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Age as an Influencing Factor for Service Recovery and Compensation in the German Public Transportation Sector

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Statement of Declaration

I hereby declare that all the work in this dissertation is entirely my own and has not been taken from the work of others. Ideas, statements and thoughts of other authors have been cited and acknowledged within the text and referenced with the original source. A full reference list is found within the Bibliography.

No part of this work has previously been submitted for assessment, in any form, either at Dublin Business School or any other institute.

Signed: Xenia Silbe

Date: 16.8.2013

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Abstract

The purpose of this thesis is to evaluate and analyze the attitude and behavior of consumers of a certain age group towards service failures, service recovery and the elements that are included during the recovery process, especially focusing on compensation.

The data has been gathered with the help of in-depth interviews with five respondents. The author has constructed a semi-structured questionnaire and has met the respondents for face-to-face interviews to be able to collect as much information as possible. To facilitate the understanding of the thesis, the author presents relevant researches executed by other authors and compares and contrasts her findings with the results of those.

The findings of this research show the importance service recovery has among customers of the age group 19-28. The results show that the respondents can forgive service failures when the service recovery is implemented well and matches their own expectations. When service recovery is missing or does not correlate with the needs and wishes of the customers, the perception towards the firm is influenced negatively and the customers show a higher probability to switch the provider, look for alternatives or spread negative word-of-mouth. In relation to the context factor, it is shown that the Deutsche Bahn operates a two-class treatment towards its customers that leaves one part of the customer pleased with the service provider and the other half highly unsatisfied.

Previous research has pointed out certain phenomena which this thesis also addresses. The Service Recovery Paradox (McCollough, 2009) has been achieved but under uneconomic terms. This research also agrees with the findings that the existence of the Paradox is highly dependent on external factors (Magnini, 2007). In regard of the possible effects of overcompensation, the majority of the respondents' answers contradict the assumption that offering too much compensation has a negative impact on the perception of the firm (Boshoff, 2012).

Chapter 1- Introduction

1.1 Background to the Research Problem

The service sector is growing constantly all over the world (Lovelock C., 2011). In 2006, 36 from the 100 most powerful companies were European services companies (Wilson, 2008). In the U.S. in 2008 three out of four jobs were in the service sector and this number is expected to increase even further till 2018 when it will, as prognosis have shown, reach a percentage of 78.8 which indicates that this sector is the main source for employment in that mentioned time frame (Employees, 2011).

These facts are just some examples that show how important the field of services marketing has become during the last decades. The marketplace becomes more competitive. Therefore it is necessary to listen to customers and their needs (Liao, 2007). Due to the fact that mistakes are inevitable (Cambra-Fierro, 2011) the company has to create retention strategies that turn complaining customers into satisfied and loyal customers again (Magnini, 2007). Service recovery as such has been studied (Krishna A., 2011) and the appearance of the service recovery paradox has been analyzed (McCollough, 2009) (Magnini, 2007), even the negative outcomes of service recovery were topic of research (Boshoff, 2012).

This study aims to analyze the position of the age sub-culture 'Generation Y adults towards service failures. It is said that throughout the life the priorities and values of each individual change and that this said change has also major influence on consumers' behavior, their buying decisions and consequently also their opinion regarding service failures (Varela-Neira, 2010). The exact purpose of this study is to analyze the behavior and attitude of this certain age group regarding service recovery after a service failure has occurred and compensation has been offered by the service provider to retrieve potentially caused damages.

To get the insight into this topic, the researcher has focused on the public transportation sector with the Deutsche Bahn within Germany which is highly fragile towards service failures. This facilitates the search for respondents as well as the actual interview process with the interviewees due to a high familiarity with the service provider and previous experiences including service failures. The information will be gathered qualitatively by having in-depth interviews customers of the Deutsche Bahn that will fit within the prescribed age group.

This study, additionally, looks at phenomena such as the Service Recovery Paradox that has been introduced and discussed by McCollough (a.o. 2009) and the possible existence of overcompensation which has been referred to by Boshoff (2012). To investigate in these areas the author will refer to customer satisfaction and customer loyalty.

1.2 Dissertation's Organization

To achieve a clear structure on the one hand and a better understanding of the topic as well as the research findings on the other hand, this work is structured as follows.

The second chapter focuses on the Literature Review and shows relevant studies and research findings by other academics which have already analyzed and investigated related areas.

The third chapter 'Methodology' gives an insight in the choices the author has made in regard to research philosophy, research approach and research design. Furthermore, aspects such as the research bias, ethical issues, the time horizon, sampling and data analysis will be addressed.

The fourth chapter and the fifth chapter present the research findings and the discussion of these results. The author will present the gathered data and information in regard to the research questions individually. The conclusion part of chapter five also includes the managerial advices and recommendations for future research.

The final chapter of this thesis presents the different learning styles and discusses the author's personal preferences, experiences and strategies considering writing the thesis.

1.3 Interest in the Subject Area

The topic of this thesis was inspired by the course module "Services Marketing" that the author of the thesis has attended during the second term of the Master Degree. Due to the steady growth of the service sector, the increase of its importance in the global economy and, resulting from its unique characteristics of services marketing, the inability to avoid failures within this sector, the author has chosen to put the focus of the final paper on service failures and its relevance towards a certain age group.

1.4 Suitability of the Researcher

This topic is suitable for this researcher because of previous experiences as an employee working in the service sector. During the undergraduate program, the author has been working at a super market at the register and has been confronted with the customers and their complaints, remarks and requests constantly. Additionally, this employment contained precise and fast work tasks and a constant training to improve the work flow and therefore to avoid service failures as often as possible. Furthermore, an internship in an advertising agency that offered special services for national and international clients in relation to Online Marketing and Social Media has deepened the knowledge about services marketing and provides enough insight for the researcher to explore this topic more detailed.

1.5 Recipients of the Research

The first and second recipient of this Thesis is the Dublin Business School, where the author of this study is enrolled as a full-time student and the Liverpool John Moores University.

The third recipient is David Hurley, who is the thesis' supervisor and has been appointed by the Dublin Business School.

Chapter 2 – Literature Review

“The literature review is the part of the thesis where there is extensive reference to related research and theory in your field; it is where connections are made between the source texts that you draw on and where you position yourself and your research among these sources”. (Ridley, 2008, p. 2)

The main tasks of a literature review are on the one hand to define a certain problem and on the other hand to justify the “value of pursuing the line of enquiry” (Murray, 2006, p. 109). The author will identify all relevant aspects of the topic and present related and important researches that have been examined so far. It is said that it is essential to pool the research questions among established findings to allow the reader to be able to create a whole picture to integrate the study in (Ridley, 2008). By doing so, the author can show the thesis’ topics relevance and topicality. Therefore this Literature Review will focus firstly on the service failure as such, secondly it will describe service recovery and in later section the author describes special phenomena of the service recovery paradox and overcompensation which were the main reasons for creating the study’s topic and objectives.

2.1 Service Failures

It is said that service failures occur on various occasions and that it is almost inevitable to avoid the occurrence of failures while providing services (McCollough, 2009). Consequently to this thought, it is not possible to provide failure free service processes (Krishna, 2011). The service failures are either categorized as failure of the core service or as product or policy failures. The first one includes the failures directly caused by the service provider whereas the latter one is caused by attributes such as the customer (Komunda, 2012). Lin uses another approach to differentiate the possible service failures. He divides them into process and outcome failures. The process failures refer to problems during the service delivery process and the outcome failures describe dissatisfaction with a service after the customer has experienced the service (Lin, 2009). No matter which kind of mistake occurs service failures can have major negative impacts on the relationship between the customer and the service provider.

2.1.1 Characteristics and Occurrence of Service Failures

The service failure occurs when the delivered service does not meet the expectation of the customer which then leads to customer dissatisfaction (Zeithaml, 2009). This negative experience entails that something during the service delivery process or encounter which is defined as “the dyadic interaction between a customer and service provider” (Bitner, 1990, p. 72) has gone wrong (Palmer, 2011). Service failures appear in different grades of severity. Starting from a low degree such as a shorter delay to more serious failures such as getting food poisoned in a restaurant (Palmer, 2011). Krishna supports these general definitions but he goes further and identifies different losses a customer can experience. These losses are graded differently according to the connected pain or troubles for the customers (Krishna A. , 2011). He distinguishes twelve different services failure losses starting from the most severe ones such as health loss and character loss to medium ones such as loss of belief and relationship loss to those who are easily to be compensated such as physical energy loss or loss of control (Krishna A. , 2011). To identify the various losses it is essential for the service provider to handle possible recovery strategies which will be discussed in a later section.

Following the service failure there are two possible outcomes. The customer could either choose to share the discomfort by taking actions such as complaining about the mistake towards the service provider and making the responsible party aware of the failure, by including a third party and letting them take actions or by complaining towards other customers which would create a negative word-of-mouth spread. The other possibility is that the customer remains silent. Both reactions could either lead to a switching behaviour or the customer stays with the service provider despite the negative experience (Wilson, 2008). Wilson furthermore states that especially customers who remain passive after having experienced a service failure are a “threat to [the] future success” (Wilson, 2008, p. 373) of companies. The customers who actively complain expect a compensation for their experienced loss and at the same time they give the service provider the chance to identify the mistake and to try to make up for it.

2.1.2 Possible Effects of Service Failures

The occurrence of service failures could create major issues and problems for the service provider. It could lead to dissatisfaction, customer switching behaviour (Krishna A. , 2011) decline in customer confidence, customer defection, negative WOM behaviour (Komunda, 2012) and finally to a loss of loyalty and trust (Krishna, 2011). Furthermore, researchers discuss that if the firm consistently provides inadequate service and does not satisfy the customers' expectations, the "long-term survival of the firm" (Komunda, 2012, p. 83) is at risk. It is further discussed that the negative impression after the appearance of a single failure can fade towards other products as well as the whole company. The so-called 'halo' or the 'domino' effects are named here (Palmer, 2011). The 'halo' effect characterizes the phenomena that after having experienced a service failure the customer tends to have a negative basic adjustment which leads to a negative impression with all further communication efforts made by the service provider. The 'domino' effect in that sense means the appearance of one mistake makes the customer more aware of other tiny things. The customer considers these incidents as failures although, in a normal surrounding with no mistake, the consumer would not have been aware of these mistakes (Palmer, 2011).

While analysing approximately 700 service failure incidents, the main causes for dissatisfaction among the customers were identified. The failures were here categorized into three possible service environments: bank, restaurant and airline. All incidents have been evaluated to create a clear image which aspect of the service failure creates the most harm. The results show that not the core failure of the product is the main reason of creating dissatisfaction among the customer. Merely the inappropriate or inadequate response giving by the service provider or by the employees of the service provider causes the disappointment. 41.5 % of the unpleasant service encounters are caused by the employees' unwillingness to respond to a service failure situation at all (Bitner, 1990). Furthermore, the study shows that "apologies, compensatory actions, and explanations can dissipate anger and dissatisfaction" (Bitner, 1990, p. 81) which supports the importance of recovery strategies and leads to the next paragraph.

2.2 Recovery Strategies

2.2.1 Characteristics and the potential threats of Recovery Strategies

As mentioned before service failures should not occur but according to the unique characteristics of the services (Palmer, 2011) they most likely will happen (Silber, 2009). A study analysing service failures in a restaurant setting shows that all customers who have experienced service failures expect the service provider to take actions (Silber, 2009). These service providers must focus on implementing appropriate recovery strategies and show attempts to redeem the mistake (Boshoff, 2012). To integrate an effective and efficient service recovery, service providers should be aware of the fact why customers complain in the first place. There are four different motives for them to state their dissatisfaction. First the customers want to get a compensation, second they want to release their anger, third they want to help to improve the actual service delivery quality and finally they complain out of concern for others (Lovelock, 2009).

Nevertheless, due to the customers' complaints service recoveries give the service providers the chance to make up for their mistakes and turn negative experiences into positive experiences (Lovelock, 2009). Generally speaking, service recovery is the action taken by an organization to moderate the negative consequences (Worsfold, 2007), to respond (Zeithaml, 2009) and to address a customer's complaint (Palmer, 2011). Moreover, it is the systematic effort by a firm to correct a problem following a service failure (Lovelock, 2009). On average satisfied customers inform eight people about their service encounter. When experiencing negative quality customers tend to increase their word-of-mouth and speak to 18.5 people (Zeithaml, 2009). As mentioned before this described negative word-of-mouth is one of the negative outcomes of service failures but also of inadequate service recovery which underlines the necessity of having recovery strategies planned in case of service failures.

The efforts to repair the failure can be grouped into reactive and proactive activities (Worsfold, 2007) including to solve the problem, to react fast, to take the customer seriously, to explain the problem and to keep the customer informed about the following steps, to apologise and in some cases even to offer compensations (Boshoff, 2012). Furthermore, they are taken to mitigate the effects caused by the failure in the first place and to regain the loyalty and trust among the customers (Krishna, 2011). Neglecting, ignoring or inappropriately addressing customers' complaints could lead to a double derivation effect. If

the customers have the feeling that the service company does not take their problem seriously, this might double their efforts to be heard and increase their complain behaviour. This could even enforce the previously mentioned negative effects (Komunda, 2012).

2.2.2 The positive outcome of Recovery Strategies

“An effective service recovery strategy has multiple potential impacts. It can increase customer satisfaction and loyalty and generate positive word-of-mouth communication. A well-designed, well-documented service recovery strategy also provides information that can be used to improve service as part of a continuous improvement effort”.

(Wilson, 2008, p. 371)

Many scholars have identified the same results. Especially, satisfaction and loyalty appear to be the most important aspects that can be achieved when handling service recovery strategies right. The customer's perception of the way the service failure is handled by the responsible service provider has a high influence on the level of satisfaction and on the decision whether the customer remains loyal towards the company or switches to a competitor (Krishna A. , 2011). To achieve these positive impacts the company needs to know which strategy is the most appropriate one. Customers value the fact that they are taken seriously. Just offering compensation instead of creating a positive service recovery encounter to fix the problem can be regarded as negative and counter-productive (Wirtz, 2004). A study with African students and staff members of a business school supported the assumption that especially satisfaction and loyalty have a significant relationship with service recovery (Komunda, 2012). Customer loyalty is characterized by a more favourable attitude towards one company in comparison to their competitors and by a repeat buying behaviour (Palmer, 2011). Furthermore, it is said that “loyal customers often talk a great deal about a company and may be responsible for generating much new business over the years.” (Wilson, 2008, p. 159) Being satisfied after having experienced a service failure helps the customer to accept mistakes and go through the process with the provider because they are convinced that their recovery expectations will be met. The positive relationship between loyalty and service recovery indicates that the customers are willing to spread positive word-of-mouth, providing references and recommend the company to friends and family (Komunda, 2012). The results coming from a study analysing French students and their opinions towards service failures within the mobile phone environment supported Komunda's findings. It was also proven in this said study that service recovery correlates positively with satisfaction. Furthermore, this study could present that a

good service recovery increases the repurchase behaviour (Morrisson, 2010). Finally, when implementing service recovery the right way and being able to identify the expectations of the customers, the trust among the customers can also be re-established (Cunha, 2010).

2.2.3 Empirical Evidences of Service Recovery

Which of the above mentioned efforts are supposed to be integrated in the service recovery process of the service provider depends on the characteristics of the actual service failure and the expectations of the customer. As previously pointed out there are various losses the customer can experience and each of the losses call for a different treatment. It is shown that the level of loss should match the characteristics of the recovery (Worsfold, 2007). This phenomenon is the major point of focus in Krishna's study. By asking respondents in the Indian context he has managed to support this statement and to figure out that the higher the degree of severity of the loss, the harder it is to compensate it. Serious losses such as health losses are hardly able to be compensated. According to his findings, service providers can even worsen the situation by offering monetary compensation to redeem for example health losses (Krishna A. , 2011). In respect to the previously mentioned different kinds of losses, money loss, time loss, comfort loss and loss of control; these are losses that are easy to compensate and can be resolved in a way that the customer feels satisfied in the end (Krishna A. , 2011). Studies that focus on the analysis of how consumers react to certain kinds of recovery strategies agreed with this assumption. It heavily depends on context factors. In a service failure setting with no particular monetary losses for the consumer it is not required to hand out financial compensation. An immediate response with an apology is the more sufficient recovery strategy here (Wirtz, 2004). It is essential to at least know the preferences of the customers regarding the service recovery to gain positive effects from the actual recovery process. Instead of offering just standardized recovery processes the provider should include several options that can be customized individually to the customer and the experienced failure (Nguyen, 2012).

Even though the appropriate match between service failure and service recovery is essential (see Nguyen) the pure existence of a recovery strategy as such is even more important. According to Boshoff's study, companies and especially service firms need to invest in creating a strategy in case the service delivery is unsatisfying for the customer. The option "no service recovery action/ remedy" counted the lowest. Although this study confirms the

previously mentioned findings that a mismatch leads to an undesirable outcome, having no option at all has scored even lower than that (Boshoff, 2012).

2.3 Service Recovery Paradox

2.3.1 The characteristics of the Service Recovery Paradox

The more a service provider invests in his recovery program, the more success will be achieved regarding re-establishing satisfaction and repurchase intentions (Nguyen, 2012). That thought includes spending more resources and efforts on training staff and developing more fitting attempts to understand the customers' expectations (Nguyen, 2012). These assumptions lead to one of the most discussed phenomena in regard to service recovery. Researchers such as Magnini (2007), McCollough (2009) or Krishna (2011) analysed the appearance of the service recovery paradox. The Recovery Paradox indicates that by over-exceeding the expectations of the customers, it is possible to bind the customer closer to the company and therefore create a higher level of loyalty than in a situation in which the failure would never have occurred (Krishna, 2011). The positive impression the customer gets after the failure and its recovery has taken place overshadows the consumer's pre-failure satisfaction (Magnini, 2007). The actual occurrence of the service recovery paradox depends highly on various context factors (Zeithaml, 2009). For example, Lovelock refers to a study executed in the retail bank environment that proves that the service recovery paradox exists. By experiencing the failure for the first time, customers regain full satisfaction after the problem has been solved and the issue has been addressed accordingly.

Nevertheless, the moment the failure occurred for the second time the customers were not forgiving and the paradox disappeared (Lovelock, 2011). Moreover, the same failure can be experienced by two different consumers and one of them reacts positively towards the recovery strategy by the service provider and the second does not show the same reaction. The attitude of a customer towards the service recovery attempt is highly subjective and depends on the personal character and situation (Zeithaml, 2009). These obstacles and further arguments such as that fixing a problematic situation is expensive and also many customers do not complain in the first place show the disadvantages and risks of recovery strategies (Wilson, 2008). Nevertheless, the positive affects the recovery paradox entail that you could increase the level of satisfaction and loyalty sound promising which could lead to the assumption that service providers should create negative service experiences on purpose to

convince and persuade the customer with a superb service recovery strategy (Zeithaml, 2009). This complex and controversial issue may explain why many scholars and researches have started to create experiments and analyses to understand this topic (Zeithaml, 2009).

2.3.2 Empirical Evidence of the Existence of the Service Recovery Paradox

Almost all researchers that have investigated this specific happening defend the importance of the recovery paradox at least to some extent which justifies the continuous works on finding proofs for the entire existence (Krishna, 2011). In general, the amount of compensations or apologies the service provider offers after the service failure has occurred, are adequate means to prove whether or not the paradox exists.

McCullough chooses to analyse the reactions of customers towards service failures and recovery attempts in an airport setting. The respondents were confronted with scenarios that are caused by a delay of planes' departures. The high rate of service failure is a three hour delay of the plane, the moderate rate is a 30-minute delay and the low service failure incident is no delay at all but a booking to another airline that causes just a change of gates within the airport. To get results, the respondents are offered different levels of compensation that varied from high (10 % off for future flights or 5000 flying point) to low (non-existent). According to his hypothesis he finds that the greater the harm of the failure, the harder it gets to achieve satisfaction among the customers and he supports the assumption that greater performance of the service provider also means greater customers' satisfaction. The paradox, though, is just achieved when the degree of harm was very low and the grade of performance very high (McCullough, 2009).

Additionally to that, another study shows that the service recovery paradox can be achieved differently, namely when the basic service was just 'satisfying' in the first place. In that circumstance the customer has undergone a very good service recovery after having experienced a solely satisfying encounter. In that sense the level of satisfaction is higher than in a failure free service delivery (Michel, 2007).

Besides the level of failure severity, the aspect of the actual level of service performance is relevant. As mentioned before the situational context factors are relevant and need to be considered (Zeithaml, 2009). Whereas McCullough concentrates on the factors 'severity' and 'performance', Lin's study includes the aspects of empowerment and the cultural backgrounds of the customers (Lin, 2009). Magnini's study is more complex and consisted of

further influencing factors. On the one hand he includes the aspects of 'relationship'. By doing so, he focuses on the existence of prior failures and the level of past transactions. On the other hand Magnini also analyses the possible influence of the failures' characteristics such as whether the mistake was of stable or unstable nature (Magnini, 2007). Magnini has decided to use 400 undergraduate students that were confronted with service failures in a hotel setting. To some extent the results were similar. Factors such as severity and the history of the relationship have a major impact on the existence of the paradox. His findings also confirm the hypothesis that the more severe the failure is the less possible it is to create a recovery paradox. Moreover, he finds out that prior mistakes are counter-productive and complicate the existence of a paradox. Nevertheless, the length of the relationship seems to be irrelevant and has no deeper impact whether customers experience the paradox or not (Magnini, 2007). In the end, he acknowledges the recovery paradox is a valid theory. As the main result of his study, he states that at this stage of the research analysing the influencing factors is more important than solely focusing on the paradox as such (Magnini, 2007).

Nonetheless, there are studies contradicting these findings and therefore, also contradicting the existence of a service recovery paradox which the findings of the following study show. By comparing the results of one focus group (satisfied complainers) and one control group whereas the focus group has experienced service failure and positive service recovery and the control group has not, the outcome was definite. The service recovery paradox is according to this study not solely untrue it also affects the company negatively. The level of satisfaction is higher in the control group and also the spread of positive word-of-mouth is higher with the respondents who have not experienced service failure and recovery (Brock, 2010).

2.4 Compensation

2.4.1 The Characteristics of Compensation

“1. something given to compensate for loss, suffering or injury

2. something that makes up for an undesirable situation.”

(Dictionary, 2006, p. 146)

There are seven different kinds of possible recovery aspects that customers respond to the most after having experienced a service failure. The basic categorisation would be monetary and non-monetary recovery. Three options are related to a financial compensation and four of

the seven possible remedies are non-monetary and cost the company less money (Wilson, 2008 referring to Granier, Kemp, Lawes). As mentioned before the choice which of these elements is the adequate one for the consumer to recover from a service failure depends on the failure as such. While analysing this topic researchers mostly were focusing on the non-monetary apology and monetary (financial) compensation. Financial compensation is one of the most discussed and researched elements of service recovery (Worsfold, 2007). The amount of the compensation depends on the loss and if the proportion is balanced, the customer will perceive the compensation as fair (Worsfold, 2007). Financial compensations are also defined as service guarantees which allow the costumer to get either a refund or a replacement or credit (Lovelock, 2011).

Studies support the idea that compensation plays an important role to satisfy the customer and redeem the loyalty and trust. An online survey in the USA tested the behaviour and the relationship level while being confronted with service failure in a restaurant. The customer is either offered compensation or no compensation at all. The compensation includes that the original order is delivered again, after being handed cold to the customers, and additionally the customer gets a 30 % discount on the dish. The result of the study clearly shows that offering or not offering compensations directly influences the behavioural intentions of the customer and it also has a significant impact on the perceived equity. (Kwon, 2012). Also in a restaurant setting, 187 respondents should identify the impact of compensation (non-monetary as well as monetary) in relation to the speed of the actions taken (Wirtz, 2004). The results are similar and show basically the same impacts. It is proven that non-monetary compensation, in that case an apology, helps the customer to recover. Nevertheless, it is useless when the service provider waits a certain amount of time and the reaction is no longer immediate. In that sense offering monetary compensation (20% discount) seems more appropriate. In general, it is proven that 'tangible' compensation has a positive influence on the satisfactory level of the recovery. This study shows that the compensation makes up for the delay. Additionally, the result proves that compensation also reduces possible conflicts between customer and service provider and it increases the level of controllability (Wirtz, 2004). Worsfold confirms the basic findings of these surveys that recovery allows the achievement of positive impacts with her results. Nevertheless, while analysing two different scenarios under different influence factors the results also show some alternatives. While focusing on a DVD rental store as well as a restaurant setting and integrating the type of loss as well as the severity of the failure, her outcome is that offering rapport exceeds compensation in both studies in regard of customer satisfaction and re-patronage behaviour (Worsfold, 2007) .

2.4.2 The phenomenon of overcompensation

Another phenomenon that is closely connected to the recovery paradox is the aspect of overcompensation. As presented earlier, to achieve the positive effects of the paradox the customers need to get compensated for the loss. According to Nguyen's statement that a higher investment could support the creation of satisfaction, this idea might lead to the impression that the service provider should try anything to satisfy the customer. There are negative implications when it comes to that.

Firstly, providing overcompensation could lead to a negative perception of the firm. The customer questions the will of the firm to provide a perfect service in the first place (Nguyen, 2012) or the customer feels an unwilling obligation to stay loyal to the firm because he has received a high compensation which could create tension between both parties (Boshoff, 2012). Secondly, overcompensation does not have the effect the service provider wishes for. Extending the recovery beyond the expectations is not beneficial (Boshoff, 2012). It is said that "overcompensation has a smaller incremental effect on post-complaint satisfaction than simple compensation." (Gelbrich, 2011, p. 39) Thirdly, overcompensation could have a negative impact on the feedback behaviour of customers. Especially companies that are dependent on the critical feedback of customers to improve their service delivery need to consider that in case the customers receive too much of compensation after a minor service failure they tend to stop complaining (Worsfold, 2007).

2.5 Age as an influencing factor

2.5.1 Age as a subculture

Subcultures "have values, customs, traditions, and other ways of behaving that are peculiar to a particular group within a culture." (Loudon, 1993) Furthermore, subculture is defined as "a distinct cultural group that exists as an identifiable segment within a larger, more complex society." (Schiffman, 2010, p. 392)

When dividing the market into categories according to different age groups, Arnould refers here to segmentation. There are three different kinds of segmenting the market in association of age, namely the life cycle, life transition and age cohorts. The life cycle includes the aspect that the human being changes attitude, opinion and behaviour throughout the life. It is said that younger consumers value the status and the functional aspects of items whereas older

consumer are more focused on purchasing goods that protect themselves and offer value for the whole family (Arnould, 2004). The age cohort refers to individuals that are born in a certain period of time (Schiffman, 2010). The age cohort that will be relevant for the author's study will be the Generation Y. According to Schiffman, this specific subculture can be divided into Gen Y adults, Gen Y teens and Gen Y tweens. The Gen Y adults are described here as consumers of the age 19-28 (Schiffman, 2010). This age group correlates with the respondents the author had in mind and therefore will serve as the focus group of this research.

There are just a few examples of researches that have analysed the influential power of the age factor in regard to service recovery. In one of the studies, the author refers to the 'socio-emotional selectivity theory' which basic meaning can be linked to the characteristics of age subcultures and age segments (Varela-Neira, 2010). This theory states that the way people react to certain stimuli throughout their lives is highly dependent on age. It is said that "individuals' conception of the future changes across their life span and, consequently, as age increases so does life appreciation". (Varela-Neira, 2010, p. 35) Following this theory she states that age, therefore, also has an influence on the customers' behaviour which also includes the attitude towards services failures and recovery processes. Following this assumption, the author sees further justification of a closer analysis of age in regard to service failures and the service recovery strategies.

2.5.2 Empirical Evidences of the Influence of the Factor 'Age' on Service Recovery Strategies

Most of the researches done so far agree on the importance of factors that influence the findings. Even though demographic factors such as gender, age or even education (Cambra-Fierro, 2011) are named among these, there are just few examples that really put the main focus on these moderators. Cambra-Fierro included the age as the moderating factor in his study regarding the behaviour of customers towards service recovery strategies in the Spanish mobile phone sector. He justifies his choice of research topic by stating that the age of the customer influences the attitude and behaviour of the individual in general and is therefore also relevant in the service failure recovery scenario. His analysis of the 202 compiled surveys showed that age plays a moderating role in the service recovery process. His research could support his hypothesis and also the basic assumption that age as a factor has some impact (Cambra-Fierro, 2011). Varela-Neira goes further by being more detailed about the age

aspect. She integrates the factor of age into her research by stating that the negative emotions felt by a customer who has experienced a service failure are less intense when the age increases (Varela-Neira, 2010). Even though both researchers included the age factor and the results prove the earlier mentioned possible relationship between age and service recovery, the results of their work do not give any further insight into the relevance of that mentioned relationship. This study here starts to fill that gap and tries to explore the age factor in the service recovery setting a little more. Following that goal, the researcher sees the necessity to focus on one specific age group. Furthermore, the study will include the respondents' attitude towards compensation; an element that has been part of the studies but not been specifically analysed in previous works.

2.6 Choice of Setting- Public Transportation

In the literature research, there were key articles found that have used certain settings. The researchers of these studies have decided to use settings where on the one hand failures occur on a very regular basis and respondents are familiar with failures and on the other hand recovery attempts are offered by the provider (Boshoff, 2012). There have been studies focusing on services settings such as airports (McCollough, 2009), mobile phone industry (Cambra-Fierro, 2011), restaurants and dry cleaning (Boshoff, 2012) and hotel settings (Magnini, 2007). This study accepts the reasons for choosing a setting that the respondents are familiar with. The respondents are able to answer the questions thoroughly and the researcher gets valid and reliable information. To be able to analyse the study's topic, it is necessary to choose a service encounter where failures also appear on a regular basis and the provider is willing to compensate let-downs. Due to these needed characteristics, a public transportation setting is chosen and the main focus lies on the Deutsche Bahn. Travellers are often confronted with delays in the schedule that could lead to major problems regarding their own travel plans. The recovery strategy of the Deutsche Bahn for example guarantees that the customer gets refunds when he will miss a train due to a delay of the train (bahn, 2013).

2.7 Gaps in the Literature

After having analysed and presented some of the most important and most relevant aspects of various researches and studies the author sees gaps in this research field that needs to be further investigated. Firstly, the general aspect of age in connection to service recovery has not been explored deeply enough. The classification of the numerous age segments shows that

the needs and desires of consumers within different age groups are different. Marketers have identified that younger customers react differently towards the media and advertisement than older consumers (Schiffman, 2010). This leads to the assumption that the attitude towards service recovery may also differ. The studies that have included the age factor did not put their focus on solely one age group. They rather analysed the various reactions. The author of this thesis is mainly focused on the attitude of one specific age group towards recovery attempts including compensation and the fact that no other study has included this aspect explains the relevance of the investigation.

Furthermore, the author fills a gap regarding the context factors such as the location of the market as well as the scenario setting. As mentioned before the researcher agrees with the argumentation that customers have to be familiar with service failures in the chosen setting. Nonetheless, so far no study has specifically analysed the German market as well as the German public transportation sector.

Another aspect that fills a gap is the basic design of the research. While reading so-far published studies, all researchers have used the quantitative approach by creating scenario-based experiments and asking numerous people. In respect to the goal of this research to get an in-depth view of the attitude of a specific age group the author of this work chooses to execute the research in the qualitative approach and therefore, undergoes a new, unexplored study design.

Chapter 3 – Methodology

3.1 Introduction

“The theory of how research should be undertaken, including the theoretical and philosophical assumption upon which research is based and the implication of these for the method or methods adopted.” (Saunders, 2009, p. 595)

This research topic put its main focus on the questions how consumers react to service failures and the service providers’ attempts to compensate them for the mistakes. The following chapter includes on the one hand the research questions and on the other hand it shows how the research will be executed by explaining the research philosophy, the research approach, the research strategy and the research choice. It will furthermore give information about the time horizon and the techniques and procedures such as data collection and analysis as well as the sampling. Finally, aspects such as research efforts, research limitations, the existence of personal bias and the research ethics will be addressed. The analysis of the methodology is mainly oriented on the “research onion” (Saunders, 2009).

3.2 Research Questions

The aim of the research is to figure out how consumers of the age group 19-28 react to service failures and the recovery attempts of companies, including monetary and well as non-monetary compensation to redeem them. To gather information the researcher focuses on failures in the German transportation sector, i.e. Deutsche Bahn.

3.2.1 How has the customer reacted to the experienced service failures?

This question aims to get an insight how the age group on focus reacts to service failures and what kind of negative impact these reactions could have in regard to the relationship with the service provider.

3.2.2 What are the preferences and expectations of how certain service failures should be recovered?

This questions aims to evaluate the general attitude of customer towards compensation and it helps the researcher to get necessary information to be able to examine the actual research.

3.2.3 To what extent is it possible to achieve the Service Recovery Paradox?

Regarding the literature, one of the possible positive outcomes it the creation of the recovery paradox. This question revolves about that construct. It gives the customer the opportunity to explain what they regard as superb recovery and how they would react. For the researcher the answers of the respondents can be a hint whether the paradox is a possible positive outcome regarding that specific age group.

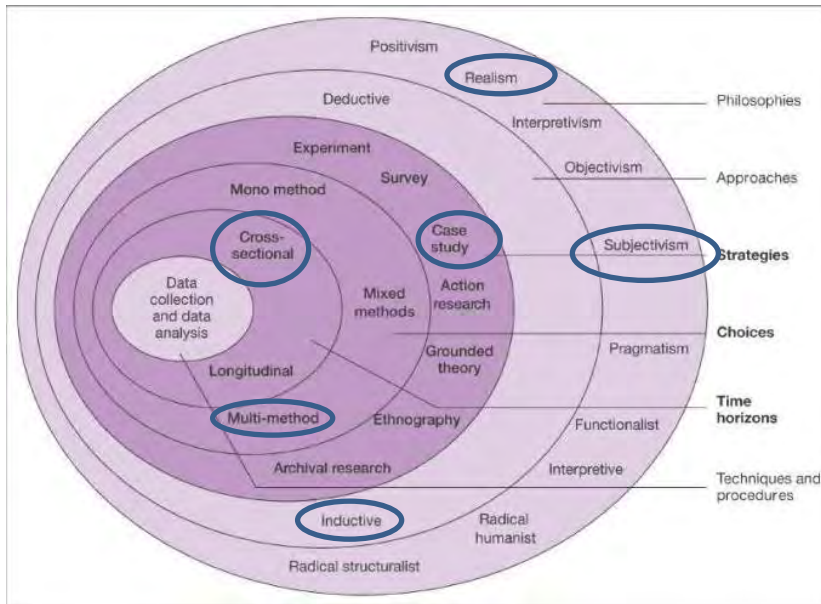
3.2.4 How do the customer react when the compensation is higher than their expectations and when is the moment achieved that receiving compensation can have negative outcomes for the customer?

The other phenomenon that has been introduced by researchers in their studies is the possibility that recovery attempts can have a negative outcome. This question aims to get an insight if there is a limit when the consumer starts to perceive the compensation as inappropriate or if they are happy with any compensation they get. It is a direct question to the theory of the possibility to “over-do” recovery and it gives the researcher the answer whether this is an issue in regard to that certain age group on the one hand and it also refers to the paradox question because it supports the idea of the existence of the paradox when the customer does not see any limit while receiving compensations.

3.3 Research Methods

The next section focuses on the six different research stages (Saunders, 2009). It is said that the different layers show interdependencies among each other which indicate that it is necessary to follow a certain order while evaluating each element (Remenyi, 1998). The stages will be discussed as suggested by the “research onion” model (Saunders, 2009).

Figure 1: Research Onion Model



Source: Saunder, 2009

3.3.1 Research Philosophy

The first layer refers to the research philosophy. Simplistically said this layer includes the relationship of knowledge and the way it is developed during the research process (Saunders, 2009). It is said that “[t]he research philosophy you adopt contains important assumptions about the way in which you view the world.” (Saunders, 2009, p. 108) He further explains that there are two sections of research philosophy: Ontology and Epistemology. Regarding the topic and the goal of this research it will follow the Realism and Subjectivism.

3.3.1.1 Research Ontology

The choices regarding the ontology lie between subjectivism and objectivism. When adopting the subjectivism point of view it is believed that social phenomena are created by the interaction of social actors (Saunders, 2009). It is furthermore said that the research calls for a deeper analysis of the surrounding to understand motives and behavior (Remenyi, 1998) because different people show a high variety of reactions to the same situation according to their own point of view. To get the needed information for examining the research that wants to analyze human behavior in a certain surrounding and give an in-depth understanding about how customers react to a certain phenomenon and how they feel, it is required to follow the

concept of subjectivism. The author's research topic consists of an analysis of respondents of a certain age group towards service failures and service recovery. As already mentioned during the Literature Review the evaluation of service failures as well as the attitude towards service recovery is highly subjective. Customers judge an event based on factors such as their own characters or past experiences. This correlates with the definition of subjectivism and the general idea that "it is necessary to explore the subjective meanings motivating the actions of social actors in order for the researcher to be able to understand these actions." (Saunders, 2009, p. 111)

3.3.1.2 Research Epistemology

"The essence of realism is that what the senses show us as reality is the truth: that objects have an existence independent of the human mind. The philosophy of realism is that there is a reality quite independent of the mind" (Saunders, 2009, p. 114).

In general the epistemology deals with the aspect of knowledge within one special field including the concern of the aspect in which methods and with which principles the knowledge is gathered (Bryman A. , 2003). In that respect there are two different ways of pursuing the realism approach- the direct and the critical. It is said that it is only possible to understand the social world when first the various structures that create events are identified (Bryman A. , 2003). The knowledge of reality is based on social conditioning and cannot be analyzed without including the social actors and their influence as well. Researchers will just understand what is going on when it is also possible to identify the social structures that have led to the phenomena on focus (Saunders, 2009).

Furthermore, realism entails that the world exists as such in an objective way and it is also possible that people see the concepts that exist within the world objectively. Consequently, it is possible that all people agree with certain concepts and their constituents (Fisher, 2004). He also states that following this ideology it is possible to discuss and measure certain aspects (Fisher, 2004). Regarding the topic of this research the author sees the realism approach as appropriate. Concepts such as service failures and service recovery are well known and understood by people. The epistemological realism gives the researcher therefore the chance to analyze the concepts and to investigate their existences. Critical realists emphasize that people do not react to things directly but rather to sensations (Saunders, 2009). The topic of this research supports that. The researcher does not want to get

information about the compensation aspect as such for example but rather about the way people see it and react to it.

3.3.2 Research Approach

This next section will focus on the second layer – the research approach. There are two options which are known as the deductive and the inductive orientation (Saunders, 2009). That stage revolves around the adaptation of data. The thesis will focus on the influence of the age factor on the behavior and attitude towards service failures and compensation provided by the service company. To get an idea, it is essential to analyze the people involved in the service encounter and evaluate their opinions and statements. The researcher needs to take time and hold thorough interviews to get as much insight as possible. Furthermore, detailed data is needed to get a first impression whether or not a theory can be developed. It is rather about developing than testing an existing theory (Saunders, 2009) which proves that the approach is an inductive one.

Table 1

Induction emphasises
<ul style="list-style-type: none">• gaining an understanding of the meanings humans attach to events• a close understanding of the research context• the collection of qualitative data• a more flexible structure to permit changes of research emphasis as the research progresses• a realisation that the researcher is part of the research process• less concern with the need to generalise

Source: Saunders, 2009

3.3.3 Research Strategy

The following layer is the research strategy. It is said that according to the research approach there are strategies that fit one better than the other (Saunders, 2009). Having chosen the inductive emphasis it is necessary to choose a strategy that fits this orientation. The inductive approach revolves around the understanding of the human behavior. A case study research

design puts the main focus on the understanding of the dynamics that play a role in the research (Eisenhard, 1989) and it furthermore “involves an empirical investigation of a particular contemporary phenomenon within its real life context” (Saunders, 2009, p. 145). Therefore, this research will pursue the case study design. Generally speaking, a case study is a “well established research strategy where the focus is on a case [...] in its own right, and taking its context into account. Typically involves multiple methods of data collection” (Robson, 2002, S. 178).

Bergen by referring to Hammersley defines a case study as follows:

“In essence, the term ‘case study’ referred to the collection of detailed, relatively unstructured information from a range of sources about a particular individual, group or institution, usually including the accounts of subjects themselves.”

(Bergen, 2000, S. 927)

It is possible to either investigate solely one case or multiple cases. Whereas a single case study focuses on a unique case or can also test an already well-established theory, multiple case studies include a number of respondents who have experienced individual situations. This gives the researcher the chance to compare and contrast (Riley, 2000). The interviewer will talk to various people and investigates their cases and analyzes their experiences, attitudes and opinions without referring to one specific scenario which includes following a multiple case study design. Furthermore, it is usually the case that the research is allowed to combine various ways of gathering data. These elements support the goal to answer the research questions regarding service failures and compensation behavior of customers the most.

3.3.4 Research Choice

The fourth layer of the “research onion” shows choices regarding the collection techniques and the analysis procedure. This means the researcher has to choose between the approach of a mono method, a mixed method or multiple methods. In regard to the topic a multi-method qualitative study seems appropriate. The multi-method refers to the combination of certain techniques. In that case here, the researcher will use in-depth interviews and observations.

To answer the research questions four customers will be interviewed who have experienced services failures in the defined setting. To get a better idea about this phenomenon the

researcher will additionally observe the respondent and note any curious behavior. Observations of characteristics help the researcher to get an insight into behavior and attitudes other methods cannot provide. Generally, observing while having an interview helps to understand the respondent in times when the one has difficulties in articulating opinions. Additionally, things get revealed which people are not actually saying (Walshe, 2012).

3.3.5 Time Horizon

The research is limited in regard to time due to the necessity to finish the dissertation within three months. That situation calls for a cross-sectional time horizon which means that the data will be collected once (Sekaran, 2010) and the research is just a snapshot of the particular phenomenon at a very specific moment of time (Saunders, 2009). The dissertation will therefore show the attitude of customers towards compensation after a service failure at a very particular moment.

3.4. Sampling

3.4.1 Target Population and Sampling Frame

“The population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate. It is the group of people, events or things of interest for which the researcher wants to make inferences.” (Sekaran, 2010, p. 262) This study’s topic centers on a particular age group of customers. In that sense there are specific parameters that need to be considered. First, the respondents need to be of a certain age. The researcher has decided to evaluate the behavior of the age group of the Generation Y adults. Furthermore, the target population will be customers who have to be familiar with the context factor namely the ‘Deutsche Bahn’.

The sampling frame or the “working population” (Zikmund, 2003, p. 373) refers now to all possible participants from which the sample can be drawn (Cooper, 2008). For this research topic it is therefore all ‘Deutsche Bahn’ customers of the age of 19-28. The researcher needs participants to get the data for answering the research questions. Due to the dimension of the sampling frame the researcher will use online tools to facilitate the choosing process. Because the researcher is of the same age as the target population one will use Facebook to get in contact with possible respondents.

3.4.2 Sampling Design

To collect data the researcher needs to find respondents. Due to a lack of budget, time and access it is not possible to work with the whole population. Therefore it is necessary to adopt a sample. There is the probability and the non-probability sample. The non-probability sample is characterized that it is possible to generalize data after the gathering and analyzing process but not on statistical grounds (Saunders, 2009). Furthermore, the non-probability sampling is characterized that the choice of the respondents is subjective and it is also not possible to include anyone in the population (Cooper, 2008). In that research the non-probability sampling will be used. As mentioned before, the sample population in that case is restricted to ‘Deutsche Bahn’ customers of the age of 19-28 who have experienced service failures in the past and have received compensation. Due to that it is not possible to include each member of the population but to search for the appropriate respondents exclusively.

3.4.3 Sampling Technique

It has been established that the researcher will follow the non-probability sampling. This decision leads to the choice of which technique might be the adequate one. In regard to the topic and the research questions the author of this study will use the purposive sampling. The purposive sampling allows the researcher to choose the best respondents according to one’s own needs regarding the research objectives (Saunders, 2009). The topic is about the way customers of a certain age group react to service failures, service recovery and possible compensation efforts of the service provider. To get an insight what is important to the customers and how they react to certain failures and various treatments of the service provider, it is necessary to have respondents who gained different experiences. This relates to the heterogeneous sampling.

“[H]eterogeneous sampling enables [the interviewer] to collect data to describe and explain the key themes that can be observed.” (Saunders, 2009, p. 239)

3.5 Data Collection and Data Analysis

3.5.1 Definition of Qualitative Data

Qualitative data normally generates non-numerous data (Saunders, 2009) and is gathered through narrative forms such as interviews or observations (Sekaran, 2010).

Table 2

Qualitative data

- Based on meanings expressed through words
- Collection results in non-standardised data requiring classification into categories
- Analysis conducted through the use of conceptualisation

Source: Saunders, 2009

Qualitative data “is characterized by their richness and fullness based on [the] opportunity to explore a subject in as real a manner as possible” (Saunders, 2009, p. 482). Advantages that are listed when talking about qualitative research are among others for example dependability and credibility (Houghton, 2013). The results are “unimpeachable” (Miles, 1979, p. 590) and are more valuable during the time (Miles, 1979). Analyzing customers’ behavior and hence answering the research questions call for a deep insight and a very in-depth cooperation with the respondents. The primary data will be gathered with the help of qualitative research techniques that will be discussed further during the following paragraph. Moreover, qualitative data is often used to describe and analyze theory. Researchers use it to build and create theory rather than actually test theories (Cooper, 2008). Although the author refers to already established theories, there are new aspects to the actual research that includes the aspect of finding new answers which justifies the usage of the qualitative research approach.

3.5.2 Qualitative Data Collection

As mentioned before, the data will be collected with the help of in-depth interviews. In this process four deep interviews will be held. The researcher prefers a face-to-face interview to have a better interaction with the respondent as well as an opportunity to observe the behavior and reactions of the interviewee. In the case one of the respondent is not available personally,

the interviewer will use Internet tools such as 'skype' or the 'facebook' camera chat which allow both parties to see and interact with each other.

3.5.2.1 In-depth Interviews

“The in-depth interview is a technique designed to elicit a vivid picture of the participant’s perspective on the research topic. [...] The researcher’s interviewing techniques are motivated by the desire to learn everything the participant can share about the research topic. In depth interview is an effective qualitative method for getting people to talk about their personal feelings, opinions, and experiences. It is also an opportunity to gain insight into how people interpret and order the world. We can accomplish this by being attentive to the causal explanations.”

(Milena, 2008, S. 1279)

Researches that include an exploratory study call for a special construct of interview- namely either the unstructured or semi-structured interview. For this research study the interview will be semi-structured (Saunders, 2009). The interview is the most widely used qualitative data collection method (Bell, 2011), gives liberty to the respondents and is therefore more interested in the actual opinion of the participant. In that sense it is said that following a less structured method supports the respondent to talk, even rambling is welcomed. This will give the researcher an idea what the interviewee considers as important and which aspects the interviewee values the most (Bell, 2011). Saunders, on the other hand, explains that allowing the respondent to talk freely about certain aspects could end in having unneeded information. He points out that it is necessary to have relevant themes and topics prepared (Saunders, 2009). On account of this, the questionnaire’s construct will include characteristics from the structured as well as unstructured interviews. On the one hand the interviewer will have questions that are predetermined and will be answered by all respondents but on the other hand the researcher will also react to the interviewee and his answers by adding questions and by asking for more details when appropriate (Sekaran, 2010). It is essential to have topics and questions prepared to get all needed information. Nevertheless, the interviewer needs to take statements of the respondent into consideration.

3.5.2.2 The interview questionnaire

The research questions that have been identified earlier on give the basic structure of the questionnaire. Each research objective will be discussed and described individually. The questionnaire will consist of open questions. The main attempt of this research is to figure out how the age group reacts to service failures and service recovery. By focusing on open rather than closed questions the interviewees can answer the questions as they wish (Sekaran, 2010) and explore areas the interviewer might not have thought about beforehand (Bryman A. , 2003). Furthermore, the questions will follow a certain pattern and sequence. Starting with more general questions that are easy to answer and get the respondent to know the topic, followed by more complex and detailed questions. It is said that this “funnel approach” (Sekaran, p.203 quoting Festinger and Katz) facilitates the interviewing process and comforts the interviewee (Sekaran, 2010).

3.5.3 Data Analysis

3.5.3.1 Preparing Data for Analysis

After having gathered it is necessary to analyze the data. In order to do so the researcher records all interviews. That ensures that no information will get lost and also supports reliability and credibility (Saunders, 2009). Furthermore, it is also important not to solely transcribe what was said but also to identify how it was said. The way the respondents react can also have major impact on answering the research questions (Saunders, 2009). To avoid issues regarding misinterpretation and confusion (Saunders, 2009), the audio-files will be transcribed as soon as possible.

The analysis of the data is the most important part of the research process but it is also the most difficult and less codified aspect (Eisenhard, 1989). It is even considered to be the most essential weakness of qualitative data. The process of gathering, analyzing, coding and translating the information is the major challenge for the researcher (Miles, 1979). Nonetheless, there are guidelines. When using qualitative data research techniques, there are also related data analysis tools such as categorizing data (Saunders, 2009). The general idea is to get familiar with the data. Therefore, it is necessary to focus on every case or interview individually to understand the patterns of that specific case and be able to generalize later on

(Eisenhard, 1989). After having transcribed the interview; the author will then use codes to get an overview about the statements made by the respondent.

3.5.3.2 Coding

Coding is “[t]he process of identifying and classifying each answer with a numerical score or other character symbol” (Zikmund, 2003) and “codes are links between locations in the data and sets of concepts or ideas, and they are in that sense heuristic devices, which enable the researcher to go beyond the data” (Basit, 2003, p. 144) . Even though coding generally refers to numbers there are other options how to interpret data. Especially qualitative data based on open-ended questions call for coding for the researcher to be able to analyze and work with the data and make sense of the collected data (Basit, 2003). By using codes the massive volume of answers can be put into categories that correlate with the actual answers. In doing so, it is advised to create categories that are based on thoughts rather than just words (Zikmund, 2003). In reference to the qualitative orientation of the research the coding choice has to correlate. Open coding will be used that helps to identify concepts and put the codes into categories. By doing that the researcher is able to summarize the answers and reduce them to a few broader categories (Zikmund, 2003). The results will be linked to the data and allow the researcher to draw conclusions and find first general assumptions. A study of different methods of coding shows that the choice which approach to use depends on the actual topic and technique (Basit, 2003). Basit’s research analyzing the behavior of Muslim girls uses in-depth interview. By referring to Glaser and Strauss, she acknowledges that coding with no pre-coded answers were the best option in that sense (Basit, 2003). The author of this study agrees with her argumentation. Due to the fact that the data will also be gathered with interviews and the author wishes to find answers rather than testing already existing hypotheses the usage of codes created before the interview might conflict with the goal of the actual study because the researcher could depend too much on these categories or codes and risk to neglect valuable answers by the respondent.

3.6 Research Efforts

To make the research work and to find the needed information the researcher should show certain efforts. First of all it is necessary to find the right respondents among the sampling to be able to answer the research questions in the best way. While holding the interview the interviewer needs to be able to be multi-tasking. That means besides asking the questions it is

also essential to observe the respondent and make notes. It will be a lot easier to do that when the interview is recorded. Nevertheless, the researcher has to find the appropriate balance between an active and passive participation. Additionally, the interviewer has to transcribe the interview and analyze the gathered data. Due to the fact that the interview is held in another language besides English, it is necessary to translate either the whole interview or at least the most important sections that are especially relevant to answer the research questions.

3.7 Research Limitations

Using qualitative data and a case study design implies one huge issue regarding limitations. The design of that specific research includes having in-depth interviews with various respondents. The small amount of interview partners shows the problem of generalizability. In general one of the research reasons is to see whether there is a basis for a future theory which indicates that the researcher wants to try to find general statements that can be further researched. There are concerns whether it is possible to achieve that with just a small number of people (Saunders, 2009).

Furthermore, the selection of respondents provides another limitation. As mentioned the researcher will pick a certain amount of individuals of the chosen sampling population who show similar characteristics. Nevertheless, these people are just a collection of potential respondents and their opinions and statements are just a limited point of view and the answers will not include all possible scenarios.

Another big aspect could arise from the reliability. Semi-structured interviews include the possibility to react to the answers of the interviewee. The whole interview is not set in stone. It is essential to use this interview design to understand this complex social phenomenon; nevertheless, this could lead to results not being reliable when the respondents' answers are influenced by the surrounding, external elements or their personal situation (Saunders, 2009). The interview is held at a specific moment of time in a very specific setting. The answers are highly subjective which means that the respondent answers the questions in a certain way at that time but the answers might be different at a later time.

To collect data, analyze it and write the thesis there is a very strict schedule which provides another limitation. The researcher has to work fast which may influence the search for the best respondents. Furthermore, there might be time pressure while interviewing the

participants which can also have an influence on the interview process which finally leads to a limitation concerning the length of answering questions.

3.8 Research Bias

Collecting data with the help of interviews is highly dependent on human interaction. That leads to one of the most important aspects when evaluating the researcher bias. The interviewer might have already developed a certain opinion or is especially interested in one possible outcome and this attitude influences the interview process. This might happen in regard to the tone of the voice, the way the question is verbalized and by so-called non-verbal behavior (Saunders, 2009). The interviewee is therefore influenced by the interview partner and the answer consequently does not show the interviewee's opinion but rather the one the interviewer wants to hear to prove a point.

Closely connected to this is the analysis of the responses. While analyzing the answers of the respondents the interviewer is again influenced by the own assumptions that lead to a subjective way of interpreting the statements made by the participant (Saunders, 2009). The researcher gives the statement another meaning than the one the respondent has had in mind.

3.9 Research Ethics

Research ethics refer to the "appropriateness of [the] behavior in relation to the rights of those who become the subject of [the] work, or are affected by it" (Saunders, 2009, pp. 183-184). Generally speaking the ethical issues in regard with qualitative research revolve around respecting certain guidelines and getting permission and approval whenever needed (Mauthner, 2005). One of the most important aspects is the privacy concern. Therefore, it is essential to explain the purpose of the research and to clarify that the information are solely used for that matter.

Furthermore, the interviewer will make sure that the interviewee feels comfortable. That includes avoiding embarrassment, stress, discomfort etc. Therefore, the respondent has the right to refuse answering questions. To be able to transcribe the interview, the researcher will tape the conversation. In that case, it is also necessary to inform the participant about the recording and explain why it is of importance. Also, to make sure that the privacy is guaranteed the interviewee will remain anonymous. In regard to that the interviewer will also

make sure that the participation is completely voluntary. That includes the possibility for the respondent to withdraw from the interview at any time.

3.10 Methodology Summary

The actual topic of the research, and the related questions, calls for the qualitative research approach. The author wants to investigate the behavior of the respondents towards certain phenomena which is best executed with techniques of the qualitative research design. Even though there are various aspects that show the limitations and problematic areas of qualitative research such as the lack of transparency or generalization (Bryman A. , 2003), the advantages are more important in regard of this study and overshadow the negative aspects. Getting deep insight and data that is characterized by its richness (Saunders, 2009) are essential to investigate the research topic.

The in-depth interview is the appropriate medium to address the research questions and to get all needed information due to co-operations and interactivity between interviewer and interviewee (Cooper, 2008). By including the respondent and having face-to-face contact the researcher is flexible (Bryman A. , 2003) and able to respond to the answers coming from the participant directly with the help of follow up questions and furthermore valuable information can be collected with the help of observations (Cooper, 2008).

Even though the collecting phase is essential, the analysis aspect of the data is just as important. Researches see here the most problematic aspect (Miles, 1979). To facilitate this issue and to make full usage of the collected data the author will use data analysis tools such as categorization and coding of the transcribed interviews.

Chapter 4 - Data Analysis and Findings

Although multiple researches regarding service failures and service recovery and the impact of various influence factors on these already exist, there is a lack of studies regarding the actual influence potential of the factor age. This study will now provide a starting point for this research area.

The outline for this following section that will focus on the presentation and analysis of the gathered data will stick to the research questions. The subheading will provide a logical arrangement and enable a better understanding. The questionnaire has been constructed in a way that its questions give the interviewer an insight regarding opinions and attitudes of the respondent towards the more general topic as well as specifically information regarding the Deutsche Bahn. Additionally, the researcher will use scenarios that consist of common situations of service failures within the chosen sector of public transportation in Germany with the Deutsche Bahn to investigate certain phenomena and to be able to compare and contrast the customers' statements. This enables the author to achieve a better understanding of the customers on the one hand and to relate it to previous works by other researchers on the other hand.

4.1 How has the customer reacted to experienced service failures?

4.1.1 The service failure definition, ranking and possible reactions

The respondents agree on the fact that service failures in general are unavoidable and they have been familiar with service failures in various degrees starting from impolite encounters with staff to wrong deliveries. In general they say that a service failure appears when the offered service goes wrong in any way possible or when a promise that has been made by the service provider at one point cannot be kept. Furthermore, one respondent has referred to a special standard when it comes to provided services. In her eyes, customers expect certain elements of an average standard and when these aspects are hurt or not fully integrated the service is considered as failed or unsatisfactory. In regard to the context setting of the Deutsche Bahn the respondent explains:

“I expect a certain basic standard regarding service offerings and when these are not fulfilled, I consider this as a service failure. [Basic standard] starts with very trivial things

such as friendliness of the staff, the will to help the customers when they are in need and having the knowledge about how I can get to places and which train I can use.” CK

The respondents differentiate between failures and expect different responses by the service provider. Smaller mistakes do not influence the attitudes the customers have towards the service provider. In the eyes of the interviewees these mistakes happen and they are able to be overlooked. The opinion is different regarding more severe service failures. The respondents categorize service failures as very grave and serious when the effects of these mistakes have major impacts on their personal life and cause negative damages for them.

As discussed in the Literature Review, service failures lead to various reactions by the customers. It is said that the customer has the choice between an active or a more passive reaction as well as the choice between switching the provider or staying loyal (Wilson, 2008). The respondents in this study state that they prefer the active way. As Wilson has pointed out the respondents are looking for people to talk to about the negative encounter. On the one hand they search for staff of the service provider to get information about what has happened and express their opinion. On the other hand they share their experience with other people who are not involved with the service encounter by either talking to fellow customers or to friends. Moreover, the respondents emphasize that they consider looking for alternatives in the future which indicates their will to switch the service provider when the service failure is regarded as too serious.

4.1.2 Motivations and Expectations of Complaints

During the discussion about the reactions after a service failure, the initial response includes complaint. The motivations behind this behavior are various. One respondent describes the compliant as the wish to help the service provider to improve the service. It is said in that context that by complaining the respondent wants to make sure the service provider knows about the source of the service failure and solves the issues, so that in the future no one will suffer because of it again. Other respondents also think about other customers but their reaction is of a different origin. The experience of a service failure leads to a negative spread of word-of-mouth. These interviewees inform their friends and other people about the happenings and want to warn them. Moreover, one interviewed person admits that one of the motivational factors is to hurt the company. In cases of severe service failures this person explains that by telling all of her acquaintances she hopes that these people will not use that service because she does not grant the service provider future customers. This reaction by the

respondent supports the conclusion that negative experiences lead to more extreme reactions than positive service encounters (Zeithaml, 2009). This interviewee also explains that it takes a very good service encounter for her to share this experience with her friends, but it does not take much to talk negatively about a company.

Besides the wish to help or warn other people the motivation for complaining towards the people in charge is more selfish. The respondents name as a further reason the wish to feel being treated seriously. The actual service failure leaves a mark in the relationship between customer and service provider. By complaining, the respondent explains, the customer gives the provider another chance of making up for the mistake. They want to be sure that the service provider actually cares about the customers and that the provider feels sorry for the happening of the incident.

In general the interviewees have the expectation to see improvement in the service during future usages. They want to receive an apology that shows them the provider's interest in their opinion and feelings and they expect a compensation that makes up for the negative encounter and any possible negative consequences that failure might have caused.

4.1.3 Failure appearances in the Deutsche Bahn context

Delays regarding the arriving time are the most named service failure among the interviewed people. Following that the respondents complain the most about train cancellations, missing connections of certain routes and being given wrong information by the staff. Furthermore, expensive ticket prices and unfriendly staff are named as the more severe and serious service failures. Smaller mistakes and incidents that are not as negatively recognized as the previously mentioned ones are missing air conditioners, packed trains and unbearable circumstances in trains in relation to the condition of train seats for example and the function of train toilets or doors.

The actual occurrence of service failures is no surprise any more for the customers. The respondents explain that mistakes are expected these days when it comes to travels with the Deutsche Bahn. Although they are still annoyed and angry every time service failures happen again, there is a differentiation between mistakes that are directly caused by the Deutsche Bahn and those issues which happen but are not in the field of responsibility by the train company. It is said that for example the train arrives late due to playing children on the tracks or falling trees due to a thunder storm the acceptance of the failure is higher and the actual

perception of the failure is less severe. The respondents then regard the behavior of the Deutsche Bahn as responsible and acknowledge the necessity to regard safety issues first. This attitude changes when the same failures caused by the mentioned reason happen too often. One interviewee describes it as follows:

“I make a differentiation. But just to a certain degree. If there are again children playing on the tracks, then I think it is necessary to enclose the tracks. This task falls to the Deutsche Bahn.”CW

Furthermore, the evaluation of the service failure is highly dependent on the personal situation. The background of the actual customer plays an important part in the way they perceive the failure and react towards the company. This will be discussed during a later section of this thesis.

4.1.4 Attitude towards the Deutsche Bahn and its consequences

The massive amount of negative experiences the respondents have gained during the years of usage of this service provider has left a highly negative image in the mind of the respondents. Partly it is said that the pure thought of the Deutsche Bahn creates a negative feeling and the respondents feel angry. While talking about negative experiences all respondents could name at least one major negative incident that includes extreme delays and missing information flow. One respondent refers to the impact of the media that increases the negative perception the interviewees have in regard to the Deutsche Bahn. She states that the media especially in connection to the train provider report about the negative happenings. Following this, even people who do not travel with the Deutsche Bahn start the relationship with the service provider already on bad terms.

This negative basic attitude has consequences. When being asked whether the respondents can imagine switching the service provider and using other options or alternatives, most of the respondents refer to the monopoly position of the Deutsche Bahn in Germany regarding the nation-wide public transport. At the moment they point out there is hardly any alternative which forces them to stay loyal to the service provider but this is a forced loyalty. Nevertheless, there are already local providers which challenge the Deutsche Bahn and its services. One interviewee refers to the private trains operating in the North of Germany. The so-called ‘Metronom’ connects most cities and regions in that area and is regarded as a real alternative. Furthermore, all respondents see private bus companies as the future alternative to

the Deutsche Bahn. During recent years the service has improved drastically and provides major routes throughout the whole of Germany.

Due to the constant failure occurrences and the growing dissatisfaction, the respondents are longing for alternatives and start searching actively for other options. One respondent says the moment there are options with a good price-performance ratio, she will switch to another provider.

“I always look around, hoping to find something else besides the Deutsche Bahn. When other options exist with better price offering, I try to avoid the Bahn.”CK

Also the car seems to be an option for the interviewees. It is said that due to the fact that this respondent has to plan an extra hour to travel to the final destination, she avoids travelling with the train and uses the car. It is more dependable and she saves time that otherwise she would waste while waiting for trains.

4.2 What are the preferences and expectations of how certain service failures should be recovered?

4.2.1 Understanding of Service Recovery and its essential elements

The respondents regard service recovery as the way of a service provider to make amends when problems occur during or after the service has been delivered. Generally speaking, that includes especially those issues that are not caused by the customer. The interviewees expect the service provider to fix incidental damages and to compensate these. According to their statements service recovery includes a monetary compensation as well as additional gifts and goodies such as vouchers, credits etc. that make up for any inconvenience.

The actual service recovery process should include a very quick reaction. The responsible person should be approachable at any time because the customers do not want to waste more time than absolutely necessary. One respondent explains that the actual occurrence of the failure is annoying and troublesome enough. When the responsible person is not available as fast as possible and the whole procedure takes longer than expected the customer rates the service failure even worse. Furthermore, the respondents think it is essential for the service provider to show understanding and empathy towards the customers. In case a service failure has occurred, the respondents expect the service provider to not start a discussion about whether or not the failure lays in the responsibility of the provider. It is regarded as positive

when the service provider recognizes the mistake and shoulders the responsibility. This way, the interviewees express, the customer feels more comfortable and it gives them a good feeling.

Furthermore, the perfect service recovery entails compensation. Whereas the respondents do think an apology is an essential part of the recovery process to make sure that the customers do not feel responsible for the failure, the respondents expect financial amends as compensation. This aspect will be further discussed while analyzing research question four.

4.2.2 The possible effects and adequate Service Recovery Strategies

The respondents agree on the fact that recovery strategies are essential and should be implemented within every service providing company. Especially in the complex and highly competitive economic environment, service recovery can play an essential part for the survival of the company. By showing efforts in the recovery of service failures, respondents say that the service provider shows a high level of interest in their customers. It shows the provider's will to speak to the customer. When being asked what kind of impacts this behavior can have on customers, the interviewees name several positive outcomes. They are convinced that service recovery influences the customer loyalty. According to their opinion handling failures positively ensures the customer that in case problems occur and failures happen the company still knows how to handle the situation in the best interest of the customer. That makes them believe in the service provider and remain loyal. Moreover, it is explained that when having experienced an excellent service recovery the respondents are willing to share that information with family and friends. The positive spread of word-of-mouth helps to improve the image of the company as well as the gain of new customers. One further aspect that is expressed by one of the interviewed people is that service recovery attempts have an influence of the choice of the service provider. That implies that when several alternatives exist for one service, the recovery strategies are one of the factors that help the customer to make a buying decision.

Nevertheless, the pure existence of a recovery strategy does not necessarily lead to these positive outcomes. The respondents agree that the strategy needs to be adjusted to certain elements. Whereas all interviewees do not see the necessity to offer different recovery attempts to different customers, they support the idea of having various ways of recovery strategies in diverse situations. One of Nguyen's findings includes the fact that standardized recovery strategies do not fulfill their purpose and that service providers should create various

kinds adapted to the different situation. This study partly confirms this result but the respondents are of the opinion that a general, more standardized first reaction is acceptable for minor mistakes. In general, the interviewees strongly endorse an equal treatment. The same mistake experienced by various customers, needs to be treated the same way. The respondents understand that customers who have spent more money in the first place should be compensated and recovered accordingly but people of the same class need to be treated similar. Otherwise, they state, the service provider may risk negative perception.

Researches have pointed out that a match between service failure and service recovery strategy is important (Nguyen, 2012). The respondents agree with this assumption to some point. One interviewee states that when having experienced a non-monetary loss for example an image loss, a non-monetary recovery strategy is expected and absolutely necessary. Nevertheless, solely an apology is not regarded as satisfactory. Tangible compensation such as a gift card or a voucher is expected to show that the service provider truly cares. This shows a different result than for example the study of Krishna has presented. His findings have supported that offering a recovery that includes monetary elements could be regarded as counterproductive and even harm the customer more. Furthermore, he has stated that time loss is one of the less severe losses and easy to compensate. In this study respondents have pointed out exactly the contrary and state multiple times that losing time due to waiting after a failure has occurred is hard to compensate for them.

One respondent says: *“Time loss cannot be recovered of course”*. BS

4.2.3 Service Recovery Strategies of the Deutsche Bahn and the potential influence on customers' perception

While answering the questions regarding the extent and impact of the recovery strategy attempts by the Deutsche Bahn, the reactions and opinions were very different and quite of an opposite character. The one part of the respondents describe that the way the Deutsche Bahn has reacted and tried to solve a problematic situation after a service failure has occurred has been very positive and understanding whereas the other part of the respondents do not feel that the way the Bahn has handled the issues can be regarded as service recovery. They complain about the treatments by the service provider towards its customers.

The negative experiences are characterized especially by the unfriendly behavior of the Deutsche Bahn train staff. The respondents are especially bothered when the staff refuses to

help in the moment of need. One of the most severe problematic areas is that the conductor and the rest of the staff are often not informed enough to handle potential problematic situations. In cases of service failures that have impact on the further travelling schedule and in situations when the customers need their expertise to know how to proceed, what to do and which alternative route to take, it has happened that the employers in charge refuse to communicate and instead of helping its customers they have locked themselves in their cabin to avoid uncomfortable encounters. Furthermore, the staff often blames the customers for mistakes and transfers the responsibility to the customer by saying “*This is not my problem*” or “*I cannot do anything about this now*” instead of acknowledging the problem and looking for solutions.

Another major aspect of complaints by the respondent is the missing information flow when a service failure occurs. Especially, according to the statements by the interviewees, when there are drastic delays, changes in the route of the train or cancellation of trains the customers get no insight or explanation about what has happened and the following consequences. One opinion regarding this problem is as follows:

“The train did not start in the first place and they just explained that with one of these stereotypical excuses. One sits there for half an hour and does not know what is going on, is the train leaving at all. After thirty minutes, something is babbled via the microphone which was just understood by half of the people who jumped up and left the train. There was no information flow whatsoever. It was said, that we should go to Dortmund instead. I mean, they do not know where all the people want to go, but they say go to Dortmund.” CW

In these situations in which the customer has been left alone and could not count on the staff employers for support and help, the perception of the Deutsche Bahn was extremely negative.

On the other hand, the rest of the respondents give examples of adequate service recovery which, according to the interviewees, has helped them to accept the failure situation and to keep a positive image of the Deutsche Bahn. One respondent describes a service failure of an hour delay. The moment the train has arrived and the customers have entered the train, the staff of the Deutsche Bahn has come through the train and has handed out passenger forms which the customers have needed to fill out in order to gain a certain amount of money back. The Deutsche Bahn has sent letters to these customers via post and they have entailed a code that the customers could use to get a reduction for the next travel with the Deutsche Bahn offline as well as online. Another example shows that the company has sent boxes of

chocolates to all passengers. The respondents who have experienced this kind of treatment have appreciated the recovery attempt and show a positive attitude towards the train. Furthermore these respondents say that the staff's reaction has been very positive, encouraging and understanding. Even though, one respondent state that the general perception of the mistake is not completely positive, the way the Deutsche Bahn has reacted in this situation is regarded as adequate:

“I would say it is regarded as adequate. It is not possible to do so much more and sending pralines to all passengers who were in that train, is maybe not amazing but it certainly shows efforts of the Deutsche Bahn.” FS

The positive perception of the recovery is further supported by the efforts of the Deutsche Bahn for travelers and customers to get connecting trains.

While talking to the interviewees it has become obvious that the Deutsche Bahn differentiates between its various train classes. The Deutsche Bahn owns several different kinds of trains; the ones that operate regional, nation-wide and finally the high speed trains. All different kinds provide different ticket prices. The regional trains' prices are the lowest and the high speed trains cost the most. The answers of the respondents show that the customers of the regional trains receive no recovery attempts or at least none that is been recognized as such. The respondents who have experienced service failures and recovery in the other two kinds of trains define the recovery as satisfactory and adequate.

4.2.4 Recovery strategy's influence of Deutsche Bahn perception

The interviewed people share the opinion that service recovery influences their image of the Deutsche Bahn to some extent. The respondents who have experienced negative service recovery spread negative word-of-mouth. The perception of the failure has created an already negative image of the service provider. Due to the fact that the problem has been handled poorly the respondents considered the situation as even worse and have started sharing their experience with other people. The attitude towards future failures is also influenced by the missing service recovery. The evaluation of the service failure and the attitude towards the Deutsche Bahn is more severe and undesirable with these respondents. When being asked how often service failures occur with the Deutsche Bahn, the interviewees reveal that 50 percent of the time they travel with this service provider something is considered a failure:

“I would say every second time I travel with the Deutsche Bahn something goes wrong.” CW

The positively regarded experiences improve the image of the train company. The customers feel less serious about the service failure. The adequate recovery strategy ensures the customers they are being taken care of and these interviewed people also recall less failures.

4.3 To what extent is it possible to achieve the Service Recovery Paradox?

4.3.1 Does it sound plausible in theory?

To examine whether the basic concept of the Service Recovery Paradox sounds plausible to the respondents, the interviewer explained the phenomenon by using the definition introduced by McCollough which has been discussed during an earlier section of this thesis. The respondents agree on terms that the idea of the paradox sounds plausible and they consider the existence of it as absolutely possible. They justify this opinion by explaining that when the customers experience a service failure a certain process gets started. Without a failure of the service, customers take the service offering as such for granted without thinking too much. They are satisfied with the service when it is provided as promised and the customers' needs are fulfilled. In their mind, the respondents argue, they do not think about a possible service failure and consequently they do not appreciate a well-working service to its fullest. The moment the service failure takes place and the service provider handles the situation very well the respondents state that this leads to the more positive effect because in this situation the customer is now more involved in the service encounter and shows a higher interest. All share the opinion that service failures are unavoidable and can happen. The simple occurrence of a failure to a certain extent does not influence the established positive perception the customers have regarding one company. The moment the service provider finds a solution to handle the failure and solve the created problem in a way the customer expect the provider to do, the respondent all agree that the customers can be more satisfied than in a situation without a service failure because the problem has been fixed and additionally the customers can be sure that the company knows how to handle more problematic situations.

One of the respondents sees the recovery paradox in a further way. This interviewee states that it is also possible to expand the paradox situation into a more communicative sphere. In the respondent's opinion it is possible to create the paradox situation by using the media. The moment newspapers or TV stations start reporting about the positive failure-handling the image of the population can also change into a more positive one. In this regard the service recovery paradox does not just refer to the level of satisfaction but it is more widely spread

and includes possible positive image effects and consequently can guarantee more customers and potential new customers.

“With things the media is reporting about, it could have positive impacts on image. So, if there is something going wrong, the media is commenting about it. But when the problem is handled well and the media is also talking about that then it is absolutely possible that the company improves its image and therefore gets more customers.” SL

Nevertheless, the respondents say that there are limits and that there are situations when the existence of the paradox is no longer a realistic option. The degree of the service failure plays an important part. The respondents reveal that the occurrence of the paradox is just realistic when the mistake is of minor degree. The moment the failure has a high influence in the people’s life the situation changes and the paradox is no longer a valid option. The interviewees explain that an adequate recovery strategy still has impact on the level of satisfaction and on the image and perception of the firm but the actual paradox situation in which the customer is more satisfied than in a service encounter with no occurrence of service failures is no longer reached. This supports the conclusion made by previous researches. It was said that external factors have a high influential impact on the actual existence of the paradox (Zeithaml, 2009). Furthermore, it also provides additional evidence for the findings resulting from McCollough’s study which has shown that the severity of mistakes is one of the most important factors.

The respondents define the expectations they have for a recovery strategy that makes it possible to feel the effects of the Recovery Paradox. They demand a quick service with no further complications. Moreover, they state that the compensation needs to be high and above their expectations to activate positive feelings of happiness and satisfaction. Especially tangible and financial compensation will guarantee a higher level of satisfaction and the customers show a more positive reaction towards gifts and rewards that go beyond the loss they have experienced. When being asked about the existence of the paradox, one respondent has used an example to evaluate a situation when the paradox is reached. Referring to the Deutsche Bahn context, the interviewee explains that the level of satisfaction is higher than in a failure free zone when after having travelled with the Deutsche Bahn during summer time without air conditioning and getting a refund of the whole ticket price as a recovery attempt. This example shows a big problem regarding the service Recovery Paradox which also has been declared by McCollough. The actual amount of refund or compensation and the degree

of the failure is not in proportion to each other. The service provider has to invest a high amount of compensation to redeem the mistake and reach the paradox situation.

4.3.2 The testing of the existence of the Service Recovery Paradox on the Example of the Deutsche Bahn

To examine whether it is possible to create the paradox situation with customers of the Generation Y the interviewer created different scenarios. This method was used by researchers during their case studies and has proven to be effective. The scenarios were designed as follows. Within the first service encounter the respondents were confronted with service failure of an hour delay. Among the respondents, delays were named the most obvious service failures referring to the Deutsche Bahn. Every respondent has already experienced such a service failure which provides a high level of familiarity with the problem. In this situation the delay has no impact on the further day of the respondent. The second scenario also includes an hour delay as a service failure. In that case nevertheless, the respondent misses an important meeting at work or a lecture at the university. Furthermore, the two scenarios showed different reactions from the staff of the Deutsche Bahn to recover the failure.

The reactions of the respondents were overall similar. In the situation when the interviewees experience the hour delay and no further recovery attempt is undertaken by the Deutsche Bahn, they all state that the emotional situation is negative and angry but the respondents also state that they are accepting the situation. Due to the fact that they are under no time pressure the situation is regarded as annoying but bearable. Furthermore, they explain that delays often occur and due to that the anger is manageable because they partially expect such a failure. Within the second variation in which the staff of the Deutsche Bahn offers snacks and drinks for all the passengers who have to wait, the reaction is also similar among the respondents. All consider that recovery attempt as positive and they state that they feel happy and more satisfied in this situation. They accept the apology and use the vouchers. It is said that the customers feel being taken care of and the reaction of the Deutsche Bahn leads to the fact that the actual failure is regarded as less severe. The respondents have a more positive attitude towards the perception of the failure as well as the company as such. The third scenario includes a financial compensation including a reduction when travelling again with the Deutsche Bahn. This situation shows various reactions. Whereas all respondent react positively during the previously shown situation, the reaction towards this recovery attempt is

different. One respondent states that a level of absolute satisfaction and consequently to that the Recovery Paradox is achieved. This respondent explains that she feels more satisfied than without an occurrence of the service failure. Another respondent describes that the financial compensation makes him happy and it is appreciated, but in this situation that includes waiting for an hour, snacks and drinks are more welcomed. Nevertheless, one of the respondents perceives this recovery as too much. This interviewee states that the compensation is accepted but nonetheless regarded as not necessary in comparison to the actual severity of the failure.

The second scenario is characterized with following consequences after the failure of an hour delay has occurred. This entails that the customer is missing a connecting train and therefore an important appointment. The first recovery strategy is still a simple announcement of the delay without any further compensation for the customers. The respondents' reactions are now more intense. The angry feeling is increased and the respondents point out that they are starting to get active. One of the interviewed people says that the staff is now being consulted and the respondent also feels the necessity to complain about the failure. Furthermore, it is emphasized by one interviewee that she contacts friends and fellow travelers to express the anger. This reaction actually supports a statement that negative experience leads to the spread of negative word-of-mouth to a certain extent. The respondent describes that exchanging negative experiences and gossiping about the provider, in that situation the Deutsche Bahn, helps to handle the situation. The recovery strategy including vouchers for drinks and gifts cannot lower the level of anger and disappointment. The respondents explain that with these circumstances the emotional state is still the same. Even the financial compensation within the third scenario cannot really solve the problem. The reactions in the previous context were almost overall positive. One respondent has even stated that the Paradox is achieved. This is no longer the case when the customers feel an actual loss resulting from the failure of the service provider. The credit helps to feel less angry but it cannot resolve the problem and the negative feelings. The one interviewee who has been of the opinion that drinks and snacks are better in a situation when he has to wait for a train is now also convinced that the pure monetary compensation helps to balance the mistake to a certain extent.

“Well, that is also good, but I rather have the drinks and snacks in that situation. It might be stupid, but in that moment I rather have a cool coca cola and a snack than the 25 % reduction, even if it does not sum up.” FS

“And oddly enough, I would now, with number three, rather have the 25% instead of the snacks. Now, I consider that a better option than the snacks. Not really sure why though.” FS

4.4 How do customers react when the compensation is higher than expected and when is the moment achieved that receiving compensation can have negative outcomes for the customers?

4.4.1 The definition and the various kinds of compensation

This topic is closely connected to the service recovery strategies. As the findings of this study have proven, compensation is one of the most important features of an efficient and effective service recovery. It was said that there are different elements a service provider can choose from while implementing service recovery. Service failures can either be recovered by the help of monetary or non-monetary compensation (Wilson, 2008). When asked to define compensation the respondents refer to compensation as an effective way to redeem the harm that has been caused by a service failure. They further explain that compensation has a great influence on the way they perceive the experienced service failure. These statements support the findings made by Kwon (2012) and Wirtz (2004) who also have proven that compensation that has been offered to customers has a positive influence of their behavior. The respondents of this study agree with this result and assert that when offered compensation, the immediate anger can be released and the further attitude towards the service provider is less tense. The opinion regarding what kinds of compensation they could name were to some extent wide spread. One respondent has referred to *“everything that can dampen the negative effect”* CK whereas apologies are specifically considered as compensation once; all interviewees have named a monetary compensation or more tangible features such as a financial equalization or at least vouchers or gift cards.

Furthermore, the respondents explain that they are generally expecting compensation. Especially when they have experienced a financial loss but also if any harm is done that affects the customer directly. As previously suggested the kind and level of compensation depends on the actual experienced loss (Worsfold, 2007). The respondents also state that they differ between certain failures and expect different ways of handling and therefore different ways of compensation. In general they are convinced that the actual degree of the failure is the most essential differentiation factor. When having experienced solely a minor mistake which has no influence on the customer and its life a simple apology can be considered as

appropriate and adequate. When then offered additional compensation like a voucher which the customer does not expect in this situation, the level of satisfaction is very high and that also has a positive influence on the perception of the service provider and leads the customer to spread positive word-of-mouth.

Nevertheless, they also distinguish the experienced losses. If a money loss is the consequence of the experienced service failure the interviewees state that they demand a financial compensation that at least covers the loss, but they would be positively affected if the service provider offers additional contributions. If the damage is caused by the behavior of the staff and that leads the customer to feel mistreated the respondents have reacted differently. The loss they feel is considered as an image loss. In that case the respondents call for an apology by a further staff member, they want to know that the responsible person is being punished to some degree and the interviewees consider a monetary compensation also as adequate. These results correlate with the findings made by Krishna who stated that customers can experience up to twelve different losses during a service failure and each calls for a different recovery strategy. Due to the fact that compensation is an essential part of the service recovery that also includes different kinds of compensation (Krishna, 2011).

4.4.2 The attitude towards compensation

In general the attitude towards compensation was overall positive. As stated in the section above, customers expect compensation when a provided service entails failures. Even though the interviewees share the opinion that they would never decline compensation they also say that receiving and accepting compensation can be very tricky. As mentioned before different failures call for different reactions by the service provider. When being affected by a certain loss, the customer calls for specific actions. In situations when the service provider misinterprets a situation and therefore the experienced loss by the customer and reacts in the wrong way the attitude towards the compensation and the service provider turns negative.

One respondent discusses potential outcomes when having received compensations:

“It has to be adequate to the situation. Well, I believe that especially when receiving a poor compensation, this is somewhat worse than receiving no compensation at all. [...] Because then you do not feel being understood. One feels as if they make fun of you. I think there are many possibilities, especially in the negative direction.” SL

This statement shows that customers expect compensation to match certain problems. Negative experience as such has the potential to aggravate the service failure and also worsen the perception of the firm. The interviewees explain that there are also other situations when getting compensation has a more negative implication. They state that when a failure is caused by a company that has just entered the market and cannot afford high compensation could make the customer feel uncomfortable. Moreover, the respondents claim that they feel not entirely confident accepting compensation when the failure is obviously not caused by the service provider or is not in the service provider's control. Additionally to the financial compensation, the respondents also explain that non-monetary compensation can lead to displeasing encounters. The moment when a staff member apologizes for a mistake that this person is not responsible for, the interviewees state that this can cause a situation in which the customer does not feel at ease.

Whereas the negative feelings caused by an inefficient compensation have major influence on a further negative perception of the service provider, these last presented examples do not influence the attitude towards the company as such. The respondents explain it as a personal feeling that has in that sense nothing to do with the service provider. The compensation and apology would also be welcomed and highly appreciated.

4.4.4 The appearance of overcompensation

Overcompensation was one theory that has been discussed by Nguyen and has been referred to in an earlier section. The basic concept involved the aspect that too much of compensation does not result in positive outcomes but rather in negative associations the customer has in relation to the service provider (Nguyen, 2012). The respondents have reacted very differently regarding this topic.

One respondent explains and by doing that confirms Nguyen's assumption that compensation that exceeds the expectations of a customer drastically makes the person wonder about the service provider. The respondent is of the opinion that if the service provider could afford to invest so much money into the service recovery, why not saving this money and using it to solve the problem as its source or to make the products of the company cheaper and let all customers benefit from it.

“If one does it too much, it can negatively impress the customer in the sense that one might think [the company] has so much money for the compensation, why do not they just make other products cheaper.” BS

This opinion relates to the findings of Nguyen to some extent. Nguyen points out by referring to his findings that customers who are confronted with overcompensation question the intentions of the firm to provide an excellent service in the first place. This one respondent in this study shows the same concern.

On the other hand of this opinion, the majority of the interviewees does not believe in the existence of negative consequences resulting from overcompensation or at least could not name one scenario in which they would feel in that way. Although all are of the opinion that they feel surprised and confused to some extent, in the end the positive feeling would last. The respondents furthermore state that receiving compensation beyond their expectations has a positive impact on their level of satisfaction and also improves their perception of the company as well as the image as such. They are even of the opinion that the previously discussed Service Recovery Paradox is achieved in that situation.

This has been proven by the answers of the respondents regarding the scenario based questions within the Deutsche Bahn context. They are asked to define and explain the feelings and attitudes when being confronted with overcompensation. The author of this study has constructed a scenario after the examples of other researchers by creating a service failure of an hour delay while travelling with the Deutsche Bahn. Whereas within the first situation there have been no negative direct outcomes for the customer, the respondents have experienced a personal loss during the second scenario which entailed missing an important lecture or meeting at work. Overcompensation is integrated by offering customers the whole ticket price and additionally to that the customer also receives vouchers for drinks and snacks and a personal apology.

The reactions regarding the first scenario were overall positive. The respondents state that this situation makes them happy and satisfied. Furthermore, the interviewees explain that the Paradox situation was achieved in that situation. Even though the interviewees objectively acknowledge that this compensation was maybe too much, all agree that they still accept the offerings without any negative associations.

Regarding the second scenario the findings show different results. The evaluation of the amount of the compensation is not the same. In this situation after having experienced the

mistake and also harm caused by the missed lecture or meeting at work, the respondents now regard this compensation as adequate and no longer as too much. Furthermore, they state that in this surrounding it is no longer possible to achieve a state of higher satisfaction than if the failure has never happened which indicates that the Paradox phenomenon is not achieved here. As researchers such as McCollough and Magnini have pointed out during their studies regarding the Recovery Paradox external factors have an impact on the existence of the paradox, they seem to have also an influence on whether the customer considers the offered compensation as too much or not. The existence of overcompensation and therefore the possible negative associations coming with it appears to be also dependent on the personal situation the customer is in.

Chapter 5 – Conclusion

Several aspects of this study show interesting results that to some extent support findings previously made by other researchers but also give new insights to the attitude towards service failures and their recovery strategies among the age group of the Generation Y adults.

5.1 Discussion

Based on the analysis, service recovery is expected whenever a service failure appears. Especially in a highly competitive market space, customers expect service recovery; otherwise there is a high possibility for them to switch to another provider. Although the German public transportation sector does not offer that much competition, it is obvious that this might change in the future and the Deutsche Bahn's handling of their service failures will be one of the most important decision making factors whether the customers want to continue travelling with the Deutsche Bahn or consider other alternatives.

Furthermore, this study shows that service recovery strategies in general should always include financial compensation at least to some extent. Even in cases when the experienced failure is regarded as non-monetary. In these cases a non-monetary apology is essential. Nevertheless, the customer also expects an additional offering that compensates the failure on a monetary level.

One of the study's main attempts has been to investigate whether phenomena such as the Service Recovery Paradox and the effects of overcompensation are plausible in relation to the members of this age sub-culture. Although the term overcompensation has been defined as Boshoff has referred to as receiving more than the customer has expected as well as originally spent the respondents in this study do not support the negative association with this term. On the one hand the interviewees are convinced that being offered a high compensation for a mistake would influence their opinion in a positive way but on the other hand they agree that they have never been in the position when a service provider has offered an overly generous compensation. In their opinion overcompensation will never occur because service providers are still bound to act economically. Offering very high and inappropriate compensation is therefore rather unrealistic.

Regarding the Service Recovery Paradox, the results of this study conform to those already made by other researches. The respondents react positively towards a paradox and are

convinced that the existence is absolutely possible. When being confronted with scenarios to test their opinion, the respondents express partially that the paradox is achieved nevertheless the amount of compensation to achieve this phenomenon is rather high in comparison to the failure the customer is experiencing. The service provider has to offer a high amount of monetary and non-monetary rewards after a minor failure to reach a stage within the customer is more satisfied than without the occurrence of the failure. The respondents even point out that even if they are more satisfied in this specific moment, on the long term a feeling of doubt is still present. In relation to this, it is said that in settings where service failures are likely to occur the customers are satisfied when they are being taken seriously and care of. In that sense it is not necessary to reach for a high when a “normal” level of satisfaction works just as good.

5.2 Managerial Implications

Service failures lead to anger, disappointment and frustration among the customers. Especially in relation to the Deutsche Bahn, the customers expect failures. They tend to plan extra time while travelling with the Deutsche Bahn or due to many failures in the past avoid certain routes. Even though all respondents have been confronted with service failures the reaction is still as negative. It reinforces a negative overall image and creates a spread of negative word-of-mouth. Furthermore, the continuous appearance of service failures concludes in the behavior that every customer complains and expects compensation. Even within failure settings when the customer is aware of the fact that the Deutsche Bahn is not responsible for the failure, the customer still demands a financial reward.

The findings of the study suggest that the recovery strategies of the Deutsche Bahn operate according to different classes. Whereas failures with the nation-wide trains (IC and ICE) are compensated efficiently and effectively, failures with local trains are not compensated at all. In this situation the customer is left alone and cannot count on the Deutsche Bahn and their staff for support and help. This two-class treatment has effects towards the attitude towards the Deutsche Bahn. It is obvious that the customers who travel majorly with the local trains show a more negative behavior towards the train, expect more compensation in regard to recover from mistakes and also show a higher probability to switch providers. Although the Deutsche Bahn still owns a monopoly position, the market is developing and alternatives are growing. It is said that the unsatisfied customers seek actively for other options to travel and

would switch sooner rather than later. Consequently, the Deutsche Bahn will lose these customers in the future.

Customers preferably travelling with the nation-wide operating trains are treated differently. Here, in cases of a service failure the Deutsche Bahn takes the initiative, addresses the customers and offers financial compensation in form of vouchers.

Due to the further opening of the market and the existence of alternatives such as busses and cheap airlines, the Deutsche Bahn should reconsider their recovery strategy and expand it towards the local trains. Also, it has been obvious that the customers of this age group prefer tangible compensation such as vouchers or a partial refund of the actual ticket price. Due to the different ticket prices regarding the various kinds of trains, the recovery strategy should also include diverse levels of compensation. Nevertheless, it seems to be necessary to improve the treatment towards the customers of the local trains.

Furthermore, the customers approve an easy handling while experiencing the recovery. They are convinced that the initiative should come from the staff of the Deutsche Bahn and the process needs to be as uncomplicated and time efficient as possible. The customers say they are willing to join the recovery process to a certain extent, including filling out forms online at home to disburden the staff that is confronted with the customers on the train. Nevertheless, they further explain, there needs to be a page online that is easily accessible and allows a fast process without having to search for it. This page should also include an overview with all necessary information regarding possible service failures and the correlating customers' rights.

5.3 Academic Recommendation

This study has put its focus on a certain age group and provides a further insight in the minds of customers within the age group of 19-28. Furthermore, it shows that these customers know that service failures are unavoidable and that they are willing to stay loyal towards a service provider as long as they have the feeling that the provider cares and is interested in having them as future customers. The study gives an idea about the customers' values and also what they expect for a recovery.

The study shows that the service recovery paradox is possible but not necessary at all to create satisfaction among the customers that leads to a positive attitude and a positive word-of-mouth flow. Furthermore, it suggests that potential negative impacts resulting from

overcompensation are not a threat due to the fact that it is highly unlikely to exist and if it occurs the customers would rather react positive than negative. The next step should be to create a study that focuses on the quantitative study design to see whether these ideas can also be related to a representative group and therefore provide general guidelines.

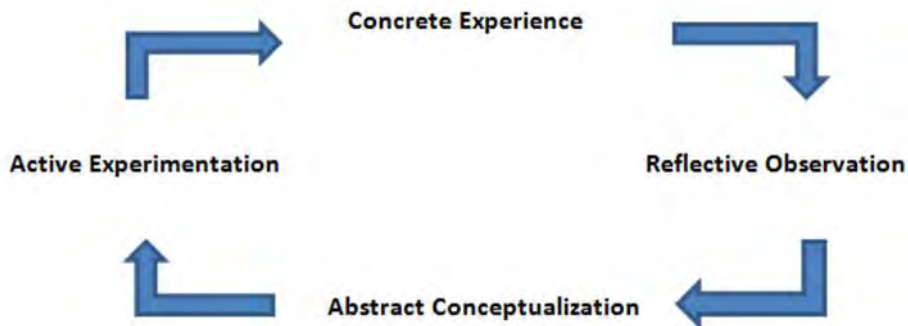
Chapter 6 - Self-Reflection on Learning

This part of the thesis revolves around the aspect of learning. In this section the author of this thesis focuses on the meaning and importance of learning, the different learning styles and an analysis of her own learning preferences. While focusing on that, the author wants to acknowledge her strengths on the one hand but also figure out and address the weaknesses with the attempt of improving them in the future. The last section includes a summary of the experiences the students has had while working on this thesis starting from the point of searching for a topic up to the process of writing the thesis.

6.1 The Meaning of Learning

It is said that learning is the essence of every individual and the process of learning accompanies every single person throughout its life. In its basic meaning it allows the human being to survive and to develop skills (Dale, 2002). In more specific terms, it helps individuals to prepare for life and allows people to take responsibilities, it differentiates employees from each other and allows them to face challenges at work especially in the times of a highly competitive environment and most essentially it enables human beings to handle changes (Honey, 1999). Honey further states that “learning to learn is the most important of all life skills.” (Honey, 1999, p. 9) Learning can be an outcome as well as a process (Honey, 1999). Following this second aspect learning is further summarized as “the process whereby knowledge is created through the transformation of experience.” (Kolb, 1984, p. 38) This process moves an individual from a place of not knowing and being incapable of doing something to a place of understanding and succeeding (Dale, 2002). Connected to this definition is the fact that learning is not transmitted as an independent equity but rather acquired by an individual through personal experience and effort (Kolb, 1984). Kolb refers to a learning circle that starts with a concrete experience which includes an actual activity by the learner, followed by an observation and an abstract conceptualization and ends in experimentation. The second and third steps include the process when the individual thinks about the happened events and starts to make sense of it. The final step consists of putting these created ideas into practice and leads to new learned skills (Dale, 2002, referring to Kolb).

Learning Cycle by Kolb 1984



Consequently, it is suggested that learning does not include the same process for every individual (Kolb, 1984). Therefore different learning styles are introduced. This idea of a differentiation regarding learning styles acknowledges that people react with different preferences towards certain ways of learning (Mumford, 1995).

6.2 Different Learning Styles

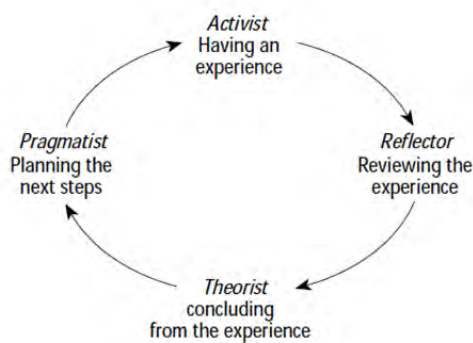
Kolb differentiates between four different learning types. These types include different approaches to learning and indicate that there are various kinds of methods to succeed in learning (Dale, 2002). The four different kinds are: convergent, divergent, assimilation and accommodation (Kolb, 1984). Regarding these styles, Kolb associates them to the learning cycle. Preferring the convergent learning style includes a deeper orientation on the abstract conceptualization and active experimentation. This means that learners have a high capability in finding solutions and making decisions. Knowledge is organized in a way that problems can be addressed very easily (Kolb, 1984).

Opposite to that is the divergent learning style. It includes concrete experience and reflective observation. People gaining their knowledge with this learning type, are able to see various perspectives to things and the main focus lies more on the observation than action. Also focusing on observations is the assimilation learning style. In that case the individual uses the abstract conceptualization and reflective observation. Ideas are created by putting observations into theoretical models.

The last style introduced by Kolb is the accommodative one. The strength of this style is the competency to adopt actions and plans and associate these with new situations. The decision making process is more intuitive than structured and based on analytics (Kolb, 1984).

Mumford and Honey have also discussed different learning styles and have referred to the Kolb differentiation. Nevertheless, they have found simpler terms of the various kinds and these are named activist, reflector, theorist and pragmatist. The activist learns preferably by doing, whereas a reflector takes time to evaluate things before making choices and taking action into account. The theorist learns by using concepts and ideas and the pragmatist thinks about problems and issues in more practical terms (Mumford, 1995).

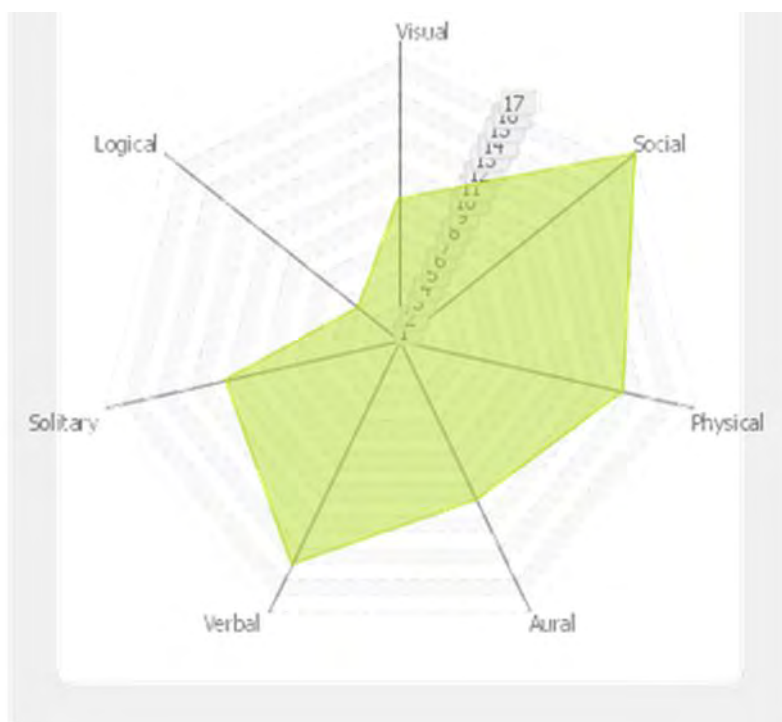
Learning Styles



6.3 Personal Learning Style

Kolb as well as Mumford and Honey have introduced surveys and questionnaires that allow people to test which learning style they prefer. The author of this thesis has tested herself in an online version of both tests. These tests give statements that the respondent has to answer either with 'agree' or 'disagree' or to rank them from 0 to 2 according to the level of agreement. The statements are held in simple terms and are easy to understand and evaluate the skills and preferences of the individual to examine the strengths and weaknesses.

Test results: Kolb



(Learning)

Test result: Mumford and Honey

Activist	<input type="text" value="Strong"/>	Preference
Reflector	<input type="text" value="Very Low"/>	Preference
Theorist	<input type="text" value="Very Low"/>	Preference
Pragmatist	<input type="text" value="Strong"/>	Preference

(Learning)

Considering the test results of the online surveys, the author of this thesis is regarded as an activist and pragmatist. Both surveys indicate similar results. Kolb's test says that the student has very low points in the logical sphere which is supported by the 'very low' score at the

Mumford and Honey result. Following this the author of this thesis has very low interest in applying theories or concepts and is basically solely focused on how things work (Mumford, 1995). The activist role includes that the student prefers learning while being actively involved during the process. That includes the student will learn more effectively and efficiently while being confronted with problems and challenges and gains more from the learning experiences when other classmates or colleagues are involved in the process. Furthermore, the thesis' author functions best while entailing a leading role during discussions and group works.

Furthermore, due to the preference for a pragmatic learning style, the author acquires skills better when there is a model she can refer to or can apply her work to. It serves as an advantage when the subject she is working on relates to an actual topic and the student understands the purpose of learning that skill.

Consequently to these results, there are areas that need to be improved. The author of this study has trouble gaining skills and competencies when there is no relation to existing problems or the background for attaining a capability is too abstract. Furthermore, there are restrictions to learning while listening to lectures or long explanations in general. It is complicated for the student to learn things just by listening or by exploring things on their own following theoretical instructions. These areas are considered as problematic and will be improved in the future.

For the future, this results show the student that especially employments with companies that are organized in a less strict hierarchy and focuses on team work as well as high communicative processes are of utmost interest. Furthermore, it is wise for the student to use the more creative and project focused orientation to find fulfillment within the working environment due to the fact that the student prefers solving problems and gaining new skills while working on specific projects rather than on theoretical constructs.

6.4 Working Process of the Master Thesis

During the complex process of writing the thesis, one of the most complicated aspects has been finding the perfect and most fitting topic. The long decision making process confirms the previously presented result that the author has issues coming up with ideas when left being on her own. It has been complicated finding and choosing a topic that provides aspects that have not been discussed before or offer new elements that allow the student to work on that. While

working on an essay or assignment for another course during the second term, the student has been inspired by a Service Recovery phenomenon and has transferred that problem towards her own topic which also is proven by the fact that she prefers a pragmatic learning style which entails that it is easier to apply an existing model or problem rather than coming up with a new one.

When having found the appropriate general topic, the author of this thesis has counted on the support of her classmates to explore that idea. As pointed out of being more productive when interacting with other people, the student has needed the impact and comments of others to see the most essential parts of the topic's related aspects. It has been necessary to talk to other people to realize if ideas and assumptions still make sense when presenting them to other people. Also having conversations with others has helped the student to see gaps and potential elements that can be analyzed further and finally it has created the actual thesis' topic.

While starting to work on the thesis more detailed and creating an adequate plan and structure how to proceed, the author has learned a lot about herself and her strengths and weaknesses in relation to writing a longer academic piece of work. One of the major weaknesses has been finding the initial motivation to start the working process. Especially during the first weeks when there still has been more than ten weeks, the motivation to get started has been very complicated. Furthermore, there have been further obstacles the author has had to face. Due to the fact that the topic's context includes the German public transportation sector, the author has travelled home to find the respondents and to talk to them. During that time, the possibilities and opportunities of being distracted and occupied with other things have increased and have challenged the student even more.

Nevertheless, the author has also recognized various strengths throughout the writing process. Even though, English is not the thesis author's native language the writing process was managed fast and without any major problems. Once the data was gathered the author has had no problems in writing the results and findings down. Furthermore, it became obvious that time management has also been one of the strengths of the student. Due to a clear structure and schedule which has been planned before starting the thesis, the student has never faced any problems of missing the deadline. Stress and hectic rush could have been avoided due to that.

Appendix

Questionnaire

1. Background

- 1.1. Age, gender, student/job, part-time/full-time
- 1.2. How long have you been using the services of 'Deutsche Bahn'?
- 1.3. How often do you travel with 'Deutsche Bahn'?
- 1.4. Have you ever experienced negative service encounters with the 'Deutsche Bahn'?

2. Service Failures (SF)

General

Heading: Familiarity

- 2.1. What do you consider as a service failure?
- 2.2. How often have you experienced service failures?
- 2.3. What do you consider as a severe service failure in general?

Heading: Attitude or Behavior after S.F.

- 2.4. How do you feel when service encounter do not go as planned?
- 2.5. What are your reactions after experiencing a failure towards the provider?
(switch/stay)

Heading: Complaints

- 2.6. Have you ever complained after a S.F. has occurred?
- 2.7. Yes → what were your motives to complain and what did you expect the service provider to do?
- 2.8. No → Imagine you would complain. What are your expectations of the actions of the service provider?

Deutsche Bahn

Heading: Familiarity

- 2.9. Where do you think, service failure could occur within a service encounter with Deutsche Bahn?
- 2.10. How do you perceive failures when they occur? Explain your feelings and opinions?
- 2.11. Explain your negative service experience(s) with the Deutsche Bahn?
- 2.12. Define the severity of the failure(s)?

Heading: Attitude and Behaviour after S.F.

- 2.13. What impact does the appearance of that failure have on your general perception of Deutsche Bahn?
- 2.14. What were the consequences of the failure(s)?

Heading: Complaint

- 2.15. What were the actions you took after experiencing the failure?
- 2.16. To what extent was it possible for you to communicate with the service staff about the failure?
- 2.17. What kind of features did Deutsche Bahn use to keep you updated about the failure and its impact?
- 2.18. How good do you think Deutsche Bahn handled the occurrence of the service failure?

3. Service Recovery (S.R.)

Heading: Occurrence

- 3.1. What do you understand under the term service recovery?
- 3.2. To what extent have you experienced service recovery attempts before?
- 3.3. What were the measures taken by the company?

Heading: Possible Outcomes

3.4. Do you think S.R. is essential? Or do you think a company does not need to have S.R. strategies.

If yes, why?

If no, why not?

3.5. Why do you think service provider invest in S.R.?

3.6. What are according to your opinion the most important advantages of S.R.?

3.7. What are the most severe obstacles?

Heading: Suitable S.R.

3.8. Which elements should S.R. include in general?

3.9. To what extent do you think it is necessary to adopt S.R. to different situations and customers?

Heading: Service Recovery Paradox

3.10. Researchers support the idea of a service recovery paradox which entails that customers are more satisfied with a company after having experienced an excellent recovery after a failure than if the failure has never occurred at all.

To what extent do you think the appearance is plausible?

3.11. In your opinion, what does a company need to do to create a paradox situation?

Deutsche Bahn

Heading : Occurrence

3.12. When experienced a failure with the 'Deutsche Bahn' were there any reactions and recovery attempts. If yes, please explain them?

3.13. Can you explain the behavior of the staff during the recovery process?

Heading Possible Outcomes?

3.14. Did the service recovery influence your opinion about the service failure?

3.15. What was your attitude towards the 'Deutsche Bahn' after having experienced their attempts to recover the failure?

Heading: Suitable Service Recovery

- 3.16. Would you consider the behavior as appropriate? If yes, what made you think so? If no, what could 'Deutsche Bahn' have done better?
- 3.17. In case there have been no recovery attempts/Imagine, there would be no recovery strategies. How do/would you feel about it?
- 3.18. How and to what extent can a missing recovery strategy influence the overall perception of 'Deutsche Bahn'?

Heading: Service Recovery Paradox

- 3.19. Imagine following service scenario.

Your train is delayed for 60 minutes. This has no following effects on your daily schedule.

Option one (low recovery): There is no acknowledgement of the 'Deutsche Bahn' staff except the speaker message.

How do you feel?

Option two (medium recovery): The staff of 'Deutsche Bahn' hands out vouchers for drinks and snacks and apologies on person.

How do you feel?

Option three (high recovery): The staff of 'Deutsche Bahn' apologies in person and hands out vouchers with 25% discount for a next trip with 'Deutsche Bahn'.

How do you feel?

- 3.20. Now imagine this following service scenario.

Your train is delayed for 60 minutes. This means you miss your connected train and come late for lectures/work.

Option one (low recovery): There is no acknowledgement of the 'Deutsche Bahn' staff except the speaker message.

How do you feel?

Option two (medium recovery): The staff of 'Deutsche Bahn' hands out vouchers for drinks and snacks and apologies on person.

How do you feel?

Option three (high recovery): The staff of 'Deutsche Bahn' apologies in person and hands out vouchers with 25% discount for a next trip with 'Deutsche Bahn'.

How do you feel?

4. Compensation

General

Heading: Familiarity

- 4.1. What do you consider as compensation?
- 4.2. What kind of compensation do you value the most?

Heading: Attitude towards Compensation

- 4.3. Do you expect service providers to provide compensation after a service failure? If yes, why? If no, why not?
- 4.4. What kind of compensation would you consider as appropriate to satisfy customers after a service failure?
- 4.5. When receiving compensation, what are your feelings?
- 4.6. Can you think of a moment when you think compensation can make the customer feel uncomfortable?

Heading: Overcompensation

- 4.7. What do you understand under the term 'overcompensation'?
- 4.8. Have you ever experienced a situation in which you felt the service provider's compensation is too much?
- 4.9. What were your feelings in that situation?
- 4.10. Imagine following scenario: Your train is delayed for 1 hour. This delay has no following impact on your daily schedule. The 'Deutsche Bahn' staff refund the whole ticket price and give you vouchers for snacks and drinks. How do you feel?
- 4.11. Imagine now this scenario: Your train is delayed for 2 hours. This means you miss the connected train and you are late for lecture/job. 'Deutsche Bahn' refunds the whole ticket price and gives you vouchers for snacks and drinks. How do you feel?

Table: Research Results

Questions	BS	CW & CK	FS	SL
2.1	-service provider failures often occur	-Promises not kept -no basic standard	-promised service goes wrong	-something that should work, goes wrong -negative consequences are caused
2.2	-tangible loss -impact on life	-Deutsche Bahn related: 50%	-generally speaking not a lot	-familiar -often just small things
2.3		-being left alone -no information flow	-core competencies: failure -regarding DB: severe delays	-train cancellation -high impact on personal life
2.4	-depends how bad the impact is on life -looking for alternatives -complaining	-disappointment, anger	-when plans → annoyed, angry	-anger !!
2.5	-improve service -help to find source of failure -financial refund -know what to do	-complaint -negative wom -actively harm the company -prevent people from harm -compensation	-complaint -opinion is expressed	-delays → conductor came handed out forms
2.6	-feeling being taken serious	-excuses -compensation -being sure that provider cares	-compensation -rewards -personal loss contributed -personal interest: center	
2.7				-compensation -reaction by the staff
2.8				
2.9	-delays -wrong information for connecting trains -unfriendly staff -not the best route	-delays -no air conditioning -wrong information -wrong ticket price	-delays -air conditioning	-delays -broken air conditioning -packed trains -unfriendliness
2.10	-one specific route no longer used	-no surprise -negative basic attitude	-depends on context -plans: angry	-annoying -disturbed -when tight

	-additional time is included -car= alternative	-angry just thinking about DB	-no plans: accepting -complaining always an option	schedule -missing train connections
2.11	-high impact on life -time waste -no information provided		-severe: duration of travel doubles -delay of two hours	
2.12				
2.13	- great impact -extra time is added in time plan -customers wastes time	-great impact -expect failures -plan extra time	-not a lot -rarely real severe troubles -maybe 5% with DB	-especially when media is involved -personally no negative image because hardly failures -media reports though influences perception -reports about DB always negative
2.14	-certain routes not used anymore -shorter trips relay on car -price benefit is the same	-monopoly status -bus = alternative -actively looking -also car-pooling, airplanes -avoid DB	-staff approached customer directly -form for refund -% of ticket price back -chocolates	-no information flow -no real alternative -regional: metronome → other trains -busses
2.15	-service point with information -but no knowledge -less help	-DB staff approached -no reaction -unfriendly, no compassion	-staff: understanding, Supportive	-complaints -got forms immediately -differentiates between mistakes coming from train or not -always complaining
2.16	-not existent	-not existent	-highly -came through train -open for help -gave information	-conductor comes -always information point at station
2.17		-just basic statement -no real	-continuous information via loud speaker	-initiative coming from DB → IC

		information	-explain exact reason	-Regio: no information provided
3.1	-problem that lie outside responsibility compensated -time cannot be compensated -also negative image hard to compensate	-compensation for loss -binding customer on company -make customer happy again	-failure happens, compensate for it	-compensation -redemption -not necessarily just monetary -depends on context -apologies always
3.2	-feeling people care -problem being take care of -DB: no recovery attempt recognized	-get money back -no costs for the customer -no negative feelings left behind -positive surprise, something extra -presents: goodies, vouchers, gift card	-acknowledge mistake -open for making up for it	-apologies -additional compensation -ex.restaurant → drink or dessert for free -vouchers
3.3			-caused damage refunded, when customer not responsible	
3.4	-essential -competition too high -will lose customer -also future customer -recovery: decision factor for purchase decision	-very important -due to customer loyalty -in future with competition, even more important -guarantee	-DB→ due to Monopoly, could neglect it -bus as competition raises → important -company in competition: essential	-essential -no recovery: customer leaves
3.5	-customer loyalty -image improvement -new customer gain -positive wom	-positive image, positive wom -loyalty -positive product evaluation -avoid competition	-advantage in competition -failures should not occur often -get new customers -no switch behaviour -customer loyalty	-customer satisfaction -image -profit -customer loyalty
3.6			-avoid the	-improvement of

			spread of negative feelings	image -customer loyalty -customer recommendations -positive wom
3.7	-appropriate balance -knowledge about expectation of customers	-customer exploit provider -find the appropriate limit/balance -just act when real damage is caused	-too much → ruin/bankruptcy -balance between too much and too little	-identify sources for failures -find adequate methods -right balance
3.8	-problem acknowledged -refund the loss -person in charge fast approachable -quick solution -know answers	-apology -personal touch -more than standard -react to specific problem	-adjustment of potential occurred disadvantages -acceptance of the mistake -monetary and non-monetary reward	-apologies -compensations
3.9		-apply to situation -not to customers -service provider acknowledges problem, no discussion	-no need to adjust situation to customers -situation necessary -no solely standard procedure	-standard is okay to some extent -adapt to certain situations -severity of failures
3.10	-highly possible -no problem: accept service without thinking -problem occurs: active process -unrealistic when too much impact on life	-plausible, example shows problem, highly uneconomic -active process due to thinking	-theoretically possible -failure will occur anyway -good recovery satisfies customer	-image can benefit -media reports -absolutely possible
3.11	-external factor dependent -quick, friendly, no further effort for customer -additional gift	-compensation really high -exceed expectation	-paradox: full ticket price back	-adequate compensation -financial compensation -admit to mistakes
3.12		-Ex. Train cancellation → let all customer use next train, even when higher costs for	-handed out forms, refund of ticket price -chocolates	-forms handed out in train -fast refund -usable online and offline

		provider		
3.13	-positive: loud speaker messages, information -negative: no staff present -conductor misbehaves		-friendly, supportive, approached customers and apologize	-stressed -but still friendly -understanding -IC
3.14	-not surprised -minimal influence on failure evaluation -more costs → better treatment -different class → different treatment to some extent	-Regeneration → positive impact → problems been taking care of	-not specially -not influenced positively	-high -fast, dependable -informative Initiative DB
3.15	-recovery works -failure are expected	-Also positive perception towards DB -differentiation between problems caused by DB or not -active behavior of DB, approach customer first -easy handling	-just one major failure -afterwards: good service -the effects of that one withdrawn	DB → no real impact, although positive
3.16	-failure handling = positive -monetary refund -no further time loss		-pralines → sending to each customer, high effort, shows seriousness of DB	-perfect solution -IC -Regio: no information, no support
3.17	-alternative use		If there are alternatives → using, also looking	-failure recognition is low -every time something is wrong -but small things: toilets/doors not working
3.18	-external factors influence the evaluation			
3.19	-1. Negative failure has happened -2. More positive,	-1. annoyed, wasted time -2. Positive reaction	-1. No strong reaction -2. Positive attitude, no real	-1. Angry but accepting -2. Better treated, failure is

	accept apology -3. Apology is more important, refund might be too much	-3. happy, highly satisfied	anger -3. Also positive, but prefers the snacks	recognized and handled -3. Even better Paradox is achieved
3.20	-1. Angry, annoyed -2. Attempt of DB lower impact, still angry, no positive influence on satisfaction -3. Still too much	-1. Negative wom, more annoyed, complaining -2. Still angry, no positive effect as before -3. Recognize the attempt, but not satisfied	-1. Negative reaction, context factor influences evaluation -2. Problem isn't solved, but sees that DB has tried -3. Now prefers the money	-1. Complaining, looking for reaction -2. Voucher: no impact on opinion -3. better reaction, still not helping, no Paradox
4.1	-the refund of potential losses	-compensation of an existing damage	-negative effects gets dampen, channeled	Apologies, vouchers
4.2	-everything that prevents the customer to have higher costs	-New product, money back -image damage → apology is important	-price reward, vouchers -general: monetary	Tangible compensation better
4.3	-dampen negative feeling -time loss not possible to compensate	-especially when provider is to blame	-yes, due to customer loyalty	-failure with impact on personal life → definitely
4.4	-not necessarily always monetary -fast and friendly solution offering - +/- 0	-monetary damage → monetary compensation -insult → apology necessary, money still welcomed -best: both	-depends on the failure -small mistake → apology could be enough	
4.5	-marginal mistake -easy to compensate -high level of satisfaction achieved	-possible to achieve satisfaction again -positive wom -also experience and repetition plays a role	-satisfaction can be achieved completely again -but might be cost intensive	- possible -feel treated right and taken care of
4.6	-customer satisfaction -customer security		-compensation is in the fore ground -failure gets	-negative impact is possible -compensation too low/ not

	-forget failure -customer loyalty -service conformation		forgotten	match expectations → horrible outcome
4.7	-not monetary → apology -people apologize who are not responsible for mistake		Negative reaction: customer feels being making fun of -ex: apology after waiting for two hours	-too low even worse than no compensation -making fun of customers
4.8	-yes, if company spends way too much -company could improve products -make them cheaper in general	-generally no -small companies/just entered the market → negative feeling because they cannot afford high compensation	-if company is not responsible for failure -customer caused damage Company pays -would accept it but not entirely positive feeling	-no uncomfortable compensation
4.9	-too much money, better used differently	-exceed expectation -objectively: appropriate	-too much offered in relation to the failure	-too much of compensation -not appropriate for the failure -still happy
4.10	-never experienced -still would have accepted the compensation	-never experienced -would acknowledge it is a lot → no negative association	-never experienced	-never experienced
4.11				
4.12	-adequate -no overcompensation	-positive attitude -very happy, satisfied -paradox achieved	-very positive -no uncomfortable feelings - paradox is achieved	-regards as too much -satisfied nonetheless -very happy
4.13	-limit to recognize overcompensation lowers due to external factors	-still angry -better evaluated than before -here no paradox -not entirely satisfied	-adequate refund -no paradox	-recovery attempt adequate -still: loss -not entirely satisfied

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