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Impact of Service Recovery, Customer Satisfaction, and Corporate Image on Customer Loyalty

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Abstract

This study aims to examine the impact of service recovery in building customer loyalty through the mediating role of customer satisfaction and corporate image. This study also aims to examine the reciprocal relationship between customer satisfaction and corporate image in building customer loyalty. This study uses data from 126 consumers who have received recovery for a service failure in five logistics companies which operates in Southeast Sulawesi in Indonesia, namely; JNEs; J&T Express; Pandu Logistics; MEC; and TiKi. Data was collected using a questionnaire which was then distributed to all respondents via google form. The distribution of respondents at each logistics company provider was as follows: 19 respondents were customers of JNEs; 17 respondents were customers of J&T Express; 32 respondents were customers of Pandu Logistics; 21 respondents were customers of MEC; and 37 respondents were customers of TiKi's. The structural model developed in this study was tested using Partial Least Squared (PLS) method. The research found that service recovery has a direct effect on customer satisfaction and corporate image as positive and significant. Customer satisfaction and corporate image have a reciprocal relationship which then roles in building customer loyalty. Service recovery has an indirect effect on customer loyalty through the mediating role of customer satisfaction and corporate image.

Keywords: Service Recovery, Customer Satisfaction, Corporate Image, Customer Loyalty, Logistics Companies

JEL Classification Code: M31, M21, M14

1. Introduction

The Covid-19 pandemic which has hit most of the countries in the world has caused most people to carry out all their activities from home. This has an impact on the use of information technology in carrying out daily activities,

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including fulfilling the needs of their daily life. This condition causes the level of demand for delivery services at the logistics company to also increase. The number of logistics company providers require each company to provide reliable logistics performance for its customers so that there is a good long-term relationship between the customer and the logistics company provider (Giao et al., 2020). This good relationship will lead to the creation of satisfaction, corporate image, and customer loyalty (Giao et al., 2020; Nguyen et al., 2020; Khoa, 2020; Ali et al., 2015; Cheng et al., 2019; Alam & Noor, 2020).

But the fact of the matter is that due to the increasing complexity of service delivery and the increasing number of logistics company customers, there is a great chance of a service failure. Service failure results in customer dissatisfaction, bad image in the eyes of the customers and decreased customer loyalty (Gelbrich et al., 2016). For this reason, logistics company providers need an appropriate strategy to anticipate this. Logistics company providers must be proactive in suppressing any possibility of service failure and strive to be able to carry out an effective recovery in order to improve service failures that occur in order to create customer satisfaction, customer good image, and

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build customer loyalty. Customers who get good service recovery will be satisfied with the services provided by the logistics company provider. This satisfaction can lead to repeat purchasing in the future (Giao et al., 2020). Customer satisfaction with service recovery after service failure can affect customer image and build customer loyalty.

Literature review shows that service recovery is an appropriate strategy in building customer satisfaction, image, and customer loyalty (Wu et al., 2020; Singh & Crisafulli, 2016; Mostafa, 2017). Handling service failure through proper service recovery can help in consumers ignoring their disappointment due to the failure. Service recovery can be viewed as a result of thoughts, plans and processes to make up for customer disappointment due to service failures so that customers remain loyal to the logistics company provider (Giao et al., 2020; Jung & Seock, 2017; Babin et al., 2021; Ibrahim et al., 2018; Borah et al., 2020). For this reason, this study aims to examine the role of service recovery in building customer satisfaction, image, and customer loyalty to the logistics company provider. Specifically, this study will also examine the impact of service recovery in the reciprocal relationship that occurs between customer satisfaction and customer image, as well as the impact of the reciprocal relationship in building customer loyalty to the logistics company provider.

Originality contained in this research is the combined research model presented by Giao et al. (2020), Choi (2019), and Kandulapati and Bellamkonda (2014). Giao et al. (2020) and Choi (2019) research examines the relationship between image and customer satisfaction in logistics firm, and Kandulapati & Bellamkonda (2014) research model examines the causal relationship that occurs between service recovery, customer satisfaction, and image. Both the research are concerned with the image and customer satisfaction in logistics firm and retailing. In this study, customer satisfaction is constructed as a reciprocal model between customer satisfaction and corporate image. Based on the previous models, this research model will be developed by examining its effect on customer loyalty.

2. Literatur Review

2.1. Service Recovery

Service recovery can be defined as a process of restoring consumer confidence due to service failure. Service recovery is intended as a process to make up for customer disappointment in being satisfied after a failure (Borah, Prakhya & Sharma, 2020; Cheng et al., 2019; McQuilken et al., 2020). Service recovery is a specific action taken to ensure that customers get the appropriate level of service after problems occur in the normal service (Babin et al., 2021; Harrison-Walker, 2019; Kandulapati & Bellamkonda,

2014). Service recovery can also be interpreted as an action taken by a service provider company against customer complaints regarding service failure that is perceived by the customer (Van Vaerenbergh et al., 2019; Albrecht et al., 2019). Service recovery can be realized in three ways, namely distributive justice, procedural justice and interactional justice (La & Choi, 2019; Wu et al., 2020; Babin et al., Borges, 2021). Distributive justice is the value of justice which refers to the calculation of the allocation of costs incurred by customers and benefits received by customers; procedural justice is the value of justice inherent in the reliability of the complaint submission process; and interactional justice, namely the value of justice felt by customers because of the interaction process between customers and employees during the complaint handling procedure (Babin et al., 2021; La & Choi, 2019; Bacile et al., 2018). In addition, service recovery can also be measured using the dimensions of online service recovery, namely; responsiveness is the ability of service providers to respond to customer complaints quickly; compensation is the ability of the service provider to provide compensation for service failure, and contact is the ability of the service provider to interact with customers for service failures that occur (Kandulapati & Bellamkonda, 2014).

2.2. Customer Satisfaction

Satisfaction is the feeling of pleasure or disappointment of someone who arises after comparing the expectations of product performance with actual performance, meaning that if the performance is below expectations, the customer will not be satisfied (Giao et al., 2020; To et al., 2020; Schirmer et al., 2018). Customer satisfaction is seen as the result of customers' evaluative of goods or services after they have acquired and used them. Post-election evaluative assessment is an assessment based on the experience of using or consuming the goods or services (Nguyen et al., 2020; Imran et al., 2019). Customer satisfaction is defined as a positive result obtained from a comparison between the expected service expectation and received performance (Rita et al., 2019; To et al., 2020; Cheng et al., 2019). Customer satisfaction is an after-purchase evaluation where the alternatives chosen are at least the same or exceed customer expectations, while dissatisfaction arises when the results do not meet expectations (Giao, 2020; Basari & Shamsudin, 2020). The indicators used to measure customer satisfaction in some prior research include; delivered speed, seller attitudes, and quality (Subramanian et al., 2014); best customer service, order fullfilment in term, website is user-friendly, wide variety of product portfolio (Pandey et al., 2020); distribution charges; transit time; payment method; and information technology (Imran et al., 2019).

2.3. Corporate Image

Corporate image is something that is abstract in a company that is related to the beliefs, ideas and impressions that you get, whether you feel it directly, through your five senses or get information from the company (Zameer et al., 2018; Lieva et a., 2016; Balmer et al., 2020). Corporate image can be viewed as a set of beliefs, ideas, and one's impression of a particular company (Kissel & Buttgen, 2015; Kim & Kim, 2019; Kaur & Soch, 2018). Corporate image can be in the form of positive responses in the form of support, participation, active roles and other positive actions and negative responses in the form of rejection, or other negative forms of a company (Sallam, 2016; Balmer et al., 2020). Image can be attached to each individual or company through positive or negative responses depending on the process of forming and interpreting the image (Kim & Kim, 2019; Lieva et al., 2016). Corporate image is a major factor in determining the overall evaluation of company performance in the minds of customers from accumulative feelings and experiences with the company (Kissel & Buttgen, 2015). Corporate image will convey the advantage and positioning of product or service, so that image is seen as an overall impression made by consumers on service performance (Zameer et al., 2018). Corporate image can be measured through structural factors, namely; emotional, strategy, product, and image aspects on sustainability (Kissel & Buttgen, 2015). In addition, corporate image can also be measured through reputation, trust, growth potential, and safety (Kim & Kim, 2019). Corporate image can be measured based on three image aspects, namely; enterprise, informality, and competence (Chien & Chi, 2019).

2.4. Customer Loyalty

Loyalty is a reflection of trust and commitment. Customer loyalty can be considered a "motivation" for business growth (Khoa, 2020). In the business world, loyalty is an ideal condition that is expected by all the companies. Customer loyalty is a strong commitment that is contained in consumers to a company or product to maintain a long-term relationship. Loyal customers will lead to purchases that occur continuously. Generally, customer loyalty can be defined as a good relationship between consumers and producers through long-term commitment (Cheng et al., 2019; Khoa, 2020, Pandey et al., 2020; Schirmer et al., 2018; Wu et al., 2020). Customer loyalty often appears based on the positive experience of consumers in consuming a product. This positive experience can come from product quality, price, service, which in turn creates emotional bonds in consumers (Nastasoiu & Vandenbosch, 2019; Bricci et al., 2016). Customer loyalty can be measured in two aspects, namely;

behavioral loyalty, as actual repeat purchasing, positive word of mouth, continuing preference for the same service; and attitudinal loyalty, as repurchase intention, willingness to recommend the service to the others, demonstrating resistance to switch to the competitor (Otsetova, 2017).

2.5. Research Hypotheses

Service recovery and customer satisfaction have a fairly well-established conceptual relationship. Handling of service failure through good recovery will have an impact on increasing customer satisfaction. Many previous studies have examined the relationship between service recovery and customer satisfaction. Most of the test results indicate a significant relationship between both (Kandulapati & Bellamkonda, 2014; Wu et al., 2020; Ibrahim et al., 2018; Jung & Seock, 2017; Cheng et al., 2019; Albrecht et al., 2019; Singh & Crisafulli, 2016). In addition, service recovery has also a relationship with the corporate image. Prior research suggests that service recovery has a significant effect on corporate image. This indicates that service recovery plays an important role in building a corporate image (Kandulapati & Bellamkonda, 2014; Pai et al., 2015; Mostafa, 2017; Liat et al., 2017; Mostafa et al., 2015). Based on this explanation, the hypotheses built in this study are;

H1: Service recovery has a significant effect on customer satisfaction
H2: Service recovery has a significant effect on corporate image

The relationship between customer satisfaction and corporate image is quite complex. Several previous research results found that customer satisfaction has a significant effect on corporate image. Satisfaction that is built from the results of product performance evaluation will have an impact on the creation of a corporate image (Kandulapati & Bellamkonda, 2014). Besides that, there are also several research results which found that corporate image has a significant effect on customer satisfaction. The corporate image that is built in the minds of consumers will have an impact on the satisfaction received by consumers on product performance (Giao et al., 2020; Mostafa, 2017; Kandulapati & Bellamkonda, 2014; Ali et al., 2015; Setiawan & Sayuti, 2017). Based on this prior research, it can be concluded that customer satisfaction and corporate image have a reciprocal relationship, so the next hypothesis built in this study is:

H3: Customer satisfaction has a significant effect on corporate image
H4: Corporate image has a significant effect on customer satisfaction

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Many prior studies have found that customer satisfaction and corporate image have a significant relationship with loyalty. Loyalty that is built mostly starts from creating customer satisfaction (Nguyen et al., 2020; Bricci et al., Fragata, & Antunes, 2016; Rizan et al., 2020; Liat et al., 2017; Pandey et al., 2020; Wu et al., 2020; Allen et al., 2020; Gandhi et al., 2019). Besides that, loyalty can also be built through the role of corporate image. Prior research shows that corporate image has a significant effect on loyalty (Hassan et al., 2019; Liat et al., 2017; Setiawan & Sayuti, 2017; Cholisati et al., 2019; Alam & Noor, 2020; Giovanis & Tsoukatos, 2017), for that the next hypothesis in this study is:

H5: *Customer satisfaction has a significant effect on customer loyalty*
H6: *Corporate image has a significant effect on customer loyalty*

Research hypotheses model in this study, can be seen in Figure 1.

3. Research Method

3.1. Data and Respondents

This study is focused on examining the relationship between service recovery, customer satisfaction, and corporate image on customer loyalty. This study adopted consumers from all logistics company providers in Southeast Sulawesi Province, Indonesia as respondents. There are five logistics company providers, namely; JNEs; J&T Express; Pandu Logistics; MEC; and TiKi. Respondents are consumers who have received service recovery due to a service failure from January 2020 to September 2020. The total consumer recovery in the five logistics company providers are 126 recoveries. The characteristics and amount of consumer recovery are obtained at each logistics company (see Table 1). Data collection was carried out using a questionnaire sent to respondents via google form. The collected data was then analyzed using partial least squared (PLS) method.

Table 1 shows that based on gender, most of the respondents were women (62.69%), then by age, most of the respondents were aged between 26-35 years (40.48%). Meanwhile, based on the level of education, most of the respondents were undergraduate education (66.67%), and cause of most recovery was lateness (84.13%). The distribution of respondents at each logistics company provider was as follows: 19 respondents were customers of JNEs; 17 respondents were customers of J&T Express; 32 respondents were customers of Pandu Logistics; 21 respondents were customers of MEC; and 37 respondents were customers of TiKi's.
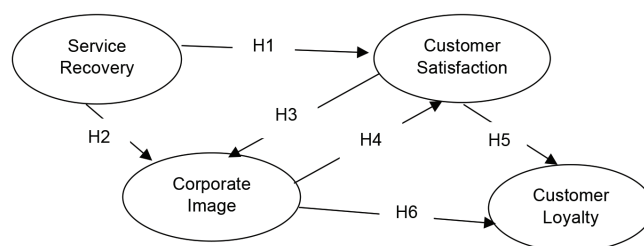

Figure 1: Research Hypotheses

Table 1: Respondents Characteristics

Characteristic	Classification	Frequency	Percentage
Gender	Male	47	37.31
	Female	79	62.69
Age (in year)	16 to 25	32	25.39
	26 to 35	51	40.48
	36 to 45	28	22.22
	46 to 55	11	8.73
	56 or above	4	3.18
Level of Education	High School	19	15.08
	Undergraduate	84	66.67
	Postgraduate	21	16.67
	Doctorate	2	1.58
Cause of Recovery	Lateness	106	84.13
	Broken	17	13.49
	Lost	3	2.38
Logistics Company Provider	JNEs	19	15.07
	J&T Express	17	13.49
	Pandu Logistics	32	25.39
	MEC	21	16.67
	TiKi	37	29.38

3.2. Measurements

All research variables were measured using a five-point Likert scale, namely; strongly disagree, disagree, neutral, agree, and strongly agree. Service recovery was measured with the scale adapted and developed from the study by Babin et al. (2021), namely; distributive justice (4 items); interactional justice (4 items); and procedural justice (4 items). Customer satisfaction was measured with the scale adapted and developed from the study by Imran et al. (2019), namely; distribution charges (2 items); transit time (2 items); payment method (2 items); and information technology (2 items). Corporate image was measured with the scale adapted and developed from the study by Kim & Kim (2019), namely; reputation, trust, growth potentials, and safe. Customer Loyalty was measured with the scale adapted and developed from the study by Otsetova (2017), namely; behavioral (3 items) and Attitudinal (3 items).

Table 2: Construct, Variables, Item, and Measurement Properties

Construct	Variables	Item	FL	CA	CR	VE
Service Recovery (Babin, Zhuang, & Borges, 2021)	Distributive Justice	Overall outcome that received were fair	0.775	0.770	0.794	0.721
		Time, money, and hassle were fair	0.812			
		Got what was deserved	0.788			
		Company presented an offer that met the expectations	0.790			
	Interactional Justice	The employees have polite manners	0.882	0.833	0.819	0.806
		The employees give detailed explanation and relevant advise	0.823			
		The employees interacted with respect	0.795			
		The employees interacted wtih empathy	0.804			
	Procedural Justice	Give opportunity to problem handling	0.876	0.851	0.837	0.813
		Give accurate information in problems handling	0.757			
		Answer the request on a timely manner in problem handling	0.844			
		Flexible in responding to the concerns	0.863			
Customer Satisfaction (Imran et al., 2019)	Distibution Charges	The charges confirmed with the expectations	0.727	0.769	0.752	0.720
		The charges confirmed with desires	0.798			
	Transit Time	Transit is not a long time	0.761	0.774	0.769	0.742
		Transit time confirmed desires	0.783			
	Payment Method	Easy payment method	0.816	0.822	0.820	0.811
		There is no additional payment cost	0.833			
	Information Technology	Website is easy to access	0.885	0.870	0.869	0.858
		Accurate and updated website	0.892			
Corporate Image (Kim & Kim, 2019)	Reputation	Improve the overall image and reputation of the enterprise	0.752	0.785	0.792	0.737
	Trust	Improve trusted corporate image	0.841			
	Growth Potentials	Improve growth potential through corporate image	0.859			
	Safe	Improve the safe enterprise image	0.809			
Loyalty (Otsetova, 2017)	Behavioral	Actual repeat purchasing	0.837	0.856	0.844	0.831
		Positive word of mouth	0.894			
		Continuing preference for the same service	0.855			
	Attitudinal	Repurchase intention	0.879	0.871	0.874	0.796
		Willingness to recommend the service to the others	0.868			
		Demonstrating resistance to switch to the competitor	0.877			

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Measurement of reliability is measured using factor loading (FL) and Cronbach Alpha (CA) with a cut of value of 0.70. Meanwhile, construct validity is measured using composite reliability (CR) and variance extracted (VE) with a cut of value of 0.70 and 0.50, respectively. The results of measuring reliability (see Table 2) show that the overall FL and CA have a value above 0.70, which indicates that all items used to measure constructs in this study have high reliability. Likewise, the results of the validity measurement (Table 2), obtained a CR value above 0.70 and a VE value above 0.50.

4. Results and Discussion

4.1. Results

The structural model was assessed through the regression weights, *t*-values and *p*-values for the significance of *t*-statistics. The result of structural model for testing the research hypotheses are presented in Table 3.

The result in Table 3 show that all the six hypotheses proposed in this research are supported. Examination of the *first hypothesis* shows a direct effect of service recovery on customer satisfaction (β=0.852; *t*-values=34,67; and *p*-values=0.00***). The β-value = 0.852 indicates that service recovery influences the customer satisfaction by about 85.2%, or it can be interpreted that 1% increase in service recovery will have an impact on increased customer satisfaction by 85.2%. The *t*-values=34.67; and *p*-values=0.00*** indicates that there is a positive direct relationship and significant service recovery on customer satisfaction.

Examination of *second hypothesis* shows a direct effect of service recovery on corporate image (β=0.764; *t*-values=31.82; and *p*-values=0.00***). The β-value = 0.764 indicates that service recovery influences the corporate image by about 76.4%, or it can be interpreted that 1% increase in service recovery will have an impact on increased corporate image by 76.4%. The *t*-values=31.82; and *p*-values=0.00*** indicates that there is a positive direct relationship and significant service recovery on corporate image.

The test result of *third hypothesis* shows a direct effect of customer satisfaction on corporate image (β=0.560; *t*-values=28.54; and *p*-values=0.00***). The β-value = 0.560 indicates that customer satisfaction influences the corporate image by about 56.0%, or it can be interpreted that 1% increase in customer satisfaction will have an impact on increased corporate image by 56.0%. The *t*-values=28.54; and *p*-values=0.00*** indicates that there is a positive direct relationship and significant customer satisfaction on corporate image.

The test result of *fourth hypothesis* shows a direct effect of corporate image on customer satisfaction (β=0.581; *t*-values=29.38; and *p*-values=0.00***). The β-value = 0.581 indicates that corporate image influences the customer satisfaction by about 58.1%, or it can be interpreted that 1% increase in corporate image will have an impact on increased customer satisfaction by 58.1%. The *t*-values=29.38; and *p*-values=0.00*** indicates that there is a positive direct relationship and significant corporate image on customer satisfaction.

The test result of *fifth hypothesis* shows a direct effect of customer satisfaction on customer loyalty (β=0.673; *t*-values=30.21; and *p*-values=0.00***). The β-value = 0.673 indicates that customer satisfaction influences the customer loyalty by about 67.3%, or it can be interpreted that 1% increase in customer satisfaction will have an impact on increased customer loyalty by 67.3%. The *t*-values=30.21; and *p*-values=0.00*** indicates that there is a positive direct relationship and significant customer satisfaction on customer loyalty.

The test result of *sixth hypothesis* shows a direct effect of corporate image on customer loyalty (β=0.445; *t*-values=26.53; and *p*-values=0.00***). The β-value = 0.445 indicates that corporate image influences the customer loyalty about by 44.5%, or it can be interpreted that 1% increase in corporate image will have an impact on increased customer loyalty by 44.5%. The *t*-values=26.53; and *p*-values=0.00*** indicates that there is a positive direct relationship and significant corporate image on customer loyalty.

Table 3: Result of Structural Model

Hypothesis	Relationship	Weight	*t*-Stat	Direct Effect (*p* value)	Indirect Effect	
					Weight	Sig.
H1	Service Recovery – Customer Satisfaction	0.852	34.67	0.00***	0.347	0.00***
H2	Service Recovery – Corporate Image	0.764	31.82	0.00***	0.322	0.00***
H3	Customer Satisfaction – Corporate Image	0.560	28.54	0.00***	-	-
H4	Corporate Image – Customer Satisfaction	0.581	29.38	0.00***	-	-
H5	Customer Satisfaction – Customer Loyalty	0.673	30.21	0.00***	0.287	0.00***
H6	Corporate Image – Customer Loyalty	0.445	26.53	0.00***	0.299	0.00***
R^2 (CL)		0.876				
Adj. R^2 (CL)		0.832				

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The results of structural model testing also found that service recovery has an indirect effect on customer satisfaction mediated by corporate image with a value of β = 0.347; and p-values = 0.00 ***, then service recovery has an indirect effect on corporate image mediated by customer satisfaction with a value of β = 0.322; and p-values = 0.00 ***. Furthermore, the results of the structural model test also found that customer satisfaction has an indirect effect on customer loyalty mediated by corporate image with a value of β = 0.287; and p-values = 0.00 ***, and corporate image has an indirect effect on customer loyalty mediated by customer satisfaction with a value of β = 0.299; and p-values = 0.00 ***.

4.2. Discussion

The findings in this study indicate that service recovery has a positive and significant effect on customer satisfaction. This result confirms previous studies findings (Kandulapati & Bellamkonda, 2014; Wu et al., 2020; Ibrahim et al., 2018; Jung & Seock, 2017; Cheng et al., 2019; Albrecht et al., 2019; Singh & Crisafulli, 2016). Then, service recovery also has a positive and significant effect on corporate image. This result confirms previous studies findings (Kandulapati & Bellamkonda, 2014; Pai et al., 2015; Mostafa, 2017; Liat et al., 2017; Mostafa et al., 2015). This implies that the recovery process carried out by logistics company providers in Southeast Sulawesi to consumers for the occurrence of failure services can directly increase satisfaction for their customers and improve the logistics company image for consumers. This indicates that the distributive justice, interactional justice and procedural justice provided by the logistics company in Southeast Sulawesi are appropriate because they have an impact on increasing customer satisfaction and corporate image.

The results of this study also found that there is a reciprocal relationship between customer satisfaction and corporate image. This finding is in accordance with the finding by Kandulapati & Bellamkonda (2014). The satisfaction received by logistics company consumers in Southeast Sulawesi has implications for increasing the logistics company image for consumers, as well as improving the logistics company image also has implications for increased satisfaction received by logistics company consumers in Southeast Sulawesi.

The findings of the study also show that customer satisfaction has a positive and significant effect on customer loyalty. This result confirms previous studies findings (Rizan et al., 2020; Nguyen et al., 2020; Bricci et al., 2016; Liat et al., 2017; Pandey et al., 2020; Wu et al., 2020; Allen et al., 2020; Gandhi et al., 2019). This study also found that corporate image has a positive and significant effect on customer loyalty. This result confirms previous studies

findings (Hassan et al., 2019; Liat et al., 2017; Setiawan & Sayuti, 2017; Cholisati et al., 2019; Alam & Noor, 2020; Giovanis & Tsoukatos, 2017). This finding implies that the satisfaction received by consumers from distribution charges, transit time, payment methods, and information technology provided by logistics companies in Southeast Sulawesi has an impact on increasing customer loyalty. Likewise, a logistics company image that comes from reputation, trust, growth potential, and safety has a direct impact on increasing customer loyalty of the logistics company.

The result of structural model test also found that customer satisfaction and corporate image has a role in mediating the effect of service recovery on customer loyalty. This finding implies that the satisfaction received by consumers and the logistics company image from the results of the recovery process for the service failure that occurs indirectly has an impact on increasing the customer satisfaction of the logistics company, both in terms of behavioral loyalty (actual repeat purchasing, positive word-of-mouth, and continuing preference for the same service), as well as attitudinal loyalty (repurchase intention, willingness to recommend the service to the others, and demonstrating resistance to switch to the competitor).

4.3. Theoritical Contribution

The findings of this study contributed to empirical studies on the relationship between service recovery, customer satisfaction, corporate image, and customer loyalty. Specifically, the findings of this study provide a theoretical contribution in the form of a reciprocal relationship between customer satisfaction and corporate image based on the results of the recovery process, which in turn has an impact on increasing customer loyalty.

4.4. Managerial Contribution

The findings of this study also contribute to logistics company management, namely; serious handling is needed in terms of recovery for service failure. Management is expected to pay attention to and improve distributive justice, interactional justice and procedural justice that performs recovery. However, the most important concern by management is trying to reduce the occurrence of service failures in order to further improve customer satisfaction, corporate image and customer loyalty.

5. Conclusion

This study aims to examine the role of service recovery, customer satisfaction, and corporate image in building customer loyalty. This study uses data from 126 consumers of five logistics company providers in Southeast Sulawesi

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who have received service recovery for their service failure. The results of the study found that service recovery has a positive and significant effect on customer satisfaction and corporate image. The results of this study also found that customer satisfaction and corporate image have a reciprocal relationship between the two. Customer satisfaction and corporate image occurs as a result of the recovery which is performed due to service failure has an impact on increasing the customer loyalty of the logistics company.

This research is only limited to logistics company consumers in Southeast Sulawesi, so that future research is expected to be tested on other service firms that have the potential for service failures, such as; airline services, hotels, and hospitals. This study also has limitations on the use of customer satisfaction and corporate image as variables that mediate the role of service recovery in building loyalty. Future research is expected to develop these two variables by testing their role as moderating variables.

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