikbin et al., 2012) is a noteworthy concern as it limits the use of such models in the prediction of a customer's long-term behavioural loyalty intentions.

It is indeed ironic that BIs models based on service recovery ignore OCS in explaining the process by which perceived justice affects the future BIs of customers. We believe that including the OCS in the BIs model based on service recovery, will increase its explanatory power. Furthermore, empirical studies that have examined how perceived justice will affect RecSat, OCS and BIs simultaneously, are rare in literature. In order to bridge this gap, this study investigates the impact of perceived justice and service recovery on BIs and the explanatory roles of RecSat

and OCS in the context of service failure in the retail banking sector. Specifically, the objectives of this study were: 1) to develop a service recovery BIs model that incorporates perceived justice, RecSat, OCS and 2) to examine the explanatory roles of RecSat and OCS in the relationship between perceived justice and BIs, using empirical data from customers of a retail bank who experienced a service failure problem.

The rest of the paper is structured as follows: the next section provides literature reviews of the constructs under investigation, leading to the development of hypotheses and the conceptual framework for the study. That is followed by a description of the methods used to collect and analyse data, before presentation of results. Next, will be a discussion of the results, an outline of the implications and limitations of the research, and finally the conclusion.

LITERATURE REVIEW, DEVELOPMENT OF HYPOSESES AND CONCEPTUAL FRAMEWORK

The current study is underpinned by the Theory of Planned Behaviour (TPB) framework (Ajzen, 2016). According to this theory, BIs are the best predictors of actual behaviour. However, according to Choi and Choi (2014), the determinants of BIs are context-related and may be influenced by service failures. The way consumers' feel about the fairness of a service recovery solution may cause them to terminate their relationship or continue with the same supplier. Perceived justice is measured using distributive (DJ), interactional (IJ) and procedural (PJ) justice (McColl-Kennedy & Sparks, 2003; Nikbin et al., 2010; Petzer et al., 2017). DJ refers to the customer's concern about the magnitude of the compensation given by the supplier for the loss suffered due to a service failure. In addition, IJ refers to the perceptions of customers about the treatment they get from company employees during the service recovery process while PJ refers to the procedures used in the service recovery process (Orsingher et al., 2010; Abney et al., 2017; Petzer et al., 2017). While some researchers have studied the infleunces of these dimensions separately (Nikbin et al., 2012), others have studied their aggregated effects as the perceived justice construct (McCollough et al., 2000; Gelbrich & Roschk, 2011; Moliner-Velázquez et al., 2015). The conclusion by Gelbrich and Roschk's (2011) meta-analysis on service recovery is that it does matter whether perceived justice is conceptualised as separate dimensions or the combined ones, the outcome will be the same. In this study, perceived justice was used to refer to the aggregate influence of its three dimensions.

Researchers have used the Social Exchange and Equity theories (Roschk & Gelbrich, 2017) to explain how customers evaluate the fairness of a recovery process. The Social Exchange theory holds that parties in a social exchange will view their relationship as fair if it is balanced. A balanced social exchange is a situation whereby neither party gains over the other (Roschk & Gelbrich, 2014). From the marketing perspective, the Equity theory asserts that customers will perceive unfairness in a social exchange if the inputs to output ratios of the parties in a social exchange are not equal (Roschk & Gelbrich, 2017). A service failure automatically leads to an imbalance of the social exchange process because it deprives consumers of what they deserve in the social exchange process. Therefore, after experiencing a service failure, consumers will expect a restoration of equity (Blodgett et al., 1997; Matikiti et al., 2018). Failure to restore equity may lead to unfavourable future BIs.

Relationships among perceived justice, RecSat, OCS and BI

The link between perceived justice and RecSat has been examined in different contexts. For example, perceived justice was used as a predictor of RecSat in the airline industry (Matikiti et al., 2019), restaurant industry (Zhao et al., 2012), online shopping (Singh & Crisafulli, 2016; Abney et al., 2017), hospitality industry (Jeong & Lee, 2017; Tsao, 2018) and in the banking industry (Li-hua, 2012; Nadiri, 2016; Petzer et al., 2017). In their meta-analysis on service recovery, Orsingher et al. (2010) and Gelbrich and Roschk (2011) reported that the dimensions of perceived justice had a direct influence on RecSat. This relationship was also confirmed by Prasongsukarn and Patterson (2012), Murphy et al. (2015), Hazee et al. (2017), and Han et al. (2019). In consideration of the aforementioned arguments, the following hypothesis was made:

H_1: Justice will have a direct influence on the customer's satisfaction with a service recovery process (RecSat).

Complete consumer satisfaction is critical for customer loyalty but researchers (Jones & Sasser, 1995; Jones & Suh, 2000; Maxham & Netemeyer, 2002; Oliver, 2015:6) make a distinction between the influences of transaction-

specific satisfaction and OCS on BIs. Transaction-specific satisfaction refers to a customer's satisfaction with a specific service encounter, whereas OCS refers to satisfaction with the overall performance of the service supplier (Jones & Suh, 2000). Since RecSat refers to satisfaction with a specific service recovery encounter, it is classified as a transaction-specific satisfaction construct. As such it is expected that perceived justice should have a stronger influence on RecSat than on OCS. However, only a few studies have investigated the differential influences of perceived justice on the two types of satisfaction in a single study involving service recovery. For example, Maxham and Netemeyer (2002), Homburg and Furst (2005) and Zhao et al. (2012) established a direct impact of the dimensions of perceived justice on RecSat and OCS. Based on these findings, the following was hypothesized:

H_2: Perceived justice will have a direct influence on OCS in the context of service recovery

Perceived justice has been recognised as an important influencer of the consumer's BIs (Smith & Bolton, 1998; Tax et al., 1998; Nikbin et al., 2012). While Maxham (2001) contends that successful service recovery solutions lead to RecSat and favourable BIs, failed service recoveries may lead to unfavourable BIs (Quy & Lan, 2014; Quy, 2015). Thus, the service recovery solution can either win back a customer or exacerbate the problem. Literature on consumer behaviour assumes that the post-buying BIs are a direct reflection of the consumers' satisfaction or dissatisfaction with the previous exchange process (Roberts-Lombard & Parumasur, 2017). In that regard, the BIs of consumers, after a service failure, reflect consumers' perceptions of the fairness of the recovery solution.

The above views have empirical support from studies on service recovery literature. For instance, Davidow (2000) tested and reported that the dimensions of perceived justice had a positive influence on return intent and WOM. Similarly, Hocutt et al. (2006) conducted a field study and reported that the three dimensions of perceived justice jointly impacted on the consumer's WOM. The experimental results from study 1 of Liao (2007) demonstrate that the dimensions of perceived justice had a positive impact on the consumer's return intent. Several other studies have demonstrated the direct influence of perceived justice on BIs (Nikbin et al., 2012; Wen & Chi, 2013; Matikiti et al., 2018). It is therefore logical to make the following hypothesis:

H_3: Perceived justice will have a direct effect on the customers' BIs in the context of retail banking service recovery.

Relationships among RecSat, OCS and BI

Studies on satisfaction (Jones & Suh, 2000) and service recovery (Maxham & Netemeyer, 2002) make a distinction between effects of transaction-specific and cumulative satisfaction (OCS) on BIs. This distinction is important in the understanding of the effects of RecSat on the future relationship intentions of the consumer. Oliver (2015) contends that transaction-specific satisfaction is an interim satisfaction, which would be aggregated to form OCS. In the context of this study, RecSat was classified as an interim satisfaction state of the onsumer. In their meta-analysis of several articles on service failure and recovery, Orsingher et al. (2010) as well as Gelbrich and Roschk (2011) found that RecSat had a direct influence on both OCS and BIs. Earlier studies in different contexts (Jones & Suh, 2000; Ambrose et al., 2007) also found that transaction-specific satisfaction had a direct influence on OCS and BIs. In their study, Maxham and Netemeyer (2002) reported that RecSat had a direct influence on OCS and BIs in the service recovery context. The same authors found that the influence of RecSat on WOM was stronger than that of OCS but OCS had a stronger influence on repurchase intentions than RecSat. More interestingly, these authors also found that even after experiencing a service failure, customers who were satisfied with the overall performance of the supplier (OCS) remained loyal to their supplier. Recently, Nadiri (2016) reported findings in which RecSat had a direct influence on WOM and repurchase BIs of bank customers in Dubai. Similar results of the direct influence of RecSat on BIs were reported by Petzer et al. (2017) in the retail banking sector in South Africa. Taken together, the above findings lead to the following hypotheses:

H_4: RecSat will have a positive direct impact on OCS in the context of retail banking service recovery.

H_5: RecSat will have a direct impact on BIs in the context of retail banking service recovery.

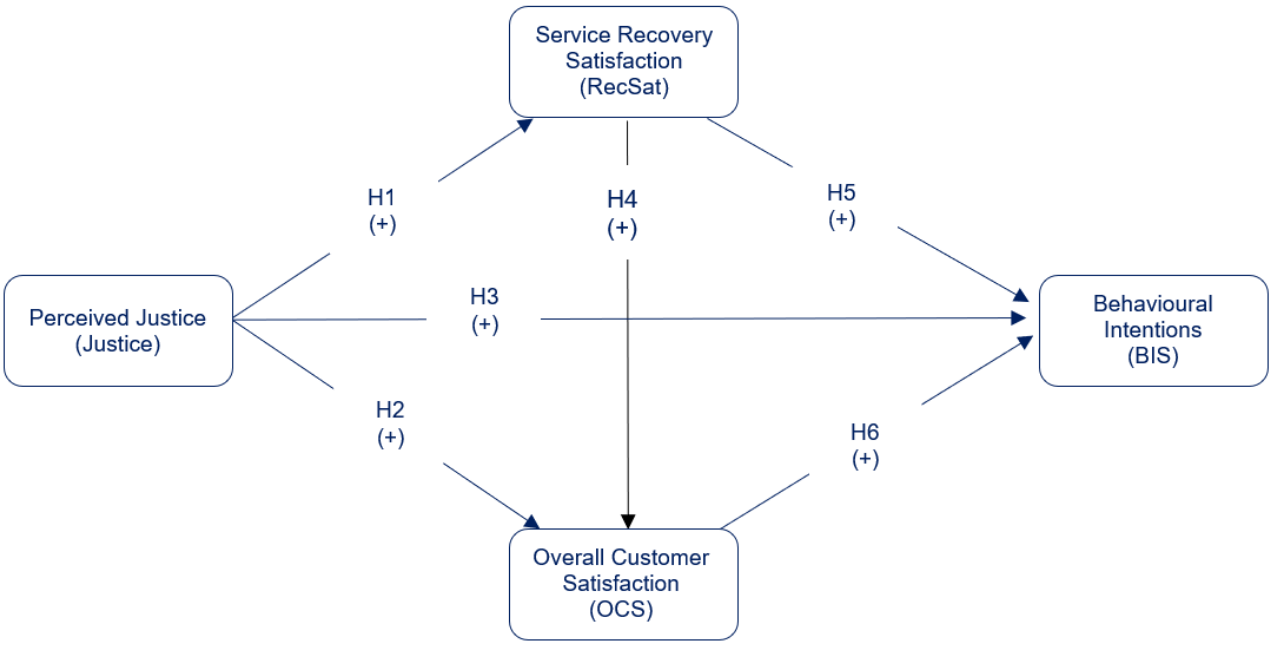
The influence of RecSat and OCS on the BIs is not the same in every situation. For example, Maxham and Netemeyer (2002) found that customers considered OCS more important in the development of BIs than RecSat. Thus, drawing from the study by Maxham and Netemeyer (2002), it is hypothesised that:

H_6: The direct impact of OCS on BI will be stronger than that of RecSat.

Development of the conceptual framework for the study

The hypothesised relationships (H1 to H6) among the variables (Perceived justice, RecSat, OCS and BI) discussed in the preceding sections were summarised into a conceptual model for the study as shown in Figure 1.

FIGURE 1
CONCEPTUAL FRAMEWORK FOR THE STUDY



The independent variable is the perceived justice construct; RecSat and OCS are endogenous variables with BI as the dependent variable.

Prediction of nomological networks among the variables

An examination of the relationships in the integrated conceptual framework for the study (Figure 1) suggests that there are a number of trivariate relationships. The model suggests that perceived justice has direct influence on RecSat, OCS and BIs. In line with the objective of the study, the model also suggests that the relationships between perceived justice and BIs will be mediated by RecSat and OCS in series and in parallel. We sought to examine these predicted nomological networks in the conceptual framework in attempt to explain the roles of RecSat and OCS in the relationship between perceived justice and BIs. This led to the following mediation relationships to be hypothesised:

H_7: The relationship between perceived justice and OCS will be mediated by RecSat.

H_8: RecSat and OCS will have a double mediation of the indirect relationship between perceived justice and BIs.

H_9: The indirect relationship between perceived justice and BIs will be mediated by RecSat and OCS in series.

METHODOLOGY

Data collection, sample and procedures

Data were collected from bank customers in Lesotho who had experienced a real-life service failure. In an attempt to upgrade its systems, the bank experienced a technical glitch, which led to serious mistakes on the depositors' accounts. This problem led to a public outcry among the consumers. The affected bank is the biggest and most popular bank in the country, and has a network of branches across the country including in the surveyed community. A self-administered questionnaire was distributed to customers of the affected bank by dropping them at the participants' places of resident and/or their work places and left for a week before a follow up to collect them was made. Before the questionnaire was dropped the respondents were asked if they were operating any account with a bank. Because there are only two popular banks operating in this part of the country, the questionnaire required participants to indicate their bank, and to relate their answers to the most recent service failure experienced. Out of the 350 questionnaires distributed, 229 were returned. Of the returned completed questionnaires, 220 (63 percent) were of the targeted bank of which only 210 (60 percent) were usable. The questionnaire had a cover note advising participants that the study was for academic purposes only and that their participation was entirely voluntary.

The sample consisted of 115 females (54.76%) and 95 males (45.24%). The majority of the participants (183 or 87.14%) were aged between 21 and 30 years. In addition, 175 (83.33%) of the participants had used the bank for less than 5 years, while 30 (14.29%) had used the bank for more than 5 years but less than 10 years. Only 5 (2.38%) had used the bank for more than 10 years. This shows that the participants were generally familiar with the bank they were evaluating. In terms of the monthly incomes, at the time of study, 13 (6.19%) earned between R15000 and R20000, 11 (5.24%) earned between R10000 and R15000, 21 (10%) earned between R5000 and R10000, while 165 (75.57%) earned below R5000.

Measures

The items used to measure each construct were adapted from previous studies on similar topics but modified to suite the context of the study. Perceived justice was measured using nine indicators while each of the other variables was measured using three items per construct, on a seven point Likert scale, anchored by 1 = strongly disagree and 7 = strongly agree. The statements of the indicators and the sources from which they were adapted are shown in Table 1.

Data analysis and model evaluation

The study used partial least square structural equation modelling (PLS-SEM) for data analysis. The evaluation of the model followed Hair et al.'s (2019) two stage model assessment in PLS-SEM. The first stage involved an assessment of the reliability and validity of the measurement (outer) model. The internal reliability of the model was assessed on the basis of indicator outer loadings, Cronbach's alpha 'α', and the Composite reliability (CR) (Hair et al., 2019). The minimum threshold for indicator outer loadings, α and CR was 0.70 (Hair et al., 2019). Since all the constructs were of reflective nature, items with loadings below 0.70 (DJ3, IJ1, IJ3, PJ1, PJ3 and BI2) were dropped to improve the reliability of their constructs.

The convergent validity of the model was assessed using the average variance extracted (AVE) of the constructs, while the discriminant validity was assessed on the basis of both the Fornell-Larker criterion (Hair et al., 2017) and the heterotrait-monotrait (HTMT) ratio of correlations (Henseler et al., 2015). The minimum threshold for AVE was 0.50. For the Fornell-Larker criterion, the square root of each construct's AVE should be higher than its correlations with other latent constructs (Hair et al., 2017). For HTMT discriminant validity, the ratio between two constructs must not exceed a maximum of 0.85 (Henseler et al., 2015).

The structural (inner) model was assessed in the second stage using the statistical significance of the path (β) coefficients, the explanatory power (R^2) and effect sizes (f^2). Following Hair et al.'s (2017) suggestion, R^2 values of 0.75,

TABLE 1
CONSTRUCT, ITEM DESCRIPTION AND THEIR SOURCES

Construct	Item	Item description	Source
Justice	DJ1	The outcome I received was fair	Prasongsukarn and Patterson (2012) Petzer et al. (2017))
	DJ2	I got the outcome I deserved	
	DJ3	The compensation I received pleased me	
	IJ1	The bank showed concern to my problems	Prasongsukarn and Patterson (2012) Petzer et al. (2017))
	IJ2	The bank's communication was very apologetic	
	IJ3	The employees treated me fairly	
	PJ1	The bank was very flexible in dealing with the problem	Smith et al.(1999
	PJ2	The bank followed the procedures I expected	
	PJ3	The procedures of resolving the problem were fair to me	
Recovery satisfaction (RecSat)	RSat1	I felt good about the way the problem was rectified	Smith et al.(1999) Petzer et al. (2017))
	RecSat2	I was happy with the way the bank addressed my problem	
	RecSat3	The way the problem was resolved satisfied me	
Overall satisfaction (OCS)	GS1	I am generally satisfied with convenience provide by my bank	Cronin et al. (2000)
	GS2	Generally, I feel satisfied with the services offered by my bank	
	GS3	Overall, I am satisfied with my bank	
Behavioural intentions (BI)	BIs1	I intend to continue using my bank in the future	Petzer et al. (2017))
	BIs2	I would highly recommend my bank to others	
	BIs3	Even if I had a choice, I would not switch to another bank	

0.50 and 0.25 indicate a substantial, moderate and weak in-sample predictive accuracy of the model, respectively. Similarly, f2 values of 0.02, 0.15, and 0.35 indicate small, medium and large effect size respectively (Hair et al., 2017). The mediation effects were analysed using the results of bootstrapping procedure (Nitzl et al., 2016). The sample was bootstrapped 5 000 times and the bootstrap reports were analysed using the total effects, the total indirect effects and specific indirect effects (Nitzl et al., 2016; Hair et al., 2019).

Although the fitness of the model to empirical data was also evaluated in this study, it should be noted that model fit in the context of PLS-SEM does not necessarily carry the same connotations implied in the context of covariance-based structural equation modelling (CB-SEM). In PLS-SEM, testing for model fit is not popular but of late, Henseler et al., (2016) has recommended that model fit in PLS-SEM can be conducted on the basis of the standardised root mean square residual (SRMR). An SRMR value of zero indicates a perfect fit and the maximum acceptable SRMR value is 0.080.

RESULTS

Assessment of the measurement model

The results of the internal reliability and validity assessments are shown in Tables 2 to 4. As shown in Table 2, the outer loadings of all the indicators were above 0.70, ranging from 0.724 to 0.914. All the indicator loadings were statistically significant (two-tailed t-values were above 2.58; $p \leq 0.01$), ranging from 13.583 to 102.405, indicating high internal reliability of the items on the constructs they measure. Generally, the constructs' Cronbach alphas (α) and CR of all the constructs were above the 0.70 minimum cut-off point (Hair et al., 2017). Even though α for BI (0.673) was below 0.70, the item was retained in the model to ensure the content validity of the construct and also because its CR (0.859) and AVE (0.753) were above the minimum levels acceptable (Henseler et al., 2016; Hair et al., 2017). The convergent validity (AVE), shown in Table 2, reveal that the AVE values for all the constructs were above 0.50 (Henseler et al., 2015), ranging from 0.601 to 0.753.

TABLE 2
CONSTRUCT RELIABILITY AND VALIDITY ASSESSMENT RESULTS

Item	Outer loadings	t-statistic	P values	Construct	Cronbach Alpha (α)	Composite Reliability	AVE
BI1	0.857	27.654	0.000	BI	0.673	0.859	0.753
BI3	0.879	29.584	0.000				
DJ1	0.868	50.938	0.000	JUST	0.779	0.857	0.601
DJ2	0.755	18.335	0.000				
IJ2	0.724	13.583	0.000				
PJ2	0.748	16.965	0.000				
OCS1	0.728	15.370	0.000	OCS	0.793	0.878	0.708
OCS 2	0.871	37.067	0.000				
OCS 3	0.914	102.405	0.000				
RecSat1	0.855	40.962	0.000	RecSat	0.798	0.881	0.713
RecSat 2	0.899	62.044	0.000				
RecSat 3	0.775	20.381	0.000				

***Note**: Significance means p<0.05*

Assessment of discriminant validity

The results of the Fornell-Larker criterion method of discriminant validity assessment are shown in Table 3 while Table 4 displays the HTMT ratios for assessing discriminant validity.

TABLE 3
FORNELL-LARKER CRITERION

	BIs	Justice	OCS	RecSat
BIs	0.868			
Justice	0.405	0.776		
OCS	0.588	0.547	0.841	
RecSat	0.448	0.671	0.607	0.844

As shown in Table 3, the square root of AVE (diagonal values) were higher than the inter-construct correlations, which indicates a sufficient discriminant validity of the variables. However, according to Hair et al. (2017) and Henseler et al. (2015), the Fornell-Larker criterion sometimes performs poorly in the assessment of discriminant validity when construct indicator loadings vary marginally. As a result, the more robust HTMT method was employed to assess the discriminant validity of the constructs. The results of the HTMT discriminant validity are shown in Table 4.

TABLE 4
HTMT RATIOS OF CONSTRUCT CORRELATIONS

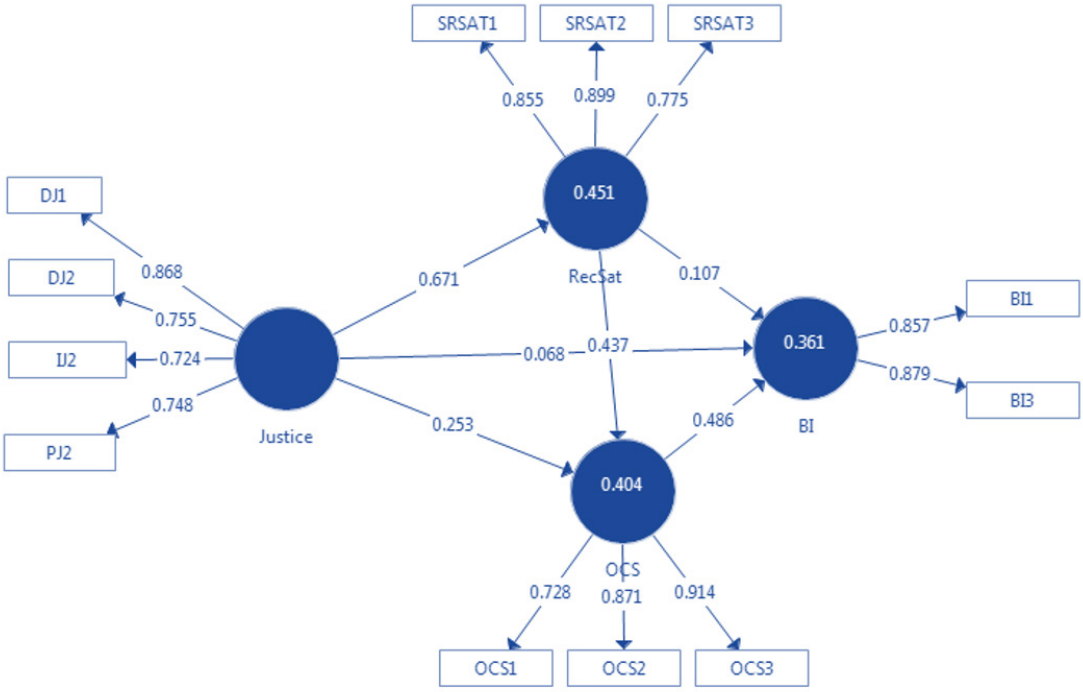
	BIs	**Justice**	**OCS**	**RecSat**
BIs				
Justice	0.544			
OCS	0.784	0.666		
RecSat	0.607	0.835	0.733	

As shown in Table 4, all the HTMT ratios of correlations were below 0.85 (Henseler et al., 2015; Henseler et al., 2016), ranging from 0.544 to 0.835. On the basis of this criterion, it was concluded that the constructs used in the study demonstrated sufficient discriminant validity. Taken together, the findings reported in Tables 2, 3 and 4 show that the outer model had adequate internal reliability, convergent and discriminant validity respectively, to warrant the assessment of the structural model (Hair et al., 2017).

Assessment of the structural model and hypotheses testing

The structural model was assessed using R^2, the significance of path coefficients (β values) and the effect sizes (f^2). The results of the R^2 assessment are presented in Figure 2, while the statistical significances of structural paths (β-values) are shown in Table 5. The results for effect size (f^2) are shown in Table 6.

FIGURE 2
STRUCTURAL PATH COEFFICIENTS AND R2



Notes: BI= behavioural intentions; OCS =overall customer satisfaction and RecSat= service recovery satisfaction.

According to Hair et al., (2017), R^2 values indicate the in-sample predictive accuracy of the model. As shown in Figure 2, the in-sample predictive accuracy of the model was moderate, as the R^2 value for the target construct (BI) was only 36.1% (Hair et al., 2017). The results also revealed that perceived justice and RecSat jointly explained 40.4% of the variance in OCS, while perceived justice e explained 45.1% of the variance in RecSat. The R^2 values were considered acceptable given that the number of variables in the model were few. The path coefficients for structural relationships in Figure 2 revealed that perceived justice had the strongest influence on RecSat (β = 0.671, ρ < 0.01) while its direct effects on OCS (β = 0.253, ρ < 0.01), and on BI (β = 0.068, ρ = 0.442), were considered to be moderate and insignificant, respectively. Similarly, RecSat had a strong positive influence on OCS (β = 0.437, ρ < 0.01) but its direct influence on BI on Table 5, was statistically insignificant (β = 0.107, t= 1.183, ρ = 0.237). As expected, the direct influence of OCS on BI was relatively large and statistically significant (β = 0.486, t= 6.528, ρ = 0.000).

Hypotheses testing

The evaluation of the statistical significance of the direct structural relationships in Figure 2 involved the bootstrapping of the sample 5000 times to get the t-values, ρ-values and the bias-corrected bootstrap confidence

intervals (CI). Although the reports of statistical significances of the structural paths in the tables show the t-values, ρ-values and CI values, only the t-values and ρ-values were reported in the text. The results of the bootstrapping procedure for the structural relationships and their statistical significance are shown in Table 5.

TABLE 5
B-VALUES AND HYPOTHESES AND STRUCTURAL PATH TESTING

Hypothesis	Relationship path	Path coefficient	t-value	p-value	Confidence Interval bias corrected		Result
					2.5%	97.5%	
H1	Justice -> RecSat	0.671	13.266	0.000	0.561	0.753	Supported
H2	Justice -> OCS	0.253	3.336	0.001	0.095	0.386	Supported
H3	Justice -> BIs	0.068	0.769	0.442	-0.103	0.229	Rejected
H4	RecSat -> OCS	0.437	6.088	0.000	0.284	0.561	Supported
H5	RecSat -> BIs	0.107	1.183	0.237	-0.072	0.272	Rejected
H6	OCS -> BIs	0.486	6.528	0.000	0.340	0.612	Supported

***Note**: Significance means p < 0.05 and confidence interval (CI) must not cross or include zero.*

The directional hypotheses H1, H2, and H3 predicted that perceived justice would have a positive impact on RecSat, OCS and BI respectively (see Figure 1). As shown in Table 5, the Justice -> RecSat and Justice-> OCS direct relationships were significant (β = 0.671, t=13.266; p=0.0000, and β = 0.253, t=13.266; p=0.000, respectively). Thus, H1 and H2 were supported. On the contrary, the directional path Justice -> BI was not significant (β = 0.068, t=0.769; p =0.442), thus, H3 was rejected. The directional paths H4 and H5 predicted that RecSat would have a direct positive influence on OCS and BI, respectively. Table 5 reveals that the RecSat -> OCS directional path was significant (β = 0.437, t=6.088; p=0.000), thus, H4 was accepted. However, the RecSat -> BI directional path was not significant (β = 0.107, t = 1.183; p = 0.237), thus H5 was rejected. Overall, customer satisfaction (OCS) was predicted to have a direct positive influence on BI (H6). The findings reported in Table 5 show that the OCS -> BI directional path was significant (β = 0.486, t= 6.528; p=0.000), and thus, H6 was also supported.

Assessment of effects size (f^2)

In addition to the evaluation of the foregoing structural relationships, the relative contributions of the exogenous variables on the R^2 of the endogenous variables were assessed on the basis of their effect sizes (f^2) (Hair et al., 2017). The results are shown in Table 6.

TABLE 6
RESULTS OF *F*-SQUARE

	BIs	Justice	OCS	RecSat
BIs				
Justice	0.004		0.059	0.820
OCS	0.221			
RecSat	0.008		0.176	

By employing Hair et al.'s (2017) criteria for assessing effect sizes (f^2), the results in Table 6 reveal that the effect size of perceived justice on BI (0.004) was insignificant while its effect size on OCS was weak (0.059). In contrast, the effect size of perceived justice on RecSat (0.820) was very large. The effect size of RecSat on BI (0.008) was not significant while the effect size of OCS on BI (0.221) was very large. The effect size of RecSat on OCS (0.176) was moderate. In summary, these results show that only the effect size of OCS on BI was quite pronounced but the effect sizes of perceived justice and RecSat were only important for influencing OCS.

Mediation effects of RecSat and OCS on the relationship between Justice and BI

In line with the second objective of the study, the mediating effects of RecSat and OCS on the relationship between perceived justice and BI were assessed. The directional hypothesis H7 predicted that the relationship between perceived justice and BI would be mediated by RecSat. Hypothesis H8 predictied a parallel mediation in which the relationship between perceived justice and BI would be mediated by RecSat and OCS in parallel. Hypothesis H9 predicted a successive mediation in which the relationship between perceived justice and BI would be mediated by RecSat and OCS in series. Using the approaches of Zhao et al. (2010) and Nitzl et al. (2016), the results of the total indirect effects, specific indirect effects and total effects in Table 7, were analysed to determine the type of mediation of these constructs.

Total effects

TABLE 7
TOTAL EFFECTS

Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	t- Statistics (|O/STDEV|)	p-values	95% Confidence Interval bias corrected (CI)	
						2.5%	97.5%
Justice -> BIs	0.405	0.415	0.059	6.854	0.000	0.292	0.506
Justice -> OCS	0.547	0.551	0.050	10.921	0.000	0.424	0.631
Justice -> RecSat	0.671	0.675	0.051	13.266	0.000	0.561	0.753
OCS -> BIs	0.486	0.491	0.074	6.528	0.000	0.340	0.612
RecSat -> BIs	0.319	0.310	0.095	3.349	0.001	0.126	0.490
RecSat -> OCS	0.437	0.437	0.072	6.088	0.000	0.284	0.501

***Notes**: Significance means p<0.05 and Confidence interval must not cross or include zero*

The total effect of perceived justice on BI (β=0.405, t= 6.854, p= 0.000), OCS (β=0.547, t= 10.921, p= 0.000) and RecSat (β=0.671, t= 13.266, p= 0.000), were all statistically significant. Similarly, the total effect of OCS on BI (β=0.486, t= 6.528, p= 0.000), that of RecSat on BI (β=0.319, t= 3.349, p= 0.0001) and that of RecSat on OCS (β=437, t= 6.088, p= 0.000) were also significant. In a way, these results indicate that including OCS in the BI model involving service recovery and perceived justice, was important.

To determine the differential influences of predictor variables on BI, we examined the total indirect effects and the specific indirect effects from the full report of bootstrapping. The results of the total indirect effects are shown in Table 8.

TABLE 8
TOTAL INDIRECT EFFECTS

Relationship	Original Sample (O)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P values	95% Confidence Interval bias corrected (CI)	
					2.5%	97.5%
Justice -> BIs	0.337	0.069	4.910	0.000	0.201	0.466
Justice -> OCS	0.293	0.054	5.442	0.000	0.196	0.399
Justice -> RecSat						
OCS -> BIs						
RecSat->BIs	0.212	0.048	4.453	0.000	0.125	0.301
RecSat->OCS						

***Notes**: Significance means p<0.05 and Confidence interval must not cross or include zero*

As shown in Table 8, the total indirect effect of perceived justice on BI (β = 0.337, t= 4.910, p= 0.000) was significant. In a similar vein the total indirect effect of perceived justice on OCS (β =0.293, t=5.442, p=0.000) was also significant. Similarly, the total indirect effect of RecSat on BI (β = 0.212, t=4.453; p=0.000) was also significant. The conceptual framework in Figure 1, predicted that perceived justice would affect BI through three possible indirect structural paths: 1) the Justice -> OCS -> BI; 2) the Justice -> RecSat -> OCS -> BI and 3) the Justice -> RecSat -> BI. As the RecSat->BI structural path in Table 5 (H5) was insignificant, it was concluded that the indirect effect of perceived justice on BIs occurred through the other two indirect relationships (Justice -> OCS -> BI and Justice -> RecSat -> OCS -> BI). As a result, H8, which predicted that both RecSat and OCS would doubly mediate the indirect relationship between perceived justice and BI, was not supported. The specific contributions and statistical significance of these two indirect effects were also examined from the full bootstrapping report. Table 9 shows the results of the specific indirect effects and their statistical significances.

TABLE 9
SPECIFIC INDIRECT EFFECTS

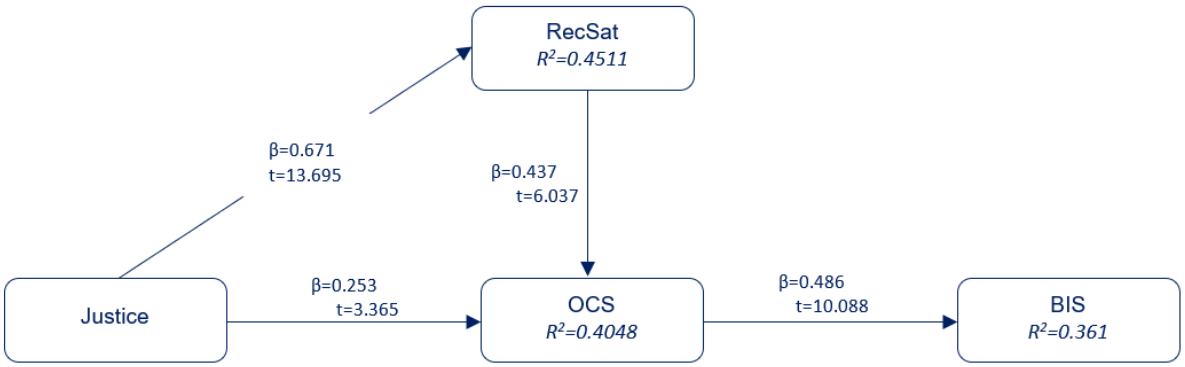
Relationship	Original Sample (O)	Standard Deviation (STDEV)	t- Statistics (|O/STDEV|)	p-values	95% Confidence interval bias corrected (CI)	
					2.5%	97.5%
Justice -> OCS -> BI	0.123	0.041	3.021	0.003	0.044	0.202
RecSat -> OCS -> BI	0.212	0.048	4.453	0.000	0.125	0.301
Justice -> RecSat -> OCS -> BI	0.143	0.034	4.190	0.000	0.086	0.213
Justice -> RecSat -> BI	0.072	0.060	1.197	0.232	-0.045	0.176
Justice -> RecSat -> OCS	0.293	0.054	5.442	0.000	0.196	0.399

Notes: Significance means p<0.05 and Confidence interval does not cross zero

It was interesting to note that two of the specific indirect effects of perceived justice on BI shown in Table 9, were statistically significant but the Justice -> RecSat -> BI path was not (t=1.197; p=0.232). However, both the Justice -> RecSat (t=13.266; p=0.000) and Justice -> OCS (t=3.336; p=0.001) direct paths reported on Table 5 were significant. As reported earlier, the total effect of perceived justice on OCS (t=10.921; p=0.000) shown on Table 7, was significant. Since the total indirect effect of perceived justice on OCS reported on Table 8 was significant, it was concluded that H7, which predicted that RecSat partially mediated the Justice->CS relationship was supported. This is also confirmed by the confidence intervals (CI) of the indirect effects that do not cross zero (CIs: 0.196, 0.399).

The observation that the RecSat -> OCS -> BI specific indirect relationship in Table 9 was significant (t=4.453; p=0.000) and yet the RecSat ->BI direct relationship reported in Table 5 was insignificant, led to the conclusion that the relationship between RecSat and BI was fully mediated by OCS. Thus, H9, which predicted that RecSat and OCS in series meditate the relationship between perceived justice and BI, was confirmed. This was also confirmed by the confidence intervals of the indirect effects that do not cross zero (CIs: 0.086, 0.213). The results of the direct and indirect relationships led to the reconceptualisation of the theoretical relationships in Figure 1 as shown in Figure 3.

FIGURE 3
FINAL PROPOSED MODEL



Notes: BI= behavioural intentions; Justice = perceived justice; OCS= overall customer satisfaction; RecSat= recovery satisfaction

The path coefficients in Figure 3 suggest that, although both indirect paths were significant, the sequential path Justice -> RecSat -> OCS -> BI was stronger than the Justice -> OCS -> BI path. The SRMR value for the model fit in Figure 3 was 0.079, just below the 0.080. However, it was slightly better than the SRMR value (0.083) for the model fit of Figure 2. In the context of this study, and based on these results, it was inferred that RecSat and OCS mediated the relationship between perceived justice and BIs in series.

DISCUSSION

The first objective of this study was to develop a conceptual model that explains how perceived justice influences BIs in situations involving service recovery and validate it using empirical data. The second objective was to examine the mediating roles of RecSat and OCS on the relationship between perceived justice and BI. Overall, the findings revealed that there is no direct effect of perceived justice on BI, but that perceived justice affects BI through the serial mediation of RecSat and OCS. These findings suggest that the recovery actions of a retail bank do not only end with RecSat, but rather, will have consequences on the customer's overall satisfaction (OCS) and BI decisions. This explanation is supported by the significant serial mediation of the RecSat and OCS on the relationship between perceived justice and BI. From a practical stand point, these findings suggest that customers, who perceive the recovery process as fair, are likely to show higher levels of satisfaction with recovery, which will in turn positively influence their overall satisfaction and BIs.

The insignificant direct path between perceived justice and BI is surprising as it shows a divergence from the previous findings (Liao, 2007; Orsingher et al., 2010; Gelbrich & Roschk, 2011; Nikbin et al., 2012), in which perceived justice was reported to have a positive influence on BIs. However, a plausible explanation for this divergence could possibly be due to the exclusion of both RecSat and OCS in the investigation of the influence of perceived justice on BIs. As such, the findings from the previous studies could have been reflecting of the total effect of perceived justice on BIs. Therefore, the findings of this study expand our understanding of the mechanism by which perceived justice would influence BIs through RecSat and OCS.

The fact that the effect of perceived justice on BI is mediated by RecSat and OCS in series, supports the earlier argument made in this study that, focusing on RecSat as the ultimate measure of the extent to which consumers evaluate their fair treatment in the service recovery, may provide insufficient information about the long-term behavioural consequences of the provider's recovery actions. Customers usually become tense during a service failure and indeed, the recovery actions should be targeted at lowering these tensions and restoring satisfaction (RecSat). However, as the findings suggest, retail bankers must be cognisant of the ripple effects of their recovery actions on OCS and BI. The mediation results would suggest that every service failure has the potential to lower the overall performance rating of the organisation (OCS), if the recovery process is not handled well. The findings are supported by theoretical explanations in that when customers perceive fairness in the way a service failure is resolved, they become happy and are likely to tell others about their positive experience of the service recovery (Singh & Crisafulli, 2016).

Also surprising was the observation that the direct link between RecSat and BI was not significant, as it contradicts Petzer et al.'s (2017) findings in a similar context. While the explanation for this observation may not be obvious, the results may be linked to the work of Maxham and Netemeyer (2002), who reported that OCS had a stronger influence on repatronage intentions than RecSat. Given that literature suggests that RecSat is a transaction-specific satisfaction (Jones & Suh, 2000), it may then not be surprising that when the influence of both transaction-specific and overall satisfaction on BI are considered simultaneously, OCS will overshadow the effect of RecSat (Davidow, 2000). These results are in line with Cronin et al. (2000), who reported that overall firm satisfaction was reported to be the strongest predictor of BI. However, this does not make the effects of perceived justice and RecSat on BI redundant. As shown in this this study, both perceived justice and RecSat are dominant predictors of OCS in situations where service failure and recovery are involved. Instead, the findings of serial mediation underscore the importance of the recovery actions influencing the BI of the customer. The message to retail bankers is that the behaviours of consumers, after experiencing a service failure and recovery, are affected by how these consumers feel about the treatment received from the bank employees. Such an explanation finds support in the valence-based theory (Zeelenberg & Pieters, 2004), which holds that perceptions of injustice lead to customer dissatisfaction with a service recovery, which in turn may influence a customer's future purchase decision-making. In contrast, perceptions of fairness should lead to favourable BIs like repurchase intent. Finally, the results also support previous empirical studies, which report that perceived justice has a direct impact on both RecSat (Zhao et al., 2012; Matikiti et al., 2018) and OCS (Maxham &

Netemeyer, 2002; Nadiri, 2016).

One of the important findings of this study was that the impact of perceived justice on RecSat was more than double its impact on OCS. This can be explained by the fact that feelings of disappointment arise from a customer's appraisal of a specific service failure. However, although the primary goal of the service provider should therefore be to address the specific failure that has caused the customer to be dissatisfied, RecSat alone will not be sufficient to explain the specific behaviours that customers are likely to take after a service failure and recovery. Another perspective is that the occurrence of a failure results in customers' loss of confidence with the bank. However, the bank's credibility may be restored if the failure is followed by a successful service recovery. Therefore, RecSat may positively influence OCS through restoration of the bank's credibility in the customer's mind. This shows the importance of training service employees, as they are primarily responsible for fair treatment of customers. The finding that OCS was a key predictor of BIs suggests that customers will invoke the law of reciprocity norm (Oliver, 2015:8; Singh & Crisafulli, 2016) when they are faced with a service failure and recovery. According to this law, customers who are satisfied with the overall performance of a bank will feel obligated to reciprocate the bank's efforts by continuing their relationship with the bank. This implies that in order to survive competition, retail bankers should focus their resources on the satisfaction of the customer through credible and effective recovery processes.

IMPLICATIONS

Managerial

The findings in this study have a number of managerial implications. First, the mediating roles of RecSat and OCS reveal the consequences of implementing an acceptable recovery solution to the business. This kind of information is important for decisions on the deployment of resources for service recovery actions. Second, the effects of the impact of perceived justice on BI through RecSat and OCS shows managers the cascading impact of the actions of their employees on consumer behaviour. Such knowledge clearly shows managers the need for properly training their employees on how to handle customers when there is a service failure. Third, knowledge of the importance of relationships between perceived justice, RecSat and OCS, as determinants of customers' future intentions, should remind managers that customers are mindful of the fairness with which they were treated during a service recovery. Since customers consider their recovery experience when making repurchase decisions, the negative consequences of perceived justice on BIs can be mitigated by quickly responding to the failure, apologising, explaining the cause of failure in a polite way, and offering an acceptable compensation for the loss.

Theoretical implications

The major theoretical contribution of this study emanates from the mediation analysis. The study's results expanded the current understanding and models offered to explain the influence of perceived justice on BI. To the best knowledge of the authors of this paper, such explanations have not been provided before in the context of retail banking. The serial mediation results provide a new dimension of explaining the chain effects of perceived justice on BI, which is a novel contribution to the service recovery literature. Finally, the cascading influence of perceived justice on BI, provide a new dimension of how researchers could develop more comprehensive models incorporating multiple factors to predict BI.

LIMITATIONS AND FUTURE RESEARCH

Two limitations were identified in this study. First, the data collected was from one retail bank and while this was necessary because the focus of the study was for a bank, which had experienced a recent service failure, future research could go beyond this by conducting similar studies in different industries. Second, convenience sampling was used to collect data, which restricts the generalisation of findings to the sampled population and to the retail banking sector in the country. Future studies may replicate the current study using random sampling procedures across a broader population to increase the generalisability of results. However, as shown by several implications for theory and practice, these limitations do not nullify the findings of this study.

CONCLUSION

The objectives of this study were twofold: 1) to develop a conceptual model that explains the mechanism by which perceived justice influences BIs in situations involving service recovery and validate it using empirical data and 2) to examine the mediating roles of RecSat and OCS on the relationship between perceived justice and BIs. Overall, the results support a model in which perceived justice affects BIs through the serial mediation of RecSat followed by OCS. These findings support the contention that OCS is the dominant predictor of BIs even in situations involving service failure and recovery. As such, for BIs models to have higher explanatory power, they need to include OCS as part of the predictor variables. More importantly, the results provide evidence that consumers take into account the fairness of the service recovery solutions when evaluating the overall performance of the firm. This is a significant contribution given the paucity of studies in literature providing such an explanatory mechanism. We hope that this research will encourage other scholars to extend this study by incorporating more factors to increase the explanatory power of the model.

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