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**Valentina Ortiz Ubal**

**FINANCIAL COMPENSATION:**

**When is it effective in restoring trust after double deviation?**

**Porto Alegre**

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Dissertação de Mestrado apresentada ao Programa de Pós-Graduação em Administração da Universidade Federal do Rio Grande do Sul, como requisito parcial para a obtenção do título de Mestre em Administração.

Orientador: Profa. Dra. Cristiane Pizzutti dos Santos

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Aprovado em \_\_\_\_\_ de \_\_\_\_\_ de \_\_\_\_\_.

**BANCA EXAMINADORA**

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Prof. Dr. Kenny Basso - IMED

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Prof. Dr. Luiz Antonio Slongo - UFRGS

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Prof. Dr. Leonardo Nicolao - UFRGS

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Orientadora - Profa. Dra. Cristiane Pizzutti dos Santos - UFRGS

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## RESUMO

Situações nas quais a compensação financeira pode ser eficaz na recuperação da confiança após o duplo desvio têm sido negligenciadas pela literatura de marketing. O objetivo principal desta dissertação foi identificar situações em que a compensação financeira imediata é mais eficaz do que táticas de recuperação não financeiras (i.e. pedido de desculpas, promessa de não ocorrência de mesma falha no futuro) na restauração da confiança após o duplo desvio. Especificamente, visou examinar a moderação do tipo de violação (se financeira ou não) no efeito de diferentes táticas de recuperação (i.e. pedido de desculpas, promessa de não ocorrência de mesma falha no futuro e compensação financeira) sobre a recuperação da confiança após o duplo desvio; e investigar a mediação das atribuições no efeito da compensação financeira sobre a recuperação da confiança após o duplo desvio. Os resultados encontrados através de dois estudos experimentais realizados com diferentes populações e contextos de serviços indicam que a compensação imediata é mais eficaz do que o pedido de desculpas e a promessa na recuperação da confiança após o desvio duplo somente quando a falha inicial implicou em perda financeira para o cliente. Quando a falha inicial não gera perdas monetárias, todas as três táticas possuem efeitos similares. Além disso, verificou-se que a atribuição de benevolência explica ao menos parte do efeito da compensação monetária sobre a recuperação da confiança na situação de falha monetária.

**Palavras-chave:** violação da confiança, falha de serviço, duplo desvio, recuperação da confiança, compensação financeira.

## ABSTRACT

Situations in which financial compensation may be effective to rebuild trust after a double deviation have been neglected by the marketing literature. The main objective of this thesis was to identify situations in which immediate financial compensation is more effective than non-financial recovery tactics (i.e., apology, promise that the failure will not repeat in the future) in trust restoration after double deviation. It specially aimed to examine the moderation of the type of failure (whether financial or not) in the effect of different recovery tactics (ie apology, promise, and financial compensation) on trust recovery after double deviation; and investigate the mediation of attributions in the effect of financial compensation on trust recovering after the double deviation. The results found, through two experimental studies conducted with different populations and service contexts, indicate that immediate compensation is more effective than apology and promise to repair trust after double deviation only when the initial failure causes a financial loss for the client. When the initial failure does not refer to monetary losses, all three tactics had similar effects. In addition, it has been found that the attribution of benevolence explains at least part of the effect of monetary compensation on trust recovery in the situation of monetary failure.

**Key-words:** trust violation, service failure, double deviation, trust recovery, financial compensation.



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## 1. INTRODUCTION

Undoubtedly trust is a crucial component in building strong relationships between companies and customers, since it corresponds to the expectation that the service provider can be relied on to fulfill on its promises and is dependable (SIRDESHMUKH; SINGH; SABOL, 2002). However, despite its vital role as a relational resource, trust is vulnerable to a variety of threats (XIE; PENG, 2009), being commonly violated (FERRIN *et al.*, 2007) due to the existence of conflicts, especially those referred to failures and complaints processes (PIZZUTI, FERNANDES, 2008).

Trust is violated when “evidence disconfirms the confident positive expectations regarding another’s conduct” (TOMLINSON; DINEEN; LEWICKI, 2004, p. 167). Therefore, service failures represent a customer’s trust violation (WANG; HUFF, 2007). Moreover, an inappropriate failure repair, which corresponds to double deviation, results in the amplification of trust violation (BASSO; PIZZUTI, 2016) because customer’s expectations about the provider’s roles are contradicted twice, in the service and recovery (BITNER; BOOM; TETREAULT, 1990).

Trust literature (i.e. MORGAN; HUNT, 1994; LEWICKI; WIETHOFF, 2000; TOMLINSON; DINEEN; LEWICKI, 2004; FERRIN *et al.*, 2007; DESMET; CREMER; DIJK, 2010) highlights the necessity of trust recovery after its violation to maintain relationships, so that the client neither abandons nor undertakes initiative of revenge against the company (GREGOIRE; TRIPP; LEGOUX, 2009). Accordingly, the present research focuses on trust violation and recovery after double deviation.

After a trust violation episode companies can apply several tactics to restore it. The main trust recovery tactics<sup>1</sup> which have been studied are: apology (TOMLINSON; DINEEN; LEWICKI, 2004; KIM *et al.*, 2006; FERRIN *et al.*, 2007; CREMER, 2010; BASSO; PIZZUTTI, 2016), promise that the failure will not happen again (BASSO; PIZZUTTI, 2016), reticence (FERRIN *et al.*, 2007), denial (FERRIN *et al.*, 2007), and monetary compensation (CREMER, 2010; DESMET; CREMER; DIJK, 2010; DESMET; CREMER; DIJK, 2011; DESMET; CREMER; DIJK, 2011b; BASSO; PIZZUTTI, 2016). Note that these studies are

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<sup>1</sup> This research considers financial tactics as those that involve giving money or financial compensation (e.g. a discount) to customer and no financial tactics as those that do not involve giving money or financial compensation to customer (i.e. apology, promise, reticence, silence).

not only about exchanges between companies and clients but also about relationships in the organizational environment. Furthermore, the literature approaches contexts of simple failure in greater proportion than those of double deviation. To the best of our knowledge, only Basso and Pizzutti (2016) address the trust recovery after a double deviation.

Basso and Pizzutti (2016) found that apology and promise that the failure will not recur help to rebuild trust of consumers after an unsuccessful recovery, and a financial compensation is not as effective as those two. This finding is surprising because compensation, a tangible benefit offered by the company to fix a service failure (DAVIDOW, 2003), has been considered an important tactic to respond to single failures (BITNER, 1990; KELLEY; HOFFMAN; DAVIS, 1993; SMITH; BOLTON, 1998; JOHNSTON; FERNS, 1999; DAVIDOW, 2003; WIRTZ; MATTILA, 2004; WORSFOLD; WORSFOLD; BRADLEY, 2007; GREWAL; ROGGEVEEN; TSIROS, 2008; ROSCHK; GELBRICH, 2014; GELBRICH; GÄTHKE; GREGOIRE, 2014), because it can diminish anger and dissatisfaction (BITNER; BOOMS; TETREAULT, 1990), as well as can lead customers estimate more positively the trust restoration process (KELLEY; HOFFMAN; DAVIS, 1993).

It is important to note though, that in their research, Basso and Pizzutti (2016) used only posterior (i.e. discount in a next purchase) and not immediate financial compensation; and did not include, in any experiment, trust violations (i.e., service failures) that incurred in financial damages for consumer. Hence, we propose that there may be situations where financial compensation would be effective for trust recovery after a double deviation. In this research, we particularly focus on the situation when the initial failure imposes a financial loss for customer that it is not appropriately compensated during the complaint handling. This corroborates with the justice theory, by which the compensation is efficient in repairing customer's distributive justice perceptions, that concerns the perceived exchange outcome (WIRTZ; MATTILA, 2004); and the cue diagnosticity approach, which advocates that "when there is congruence of the signals transmitted by the recovery tactic and the signals transmitted by the type of violation, the trust levels are higher than when there is no congruence" (BASSO; PIZZUTTI, 2016, p. 218).

Moreover, it is worth to highlight the theory of attribution (MAYER; DAVIS, 1999; KIM *et al.*, 2004), which alleges that people react to behaviors based on the inference of its causes (BASSO; PIZZUTTI, 2016). Benevolence trust results from the perception of goodwill and the belief that the company will not act opportunistically (WU; HUANG; HSU, 2014, p.195) and will considerate the interests of consumers (NGUYEN, 2010). After an episode

that violates benevolence trust, a demonstration of the desire to do good in the future may repair it (TOMLINSON; MAYER, 2009, p. 93). In this perspective, we propose that, when the initial failure incurs in financial loss for customer and it is not properly solved, this violation is considered a benevolence-based one. That occurs because it is believed that if a service and its benefits have not been delivered due to a failure, and the consumer has a financial loss, he should be at least refunded. In such situation, by not refunding the client, the firm demonstrates a lack of benevolence, as it does not put itself in client's place. However, if the company compensates the customer after the double deviation, the customer may attribute benevolence to the company for its demonstration of care and of wanting to do good to him/her, and, as a result trust will be increased.

In this research we focus on situations in which the company offer an immediate compensation, because a future compensation (generally a bonus or discount in a future purchase) could arouse feelings of anger or disappointment in the client who faced a double deviation, since it would require him/her to do business with the transgressive company again in order to use the received compensation. That premise is in line with Roschk and Gelbrich (2014) research that found that immediate monetary compensation is more effective than delayed monetary compensation.

With the purpose to deepen the knowledge about the role of monetary compensation in trust recovery process after double deviation, this research proposes the following research question: **in which situations is the financial compensation more effective than no financial tactics (i.e. apology) for recover customer trust after a double deviation?**

Situations in which a monetary compensation may be effective to rebuild trust after a double deviation have been neglected by the marketing literature on trust recovery. As far as we know, just two researches address financial compensation in a double deviation context. Johnston and Ferns (1999) investigated the necessary actions to satisfy and delight customer after simple and double deviation; finding that compensation can satisfy clients after double deviation, but nothing can delight them in this situation. Note that they did not focus on trust. Basso and Pizzutti (2016) explored the actions that companies can take to restore consumer trust after a double deviation, finding that compensation is not an effective tactic to recover trust after double deviation compared with apology and promise of nonrecurrence. However, considering that no research has examined the effectiveness of financial compensation restoring trust after a double deviation when the violation involves financial loss and when the compensation is given immediately, by addressing these gaps, we contribute theoretically to

marketing area. This research will also have managerial contributions, by showing to managers in which situations financial compensations can be effective to rebuild the violated trust in double deviations.

The theme approached in this research was introduced in the present section, and its objectives are presented hereafter. In the second chapter, the theoretical background used as a base for the research is presented. With regard to the theoretical foundation, firstly the topic of trust and trust violation will be approached. After, the literature about service failure, service recovery and double deviation are discussed. To end the theoretical basis, the topics of trust recovery and financial compensation are presented. The studies will be exposed in the third chapter. The last section presents final considerations, research limitations and suggestions for future researches.

## 1.1 RESEARCH OBJECTIVES

The main objective of this thesis is to identify situations in which the financial compensation is more effective than no financial tactics in recovering trust after a double deviation.

To better operate and meet the general objective, the following specific objectives were developed:

- (1) Examine the moderation of the type of violation (if financial or not) in the effect of different recovery tactics (i.e. financial compensation, apology, promise that the failure will not reoccur) on trust recovery after the double deviation;
- (2) Identify the mediation of the attribution of benevolence in the effect of financial compensation on trust recovery after the double deviation;
- (3) Identify the mediation of the attribution of integrity in the effect of apology on trust recovery after the double deviation;
- (4) Identify the mediation of the attribution of competence in the effect of promise on trust recovery after the double deviation.

## 2. THEORETICAL BACKGROUND

In this section the existing knowledge in the area will be presented. First, the theme of trust and trust violation will be addressed, followed by service failure, service recovery and double deviation. Afterward, the topic of trust recovery will be presented and, to complete the theoretical review financial compensation will be portrayed.

### 2.1 TRUST AND TRUST VIOLATION

Consumer's trust corresponds to "the expectation held by the customer that the service provider is dependable and can be relied on to deliver on its promises" (SIRDESHMUKH; SINGH; SABOL, 2002, p. 17). Trust is crucial for relational exchanges, considering that operates as a facilitator agent (SIRDESHMUKH; SINGH; SABOL, 2002). Trust outlines transactions' behaviors, which influence the extrinsic results as well as the satisfaction towards them (KONG; DIRKS; FERRIN, 2014).

There are two facets related to trust definition, one related to trusting intentions, which refers to the propensity to become vulnerable to the other party in risk situations, and the other related to trusting beliefs, that relates to the beliefs about the competence and integrity from someone that may result in trusting intentions (KIM *et al.*, 2004). In accordance, Mayer, Davis and Schoorman (1995) highlight three factors that induce and explain trust: capacity (abilities, competences and characteristics), benevolence (intention to do well) and integrity (principles).

Even though trust is an essential relational source, it is vulnerable to an ample range of damaging risks (XIE; PENG, 2009) and commonly violated (FERRIN *et al.*, 2007). According to Leunissen, Cremer and Folmer (2012), violation episodes can arise in different situations of interaction.

Negative events that do not attend customer expectation and culminate in unpredictable behaviors are believed to mitigate trust (DESMET; CREMER; DIJK, 2010; BASSO; PIZZUTTI, 2016). This kind of event diverges from the equality norm, since "this



deviation violates the positive expectations of the victim that the other party will act in line with the equality rule” (LEUNISSEN; CREMER; FOLMER, 2012).

Therefore, customer may realize that his trust was violated in case the company’s interest prevails over his interest (benevolence); the service is not delivered as promised (competence); or the principles and integrity the company manifests are incongruous with that approved by him (integrity) (BASSO, 2012).

It is worth to point out that sometimes, a single but severe trust violation may seriously harm or irreversibly destroy trust, other times one isolated trust violation may not be that damaging and the trust erosion occurs more gradually (LEWICKI; BUNKER, 1996).

It is alleged that partners oftentimes behave in manners that can infringe trust ((KIM *et al.*, 2004), for example, by neglecting to respond expectations (TOMLINSON; DINEEN; LEWICKI, 2004; KIM *et al.*, 2004) or by purposely exploiting the other party (KIM *et al.*, 2004). Nonetheless, it is postulated that trust can be violated even when the firm has not committed such infractions (KIM *et al.*, 2004, p. 105). For example, a company can trigger trust violation when it fails to communicate with its consumers through misleading advertisements (DARKE; ASHWORTH; RITCHIE, 2008), when it suffers a negative media exposure (XIE; PENG, 2009) or when the customer realizes that its offers are unfavorable and self-interested (CREMER, 2010).

Savolainen, Lopez-Fresno e Ikonen (2014, p. 192) argue that “the term violation refers to the emotional distress and feelings of anger and betrayal arising from acts of breaking trust”. In this perspective, Tomlinson, Dineen and Lewicki (2004) affirm that trust violations cause a cognitive reaction, which involves the determination of costs and responsibility for the violation, and an emotional reaction, characterized by a mix of hurt, anger and frustration. Similarly, Wang and Huff (2007) propose that as customers notice a trust violation, they respond in three different ways: cognitively, through declines in trust; emotionally, with intensified negative emotions; and behaviorally, by reducing repurchase intentions and increasing negative word-of-mouth (WOM).

Connected to the behavioral reactions is the desire of revenge or retaliation (WANG; HUFF, 2007; WILDMAN, 2011), which correlates to negative word-of-mouth (GRÉGOIRE; TRIPP; LEGOUX, 2009). Moreover, trust violation may intensify the desire to avoid the company, which increases in the course of time, especially when dealing with customers the company has a greater relationship with (GRÉGOIRE; TRIPP; LEGOUX, 2009).

Based on this literature and more important for the present research, a service failure reflects a customer's trust violation (WANG; HUFF, 2007), considering that it occurs when benefits are delivered below consumers' expectations (CHAN; WAN, 2008). Besides, trust can be harmed even more in contexts of precarious failure recovery, since expectations are disconfirmed twice, in service delivery and failure recovery (BASSO; PIZZUTTI, 2016).

Therefore, considering the extant literature on trust violations, this research considers single service failures (i.e. simple deviations) and failed service recoveries (i.e. double deviations) as episodes that violate customers' trust.

## 2.2 SERVICE FAILURE, SERVICE RECOVERY AND DOUBLE DEVIATION

Clients hire services with the intention of paying to obtain concrete/economic benefits, as well as symbolic/social ones. When one or more of these benefits are not verified as expected, a service failure occurs (CHAN; WAN, 2008), which causes can be multiple factors of service provision (SMITH; BOLTON; WAGNER, 1999).

Service failures greatly influence satisfaction and dissatisfaction and can imply in very negative consequences to customer loyalty and brand image. Nevertheless, not all service failures are the same for customers, its effects vary depending on its nature or individual's causality attribution (IGLESIAS, 2009).

Facing a service failure, clients are the ones who determine the guilty for the inconvenience (HARRIS *et al.*, 2006), wherein "consumers tend to either blame themselves or the firm, or some combination of the two" (HARRIS; MOHR; BERNHARDT, 2006, p. 453). Furthermore, it is believed that,

[...] the more customers deem that a failure is the fault of the service provider, the stronger they feel that they deserve a service failure recovery which might consist of a replacement, refund, apology, or some combination of these (HARRIS; MOHR; BERNHARDT, 2006, p. 454).

Moreover, "quality evaluations are not made solely on the outcome of a service; they also involve evaluations of *process* of service delivery" (PARASURAMAN; ZELTHAML; BERRY, 1985, p. 42). In this context, service failures have been classified in failures of results or failures in the process (ZHU; SIVAKUMAR; PARASURAMAN, 2004). The

failure of result commonly includes utilitarian exchange, in which the client's loss is economical, regarding money and time. On the other side, a failure in the process refers to symbolic exchanges, involving social resources and loss of status and esteem, for example. With this in mind, customer's evaluation about service failures is focused on the type and volume of resources lost and earned in the transaction (SMITH; BOLTON; WAGNER, 1999).

Another categorization of service failures corresponds to core service failure and service encounter failures. The first one concerns services that present technical problems or other errors, while the second type is related to failures deriving from the interactional aspect of service encounters, specifically because of employees' behaviors as well as unresponsive, unknowledgeable, impolite or uncaring attitude (KEAVENEY, 1995).

Chuang *et al.* (2012) combine the classification of service failures and the mental accounting theory. In this perspective, when clients consider a service failure as outcome-related, they classify it into the tangible loss mental account. However, in the cases which a process-related service failure occurs, customers categorize it into the psychological loss mental account.

In this sense, attributions after the result of a product/service and previously a subsequent decision arise when the initial performance of a product/service is evaluated in relation to what was intended and to the perceived reason of the results. It is believed that the search for the attribution happens especially after a failure or dissatisfaction, compared to satisfaction episodes (WEINER, 2000).

A relevant aspect for the evaluation of service failures is the severity. According to Weun, Beatty and Jones (2004, p. 135), it affects "a customer's perceived intensity of a service problem", the more serious or significant is the failure for the client the greater the loss noticed by them. In this line, Keiningham *et al.* (2014) mention that the perception of service failures by the clients has a direct and negative effect on their satisfaction, however it is highlighted that the relevance and magnitude of service failures differ from one client to another.

In the case of experiencing a service failure, the customer has two options. The first one relates to the exit, by which customer stops buying from the firm; and the second one refers to the voice, by which the client expresses his dissatisfaction to the company (complaint) or to those who are interested in it. It is important to note that, concerning the complaint, the client believes that this is likely to generate some change and, therefore, may

intend to postpone the decision to leave the firm. Thus, voice can serve as a replacement or as a complement of the exit option (HIRSCHMAN, 1973).

Thereby, the negative reactions occasioned by service failures (such as negative WOM) may be prevented through a successful service recovery process (HART; HESKETT; SASSER, 1990). At the same time that companies may not be capable to avoid all problems, they can learn to repair them (HART; HESKETT; SASSER, 1990). The service recovery comprehends actions undertaken by the company in response to a service failure (HIRSCHMAN, 1973; GRONROOS, 1988).

The process of recovery can be initiated proactively, when the company begins it; or reactively, when the customer's complaint initiates the recovery (SMITH; BOLTON; WAGNER, 1999). Once the customer communicates his complaint, the company originates the recovery process, which can be considered "a sequence of events in which a procedure, beginning with communicating the complaint, generates a process of interaction through which a decision and outcome occurs" (TAX; BROWN; CHANDRASHEKARAN, 1998, p. 61).

When a service failure occurs the complainant customer looks forward a restoration of the circumstances that preceded the failure, in other words, the recovery of the equilibrium. A "successful recovery positively disconfirms low expectations that consumer are conditioned by experience" (CHRISTENSEN; RINGBERG, 2005, p. 441); and is able to convert angry and frustrated clients into loyal, and may even propitiate more compliance than if things had at first gone well (HART; HESKETT; SASSER, 1990).

The process of service recovery implicates the re-establishment of perceived justice levels (TAX; BROWN; CHANDRASHEKARAN, 1998). The perceived justice is composed by three dimensions: distributive justice, procedural justice and interactional justice. Distributive justice is related to decision outcomes whereby customers make equity judgments regarding outcomes, parity and/or necessity. Procedural justice, in turn, is referent to decision-making procedures wherein is considered a fair complaint procedure the one that is accessible, flexible, gives the client some control and culminates timely and conveniently. And finally, the interactional dimension justice concerns the interpersonal treatment people receive during the process and delivery of outcomes by which customers expect honesty, politeness, interest, just like an explanation and an effort in the resolution (TAX; BROWN; CHANDRASHEKARAN, 1998).

It is known that perceived justice has a significant impact on customer satisfaction with service recovery. However, it is necessary the company to achieve a relatively high score on the three justice elements to reach at least a modest satisfaction with complaint handling (TAX; BROWN; CHANDRASHEKARAN, 1998; SMITH; BOLTON; WAGNER, 1999; ORSINGER; VALENTINI; ANGELIS, 2009), which helps companies establish trustworthiness with customers (PIZZUTTI; FERNANDES, 2010). Gelbrich and Roschk (2011) propose three groups of organizational responses to complaint: compensation (monetary, cash equivalent, or psychological benefit or response), favorable employee behavior (interpersonal communication characterized by listening, displaying regret and helping) and organizational procedures (policies, procedures, structures).

Nonetheless, not always the service recovery efforts are successful. When answers to perceived failures are perceived as inadequate by customers a double deviation arises. That occurs because customers' expectations about the roles of providers are doubly contradicted (BITNER; BOOMS; TETREAULT, 1990) and the recovery process culminates with negative implications for the customer (BASSO, 2012).

According to Tax, Brown e Chandrashekar (1998) just one poor repair should have no impact on trust among clients whose experiences with the firm have been very positive. On the other hand, a most harmful impact on trust would occur in the cases in which customers have had poor prior encounters. In this way, "low satisfaction with complaint handling reduces consumer trust faster than high satisfaction with complaint handling enhances trust, regardless of the quality of a consumer's past experiences" (PIZZUTTI; FERNANDES, 2010, p. 149).

Researches found that, by facing an unsuccessful service recovery, clients would discontinue service with such provider (JOHNSTON; FERN, 1999; MAXHAM III, 2001). and endeavor negative word-of-mouth (WOM) by expressing others about their dissatisfaction (BLODGETT; GRANBOIS; WALTERS, 1993).

In addition, some studies focused on evaluating how much an inadequate recovery can affect the loyalty (MATTILA, 2001; KAU; LOH, 2006) and the quality of their relationship with the service provider (HOLLOWAY; WANG; BEATTY, 2009), as well as customer trust (TAX; BROWN; CHANDRASHEKARAN, 1998; KAU; LOH, 2006; BASSO; PIZZUTTI, 2016). Due to the fact that an unsuccessful initiative to repair the initial service failure breaches the clients' expectations twice, a double deviation condition damages more the trust that was violated by the early failure (BASSO, PIZZUTTI, 2016). Studies have portrayed the

negative impact of inadequate recovery on trust (TAX; BROWN; CHANDRASHEKARAN, 1998; PIZZUTTI; FERNANDES, 2010; BASSO; PIZZUTTI, 2016).

Considering that in the double deviation the attempt to resolve a conflict ended and the resolution was unsuccessful from the consumer point of view, trust restoration must have another basis that do not regard with justice judgment. Consequently, to equip managers, other tactics that could restore trust after a double deviation should be investigated (BASSO, 2012). In the next section the literature about trust recovery will be addressed.

### 2.3 TRUST RECOVERY

Trust damaged by an untrustworthy behavior can in fact be repaired when the violated party perceives a coherent range of trustworthy actions (SCHWEITZER; HERSHEY; BRADLOW, 2006). Trust recovery efforts comprehend the “activities directed at making a trustor’s trusting beliefs and trusting intentions more positive after a violation is perceived to have occurred” (KIM *et al.*, 2004, p. 105). Although just one party is generally responsible for trust violation episode, trust restoration demands considerable efforts from both, the violator and the violated (LEWICKI, BUNKER, 1996).

Violation leads trust to decrease to a lower level than initial trust level, thus the magnitude of the necessary increase to reestablish trust in the process of trust repair is superior than that required to develop initial trust. Moreover, trust violation gives rise to salient negative expectations, so the company must do further than just reestablishing the client positive expectations to actually restore trust (KIM *et al.*, 2004; KIM *et al.*, 2006).

Therefore, trust repair requires distinct strategies from that used to develop trust, as those processes differ qualitatively and quantitatively (KIM *et al.*, 2004). According to Lewicki and Bunker (1996, p. 130), the violator “must engage in a series of steps that identify, acknowledge, and assume some ‘ownership’ for the trust-destroying events that occurred”. The authors indicate a four-step sequence for trust repair. First of all, the firm must recognize and acknowledge that a violation occurred, since doing this makes trust recovery easier than if the customer has to confront the company. Secondly, the violator must determine the nature of the violation and identify what action or set of actions caused it. Then, the company must admit that the event was “destructive” of trust. It is necessary to discuss

about the events and understand how the victim experienced them and how that affects trust and relationship. Finally, the violator must be willing to accept the responsibility for the violation.

Trust recovery has been addressed in others areas than marketing, such as organizational relations and bargain contexts (LEWICKI, BUNKER, 1996; LEWICKI; WIETHOFF, 2000; BOTTOM *et al.*, 2002; KIM *et al.*, 2004; TOMLINSON; DINEEN; LEWICKI, 2004; KIM *et al.*, 2006; SCHWEITZER; HERSHEY; BRADLOW, 2006; VASALOUA; HOPFENSITZB; PITT, 2008; WILDMAN, 2011; DIRKS *et al.*, 2011; KIM *et al.*, 2013; SAVOLAINEN; LOPEZ-FRESNO; IKONEN, 2014). In the marketing literature there are some studies that directly approach trust restoration (XIE; PENG, 2009; LAER; RUYTER, 2010; BASSO; PIZZUTTI, 2016), and others that indirectly avaiate it, through the satisfaction with complaint handling (TAX; BROWN; CHANDRASHEKARAN, 1998; KAU; LOH, 2006).

According to Xie e Peng (2009), there are three types of recovery efforts: affective, functional and informational; that enhance consumers' trust toward the company in its three aspects: competence, benevolence, and integrity. Affective recovery efforts comprise firm's apology, expressions of remorse and compassion toward clients and general public. Functional recovery efforts comprehend basically a financial compensation, such as refunds, coupons or discounts. Informational recovery efforts encompass appropriate communication that evidences and clarifies facts, as well as spread updated news (XIE; PENG, 2009).

With respect to trust recovery tactics, those that have been the most studied so far are (considering diverse areas of knowledge): apology, denial, financial compensation; and promise that the failure will not happen again. The definitions of the trust recovery tactics, the context of study and the main studies that address them are exposed in Table 1.

Table 1 – Trust Recovery Tactics

Trust Recovery Tactics	Definition	Studies	Study Context
Apology	Statement that recognizes the responsibility and demonstrates repentance for the trust violation.	Tomlinson; Dineen; Lewicki (2004)	Trust violation in organizational context.
		Kim <i>et al.</i> (2004)	Trust violation in organizational context.
		Kim <i>et al.</i> (2006)	Trust violation in organizational context.
		Schweitzer; Hershey; Bradlow (2006)	Trust violation in decision/bargain/negotiation context.
		Ferrin <i>et al.</i> (2007)	Trust violation in organizational context.

		Vasalou; Hopfensitz; Pitt (2008)	Trust violation in online interactions.
		Utz; Matzat; Snijders (2009)	Trust violation in online auctions.
		Kam (2009)	Trust violation.
		Xie; Peng (2009)	Trust violation after negative publicity.
		Cremer (2010)	Trust violation in decision/bargain/negotiation context.
		Laer; Ruyter (2010)	Trust violation as a result of customer's discontent posts in weblog.
		Schniter; Sheremeta; Sznycer (2013)	Trust violation in decision/bargain/negotiation context.
		Kim <i>et al.</i> (2013)	Trust violation in organizational context.
		Basso; Pizzutti (2016)	Double deviation in service context.
<b>Denial</b>	Statement that says the trust violation is not true.	Kim <i>et al.</i> (2004)	Trust violation in organizational context.
		Kim <i>et al.</i> (2006)	Trust violation in organizational context.
		Ferrin <i>et al.</i> (2007)	Trust violation in organizational context.
		Kam (2009)	Trust violation.
		Utz; Matzat; SnijderS (2009)	Trust violation in online auctions.
		Laer; Ruyter (2010)	Trust violation because of customer's discontent posts in weblog.
		Kim <i>et al.</i> (2013)	Trust violation in organizational context.
<b>Financial Compensation</b>	Refund for the monetary losses that the trust violation caused.	Xie; Peng (2009)	Trust violation after negative publicity.
		Cremer (2010)	Trust violation in decision/bargain/negotiation context.
		Desmet; Cremer; Dijk (2010)	Trust violation in decision/bargain/negotiation context.
		Desmet; Cremer; Dijk (2011)	Trust violation in decision/bargain/negotiation context.
		Desmet; Cremer; Dijk (2011b)	Trust violation in decision/bargain/negotiation context.
		Basso; Pizzutti (2016)	Double deviation in service context.
<b>Promise</b>	Statement on articulated plans of changing the behavior that caused the violation.	Schweitzer; Hershey; Bradlow (2006)	Trust violation in decision/bargain/negotiation context.
		Kam (2009)	Trust violation.
		Schniter; Sheremeta; Sznycer (2013)	Trust violation in decision/bargain/negotiation context.
		Basso; Pizzutti (2016)	Double deviation in service



			context.
<b>Reticence</b>	Statement by which the accused says he can not confirm nor deny the truthfulness of the claim, as a means of responding to a trust violation.	Ferrin <i>et al.</i> (2007)	Trust violation in organizational context.
<b>Silence</b>	Non pronouncement about accusations of trust violations.	Kam (2009).	Trust violation.
<b>Third-party Endorsement</b>	Accreditation provided by another person or company (i.e. recommendation seals in online trade).	Singh; Taneja; Mangalaraj (2008)	Trust violation in online marketplace.
		Basso; Pizzutti (2016)	Double deviation in service context.
<b>Reassurance of Commitment</b>	Assumption of greater commitment to the customer and demonstration of greater attention.	Singh; Taneja; Mangalaraj (2008)	Trust violation in online marketplace.
<b>Information</b>	Statement that clarifies the facts of the violation and the possible consequences for consumers. May include reasons for violation.	Xie; Peng (2009).	Trust violation after negative publicity.
<b>Regulation</b>	Evidence of the reformulation of the service delivery system to ensure future reliability and limit future transgressions or failures.	Dirks <i>et al.</i> (2011)	Trust violation in organizational context.
<b>Reputation system</b>	System that shows the past conduct of a member of the relationship (the company) in past situations of interaction with other individuals (i.e. reputation system online seller).	Vasaloua; Hopfensitzb; Pitt (2008)	Offense in online setting.

Source: Adapted and expanded from Basso (2012).

With respect to apology, it positively relates with trust recovery. It is known that individuals are more likely to reconcile with violators who offer an apology than with those who just try to soothe them (TOMLINSON; DINEEN; LEWICKI, 2004). Nevertheless, while apology has a beneficial impact on trust because it assumes the ownership for the violation

and demonstrates the intent to not repeat it, this tactic can have a harmful outcome of confessing culpability (FERRIN *et al.*, 2007).

Some studies compare the effectiveness of apology and denial to repair trust. Results indicate that offenders will demonstrate more trusting beliefs and trusting intentions toward an offender that apologizes than one that denies culpability for a trust violation (KIM *et al.*, 2004; UTZ; MATZAT; SNIJDERS, 2009). At the same time, trust is restored more successfully when violator apologizes for competence violations and denies culpability for integrity violations (KIM *et al.*, 2004; KIM *et al.*, 2013).

In marketing area, Xie and Peng (2009) found that affective repair (apology) had positive effects on both factors of trust, benevolence and integrity. Laer and Ruyter (2010) suggest that consumers who received an apology from the responsible violator demonstrated more integrity perceptions and empathy than those who received an apology from a company's spokesperson.

To the best of our knowledge, only one research investigated the effectiveness of apology to recover trust after a double deviation and the authors found that an apology is more effective when the failure is based on integrity than when is based on competence (BASSO; PIZZUTTI, 2016).

The tactic of denial is “expected to have a positive effect on trust because it rejects culpability for the act and therefore may lead the perceiver to give the accused party the benefit of the doubt” (FERRIN *et al.*, 2007, p. 894). For this reason, is especially useful in cases of integrity-based violations (KIM *et al.*, 2004; KIM *et al.*, 2013). However, denial has a possibly adverse impact, whereas it fails to transmit a sincere pretension to avoid such violations in the future (FERRIN *et al.*, 2007).

Denying that the act happened, claiming that there weren't any consequences, denying any responsibility for it, or claiming that the act was unimportant and should have no impact on the trust level will likely intensify the others anger and contribute to further trust deterioration rather than to trust repair (LEWICKI; BUNKER, 1996, p. 132).

About promise, it is argued that for cases in which restorative actions can not be immediately undertaken, signals of intention to lead corrective actions should be applied (SCHNITER; SHEREMETA; SZNYCER, 2013). Trust recovery strategies that denote a willingness to change, like promises, will be more effective than those that do not suggest such willingness (KAM, 2009); and “can significantly speed the trust recovery process” (SCHWEITZER; HERSHEY; BRADLOW, 2006, p. 1).

As far as we know, Basso and Pizzutti (2016) were the only ones to verify the effectiveness of promise after the double deviation situation. They conclude that a promise is more effective at repairing trust in the cases of competence-based failure than in the cases of integrity-based failure.

Concerning to the tactic of reticence, “a statement in which the accused party explains that he or she cannot or will not confirm or disconfirm the veracity of an allegation” (FERRIN *et al.*, 2007, p.893) about a trust violation, it is a suboptimal reply to an integrity-based trust violation, insofar as, like apology, it fails to address blame. Likewise, reticence is a suboptimal tactic to restore trust after a competence violation, since it fails to signal redemption, as well as denial (FERRIN *et al.*, 2007).

Regarding silence, considering that “for the trustee, trust repair would involve providing the trustor with reason to reject the beliefs that he or she formed due to the initial allegations of trust violation” (KAM, 2009; p. 14), and that silence does not aggregate any new information to change the trustor’s evaluation, this tactic is contemplated as less successful than apology or denial (KAM, 2009).

Given that the focus of this research lies on the effectiveness of the compensation tactic restoring trust after double deviation, the topic of financial compensation will be addressed separately below.

### **2.3.1 Financial Compensation**

In spite of the wide use of compensations in the occurrence of distributive damage, studies have addressed their impact on trust (DESMET; CREMER; DIJK, 2011b). Financial compensation has been studied especially in single failure contexts (BITNER, 1990; KELLEY; HOFFMAN; DAVIS, 1993; SMITH; BOLTON, 1998; JOHNSTON; FERNS, 1999; DAVIDOW, 2003; WIRTZ; MATTILA, 2004; WORSFOLD; WORSFOLD; BRADLEY, 2007; GREWAL; ROGGEVEEN; TSIROS, 2008; ROSCHK; GELBRICH, 2014; GELBRICH; GÄTHKE; GREGOIRE, 2014) and has been proved to be an effective strategy in trust recovery (CREMER, 2010; DESMET; CREMER; DIJK, 2010; DESMET; CREMER; DIJK, 2011; DESMET; CREMER; DIJK, 2011b). Regarding to double deviation context, to the best of our knowledge, just two studies addressed the financial compensation (JOHNSTON; FERNS, 1999; BASSO; PIZZUTTI, 2016), of which only one approaches the

financial compensation as a trust recovery tactic (BASSO; PIZZUTTI, 2016). In this section research that address the monetary compensation as a trust recovery tactic will be presented.

According to Davidow (2003), financial compensation comprehends a tangible benefit offered by the company to fix a faulty service. The author suggests that compensation can be total, when the entire amount spent by the customer is refunded, or partial, when just a portion of the total is refunded (DAVIDOW, 2003). At the same time, Gilly and Hansen (1992 *apud* BORTOLI, 2015) classify simple compensation as less than or an equivalent restitution of a 100%, the corresponding value to the purchase, and overcompensation as a value above a 100%, which evidences that the company pays over the limit that would compensate the failure. Gelbrich, Gäthke and Gregoire (2014) sustain that the premise to keep customer's positive intentions towards a company after a failure is to provide a compensation in an appropriate amount. Due to the fact that for exchange relations the appropriation of tangible and financial resources matters, decision-makers will usually focus their monetary interests (CREMER, 2010). Therefore, "when distributive harm emerges, a common restorative approach is for transgressors to restore the monetary loss by providing a financial compensation to the victim" (DESMET; CREMER; DIJK, 2011, p. 75).

That statement is in consonance with some theories. For example, compensation is considered an efficient tactic in repairing customers' perceptions of distributive justice by justice theory (WIRTZ; MATTILA, 2004). Likewise, the cue diagnosticity approach supports that when there is no congruence of the signals transmitted by the type of violation and the recovery tactic, trust levels are lower than when there is a congruence (BASSO; PIZZUTTI, 2016). In other words, when the client suffers a tangible loss in an exchange relation, financial compensation may be effective in restoring trust.

Davidow (2003) points out that compensation is the most approached aspect in the complaint handling research. The main idea is that "complainers must at least be returned to their starting point (if not more) before the dissatisfaction; otherwise, they will still be dissatisfied with the response" (DAVIDOW, 2003, p. 236).

Bitner, Booms and Tetreault (1990) show that compensatory initiatives can dispel dissatisfaction and anger after unfavorable incidents in service encounters. Similarly, Kelley, Hoffman and Davis (1993) discovered that by providing coherent compensation to loss or expenses, clients are lead to estimate more positively the trust restoration process.

Bottom *et al.* (2002) suggest that monetary compensation results in more cooperation and in more positive emotions than explanations (statements of apology without penance)

once the cooperation is damaged. The possible explanation provided refers to the difficulty to perceive the sincerity of any explanation and the inherent penance in compensation or restitution. Furthermore, it was found that small offers of penance, compared with larger offers, were equally efficient (BOTTOM *et al.*, 2002).

Findings of Cremer (2010) suggest that monetary compensations absolutely matter, however, whether trust restoration attempts urge to be financial in essence or not, depends on the valence of the allocated means. Therefore, “under circumstances where outcomes are negative – due to the losses incurred – financial remedies were shown to be most effective” (CREMER, 2010, p. 846). Moreover, a voluntary compensation indicates more regret to the victims, compared to forced compensation (DESMET; CREMER; DIJK, 2010).

Messick (1993 *apud* DESMET; CREMER; DIJK, 2011) states that the injured party predominantly worries about the extent to which outcomes are re-established equal or fair with compensation. In this sense, offenders would be less contented with a compensation that not wholly recovers their loss than with one that exact does this (DESMET; CREMER; DIJK, 2011).

For this reason, when a violation is related to a monetary loss (distributive harm), the amount of this injury could be a critical anchor point for figuring out a financial compensation. Two studies were accomplished to investigate whether the size of the compensation is relevant to the process of increasing trust in the transgressing party. The first research certified that whether greater monetary compensations will stimulate more trust among clients depends on the manner in which trust was infringed, and, above all, how intentional was the violation from the victim’s point of view (DESMET; CREMER; DIJK, 2011). The results show that “overcompensations only restore trust more when the transgression did not explicitly reveal the transgressor’s intent” (DESMET; CREMER; DIJK, 2011, p. 84). Likewise, the second research found that whether greater compensations encourage more trust depends on whether they are presented voluntarily or not. Thus, compensations that overcompensate the harm done, when offered voluntarily, generate more trust when contrasted with small compensations or compensations that produce equal results. However, in those cases in which the transgressor gave a compensation coerced by a third party, there was no impact on the victim’s trust by the size of the compensation (DESMET; CREMER; DIJK, 2011b).

Considering the trust recovery after negative publicity, it is known that functional repair (compensation) has a significant effect on consumer’s competence perception, but no

significant effect on the perception of integrity nor benevolence (XIE; PENG, 2008). However, it is worth to highlight that this research did not involve a service failure nor a violation that causes a financial loss for consumer.

In the context of double deviation, Johnston and Ferns (1999) conducted an exploratory study. They found that giving a compensation is one of the actions that satisfy customers that experienced a double deviation. However, they found that nor action, neither compensation, can delight clients after double deviation. Basso and Pizzuti (2016) is the only known study that investigated the effectiveness of monetary compensation in restoring trust after a double deviation. Nevertheless, they identify that in the context of double deviation the tactic of financial compensation was not an effective tactic to rebuild trust when compared to apology and promise of not repeating the failure. This finding is surprising, since compensation has been proved to be a relevant tactic in the complaint handling of single failures (BITNER, 1990; KELLEY; HOFFMAN; DAVIS, 1993; SMITH; BOLTON, 1998; JOHNSTON; FERNS, 1999; DAVIDOW, 2003; WIRTZ; MATTILA, 2004; WORSFOLD; WORSFOLD; BRADLEY, 2007; GREWAL; ROGGEVEEN; TSIROS, 2008; ROSCHK; GELBRICH, 2014; GELBRICH; GÄTHKE; GREGOIRE, 2014). Table 2 presents researches that studied the compensation as a trust recovery tactic in marketing and in other areas, as well as those that have studied in contexts of simple deviation (one violation) and double deviation (double violation).

Table 2 - Researches that studied the compensation as a trust recovery tactic.

	<b>Single Deviation</b>	<b>Double Deviation</b>
<b>Marketing</b>	Xie; Peng (2009)	Basso; Pizzutti (2016)
<b>Other areas</b>	Cremer (2010) Desmet; Cremer; Dijk (2010) Desmet; Cremer; Dijk (2011) Desmet; Cremer; Dijk (2011b)	-

Source: Elaborated by the author (2017).

This research aims to fill two gaps of Basso and Pizzuti (2016) research. Firstly, the authors used only posterior (i.e. discount in a next purchase) and not immediate financial compensation, condition that may be the reason why financial compensation proved to be less effective than apology and promise. Therefore, we propose that firms should offer an immediate compensation to be effective in this situation, given that a future compensation (bonus or discount in a future purchase) would require customers to buy the transgressive company again to use the compensation received, which could give rise feelings of disappointment and anger by them.

Secondly, in their study the trust violations, this is, the failures occurred in service provision, did not include, in any experiment, financial damages for the consumer. Generally, the failures were referred to the waiting time. Based on the theory of justice (WIRTZ; MATTILA, 2004) and of cue (BASSO; PIZZUTTI, 2016), when the client suffers a tangible loss in an exchange relation, financial compensation may be effective in restoring trust, since the monetary interests matters (CREMER, 2010; DESMET; CREMER; DIJK, 2011). Therefore, it is plausible to believe that financial compensation is an effective tactic to recover trust after a double deviation when the initial failure resulted in the client's financial loss. In addition, it is possible to argue that in this context, a financial compensation will be more effective than the other two tactics that do not involve financial compensation used by Basso and Pizzutti (2016): apology and promise that the failure will not recur. Considering that, it is proposed that:

**Hypothesis 1: Following a double deviation, an immediate financial compensation given by the company leads to greater trust recovery than a non financial tactic (i.e. an apology or a promise of non reoccurrence of the failure) when the initial failure includes a financial loss to the customer.**

Following the same reasoning, it could be argued that a non financial trust recovery tactic could be more effective to restore trust after a double deviation when the initial failure does not imply in financial loss for the customer. This statement follows Basso and Pizzutti (2016) findings, from which they found that apology and promise that the failure will not recur were better tactics in repairing trust than delayed compensation. Therefore, we propose that:

**Hypothesis 2: Following a double deviation, a non financial compensation (i.e. an apology or a promise of non reoccurrence of the failure) given by the company leads to greater trust recovery than a financial compensation when the initial failure does not include a financial loss to the customer.**

In addition, according to the cue diagnosticity approach, customers evaluate the companies' integrity and competence based on the signals of the violation type (SKOWRONSKI; CARLSTON, 1987; BASSO; PIZZUTTI, 2016). Trust recovery tactics also

are believed to influence the levels of integrity and competence attribution, by which trust is restored or not (KIM *et al.*, 2004; FERRIN *et al.*, 2007; DIRKS *et al.*, 2011; KIM *et al.*, 2013).

The perception of integrity represents the impression of the customer that the company complies with a set of principles considered acceptable (MAYER; DAVIS; SCHOORMAN, 1995). The integrity-based trust arises when the customer consider that the principles of the company are congruent with those accepted for him (MAYER; DAVIS, 1999; KIM *et al.*, 2004), but, when there is no congruence, an integrity-based trust violation occurs (KIM *et al.*, 2004). In turn, the competence perception occurs when the company is considered highly competent in some technical area because it has skills, competencies and abilities to perform tasks related to that area (MAYER; DAVIS; SCHOORMAN, 1995). The “competence-based trust is defined as the trustor’s perception that the trustee possesses the technical and interpersonal skills required for a job” (BUTLER; CANTRELL, 1984 *apud.* KIM *et al.*, 2004, p. 106).

Basso and Pizzutti (2016) found that after a double deviation, the level of attribution of the company’s integrity mediates the effect of the apology made by the company on customer trust; as well as they showed that after a double deviation, the level of attribution of the company’s competence mediates the effect of company’s promise that the failure will not recur on customer trust. These mediations can be explained by the theory of attribution. According to this theory, cues transmitted by a promise are seen as indicators of competence, making customers interpret that there are no other explanations for the failure and attribute a greater level of competence to the firm (DIRKS *et. al.*, 2011; BASSO; PIZZUTTI, 2016). Similarly, signals transmitted by an apology are seen as indicators of integrity, which lead clients to judge the company’s principles and values and to expect integrity in the company’s future behavior (BASSO; PIZZUTTI, 2016). Based on this, the present research proposes the following:

**Hypothesis 3a: After a double deviation, when there was a non financial failure, the level of attribution of the company’s integrity mediates the effect of the apology made by the company on customer trust.**



**Hypothesis 3b: After a double deviation, when there was a non financial failure, the level of attribution of the company's competence mediates the effect of the promise made by the company on customer trust.**

Moreover, benevolence is the extent to which a trustee is believed to want to do good to the trustor, leaving aside the desire of egocentric gain (MAYER; DAVIS; SCHOORMAN, 1995). In a client-company relationship, it is the client's perceptions that the firm's strives and is willing to achieve some desirable value in the relationship without seeking rewards. Benevolence is about kindness, altruism and care, which decreases uncertainty and opportunism (WU; HUANG; HSU, 2014).

Considering that, it can be inferred that after a double deviation, when the initial failure imposes a financial loss for customer and it is not resolved in an appropriate way during the complaint handling, an attribution of benevolence relating to the violaton may arise. By no refunding the customer in such a situation, the company demonstrates a lack of benevolence, as it does not demonstrates to want to do good to the customer, but only thinks about its own profit.

On the other hand, as "benevolence trust is a trust expectation resulting from goodwill—that firms will not act opportunistically, even given the chance" (WU; HUANG; HSU, 2014, p.195), and will considerate the client's interests in decision-making (NGUYEN, 2010), by compensating the consumer after the unfairly end of the recovery process for him/her, the company will be considered benevolent and that would be the mean by which trust would be recovered. "To the extent that the trustor sees the trustee as having a "change of heart" and desires to do good in the future, damage resulting in lower benevolence may be repaired" (TOMLINSON; MAYER, 2009, p. 93). Thus, it is proposed that:

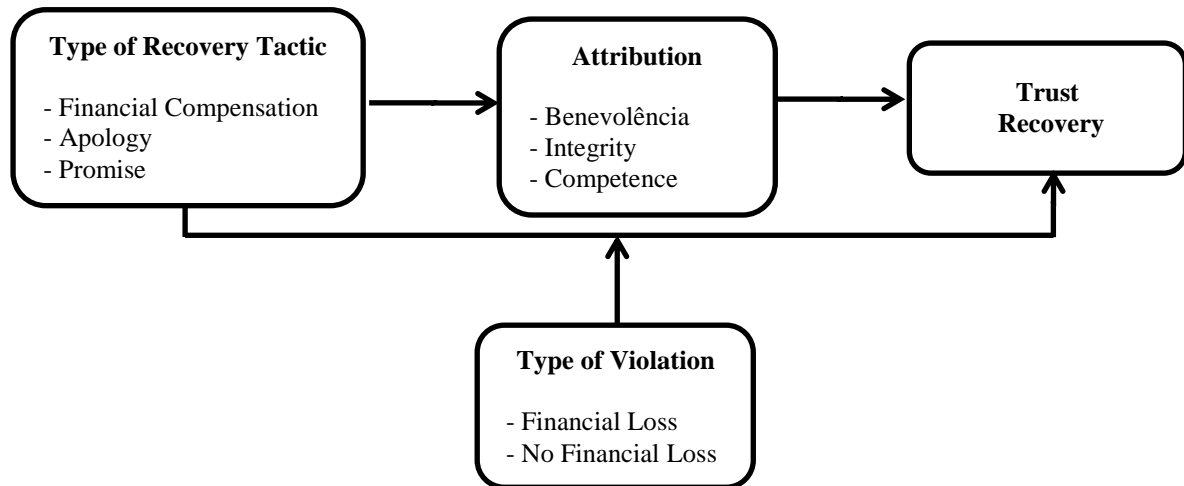
**Hypothesis 3c: After a double deviation, when there was a financial failure, the level of attribution of the company's benevolence mediates the effect of the financial compensation given by the company on customer trust.**

It is important to note that Hypothesis 3a and 3b involve only cases of double deviation that do not involve financial failures. Basso and Pizzutti (2016) found that apology and promise are effective trust recovery tactic when there was an integrity (e.g. failure resulting from the hotel practice of maintaining a high occupancy rate regardless of

reservations) and competence (e.g. failure resulting from the hotel clerk’s lack of skills and knowledge of booking procedures) violations, respectively. We believe that these tactics, as non financial recovery tactics, would not be efficient when customer has a financial loss, once he/she would not be returned to their starting point, as necessary (DAVIDOW, 2003). Moreover, based on the the cue diagnosticity approach (BASSO; PIZZUTTI, 2016), when the client suffers a tangible loss in an exchange relation, a tangible outcome such as a monetary compensation would be necessary to restore trust. Because of that only H3c that deals with benevolence attribution applies to double deviation which failure cause monetary loss.

As a result of the research hypothesis presented during the theoretical discussion of this thesis a theoretical model was elaborated, which is presented below in Figure 1.

Figure 1: Theoretical model.



Source: Elaborated by the author (2017).

Hereafter, the studies carried out to test the hypotheses are presented.

### **3. STUDIES**

To test the hypothesis two experimental studies were conducted with different service contexts: airline and auto repair service. In both experiments participants were presented a fictitious scenario. Samples were also different, studies were conducted with undergraduate students (study 1) and MTurk subjects (study 2). Study 1 tested Hypothesis 1 and 2, that entail the moderation of the type of violation (if financial or not) in the effect of different recovery tactics (i.e. apology, promise that the failure will not reoccur, financial compensation) on trust recovery; and Study 2 tested Hypothesis 1 and 2, as well as Hypothesis 3a, 3b and 3c that encompasses the mediation of the attributions in the effect of trust recovery tactics on trust recovery after the double deviation.

The experimental studies and their results will be detailed below.

#### **3.1 STUDY 1**

We designed the first study to examine Hypothesis 1, which proposes that after a double deviation, when the initial failure includes a financial loss to the customer, a financial compensation leads to greater trust recovery than a non financial compensation (i.e. an apology or a promise of non reoccurrence of the failure); and Hypothesis 2, which postulates that following a double deviation, when the initial failure does not include a financial loss to the customer, a non financial compensation (i.e. an apology or a promise of non reoccurrence of the failure) given by the company leads to a greater trust recovery than a financial compensation.

##### **3.1.1 Design and Participants**

We conducted a factorial 2 (type of failure: financial; non financial) x 3 (trust recovery: immediate compensation; apology; promise) between-subjects design with random

assignments. This study was conducted with 124 undergraduate students from Brazilian public universities (55% female, average age=24) who voluntarily participated by answering a printed questionnaire in classroom. Data collection of this study occurred between November/2016 and February/2017. Regarding the number of respondents per condition, there were a minimum of 18 and a maximum of 23 respondents.

The original database was composed of 155 respondents and cleaned up by the removal of incomplete questionnaires (28) and outliers (3) through the *z score* method. The removed outliers were those that presented *z scores* higher than 3.29 or lower than -3.29. Through this process we got the final sample from 124 respondents used in this study.

### 3.1.2 Procedures

To operationalize the study, we adapted a scenario used for Basso and Pizzutti (2016). A pre-test was conducted with 31 undergraduate students in order to verify if the scenarios and questions were clear and well understood. Besides answering multiple-choice questions, participants were asked to express their justifications, opinions and feelings that led them to respond the questions the way they did. They were also asked to write down the goal they believed the study had. No respondent identified it. The insights of the pre-test were used to improve some questions of the questionnaire.

The questionnaire was applied at one time. First, a double deviation scenario was presented to participants. Then, the trust recovery tactics manipulations were applied. The following situation was presented to the participants:

*Pedro is going to travel abroad for vacations. He bought an air ticket and now the day of travel has arrived. Pedro arrives at the airport and finds his airline's check-in counter. However, upon showing your ticket at check-in, the company representative informs him that her flight has been canceled (single deviation). The representative says he can fly six hours later. Pedro is obviously upset and asks to speak with the company's supervisor. He makes a complaint to the supervisor and explains that due to the delay of that international flight, he will miss a domestic flight from another airline to his final destination.*

The scenario where the initial failure incurs in financial loss for the consumer continues as follows:

*Pedro will be able to reschedule the passage of this domestic flight for later, however, to effect this change he will have to pay something around R\$500.00<sup>2</sup>.*

In turn, the continuation of the scenario where the initial failure does not incur in financial loss was presented as follows:

*Pedro will be able to reschedule the passage of this domestic flight for later, without paying anything.*

In both conditions the scenarios ended like that:

*Pedro then asks the supervisor to find a way to get him to his destination as soon as possible. The supervisor says he will try to solve Pedro's problem and go to the computer to check some information. After a while, he explains to Pedro that there is nothing he can do in his case and that Pedro will have to wait six hours to board the next flight (double deviation). Pedro goes to the airport lobby to wait for his international flight.*

After applying the double deviation manipulation, the participants were asked about their feelings regarding trust in the airline (T1).

Then, it was applied the trust recovery tactics manipulation. An introductory text indicated that after one week, Pedro received an email from the airline manager that offered an immediate compensation (R\$ 500.00), which would be credited to his credit card, an apology, or a promise that the failure would not occur again (text of the email in the Appendix A).

After the manipulation of the trust recovery tactic, the participants were surveyed to measure trust levels after tactics manipulation (T2) and the manipulation checks, control and demographic variables.

### **3.1.3 Measures**

Following Basso and Pizzutti (2016), trust was measured using the scale of Sirdeshmukh, Singh and Sabol (2002). Participants trust toward the airline was measured in

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<sup>2</sup> The amount of money is in Reais, because the questionnaire was applied in Portuguese with Brazilian undergraduate students.

two moments: after the double deviation scenario (T1) and after the manipulation of the trust recovery tactic (T2). To analyse trust recovery a trust delta (TR – trust recovery) was calculated, which corresponds the T2-T1 operation. Same procedure used by Basso and Pizzutti (2016) to create Trust Recovery variable.

To assess the perceptions of the situation presented and tactic employed by the company, we adopted a nominal variable, following Kim et al. (2004) and Basso and Pizzutti (2016), applied after all the measures, except for the demographic issues, to avoid any response bias.

Based on the financial loss perception the manipulation check regarding the situation was held. To check if the respondents perceived that there was a financial loss or not, they were asked if considering only what occurred at the airport, they interpreted that Pedro had a financial loss due to the delay in his international flight. To check tactics manipulation respondents were asked what the airline's purpose was by sending the email. All the manipulation check-questions are presented in the Appendix A.

Regarding control variables, we measured the number of times the participant had used airline services during the last 3 years (approximately), the participant's main reason for using airline services, the participant's general satisfaction with airline services in real experiences, whether the participant had complained to airlines before, the propensity to trust and the severity of the failure. The perception of failure severity was measured using a 7-point (Nothing important - Very important) scale from Mattila (2001). The participants were asked to indicate on a 7-point (Totally disagree – Totally agree) scale to evaluate whether the situation of the experiment was realistic or not.

### **3.1.4 Results**

#### **3.1.4.1 Manipulation Check**

Regarding the situation of financial loss, 87.1% of the participants stated that Pedro had a financial loss and 12.9% pointed out that Pedro had not a financial loss. In the situation of no financial loss, 62.9% of the participants pointed out that Pedro had not a financial loss, 29.0% stated that Pedro had a financial loss and 8.1% did not remember if Pedro had a

financial loss. The high percentage of respondents who pointed out that Pedro had a financial loss in the non financial failure situation may be considered as a limitation, since this interpretation may have influenced their responses.

In relation to trust recovery tactics, when the message contained an immediate compensation, 77.5% of the participants stated that the airline offered a financial compensation; when the email presented an apology, 97.4% of the participants suggested that the airline had apologized; and when the message contained a promise, 80% of the participants indicated that the company had promised that the failures would not be repeated.

About double deviation perception, 86.3% of respondents totally agreed or agreed that Pedro had complained to airline manager and 72.6% totally disagreed or disagreed that the manager had not solved his problem, which means that, as we expected, the participants perceived they were evaluating double deviation situations (i.e. poor service recoveries).

#### 3.1.4.2 Control Variables

The average for failure severity was 6 (from a 7-point scale, 1-Nothing important and 7-Very important), wherein 74.2% of respondents pointed the airline failure as very important (49.2%) or important (25%). A univariate analysis of variance (ANOVA) was also carried out to examine if respondents perceived the severity of the scenarios different or not. The results show that there was no significant difference in the severity of the scenarios with and without financial failure ( $F(1,122)=.393$ ;  $p=.532$ ).

Generally, the situations presented in the scenarios were considered realistic ( $M=5.92$ ). A one sample t Test was held to compare the mean of realism pointed out by the participants with the midpoint of the scale (4). The realism was statistically significantly higher than the midpoint of the scale ( $t(123)= 16.080$ ;  $p=.000$ ). When performing an analysis by situation, it was found an average of realism of  $M=6.06$  for the financial failure situation, and of  $M=5.78$  for the non-financial failure situation; indicating that respondents considered the situations with similar realism. The t Test was also performed for each scenario presented in terms of tactics, and all of them presented a realism score statistically significantly higher than the midpoint of the scale, as Table 3 shows.

Table 3 – Realism of scenarios (Study 1)

	<b>One-Sample Test</b>					
	Test Value = 4					
	t	Df	Sig. (bilateral)	Mean Difference	95% Confidence Interval of Difference	
Lower					Upper	
Realism of the Financial Loss Situation	13.517	61	.000	2.048	1.75	2.35
Realism of the Non Financial Loss Situation	9.713	61	.000	1.782	1.41	2.15
Realism of the Immediate Compensation Tactic	7.343	39	.000	1.575	1.14	2.01
Realism of the Apology Tactic	11.107	38	.000	2.114	1.73	2.50
Realism of the Promise Tactic	9.931	44	.000	2.044	1.63	2.46

Source: Research Data, 2016-2017

Relating the number of times participants had used airline services during last 3 years, the average was 7 times; most participants used to use airline services for tourism purposes (84.7%) and about 79% had never made complaints to airlines. The average of participants satisfaction with airline services experienced was  $M=5.22$  and the average of propensity to trust ( $\alpha=.686$ ) found was  $M=4.83$ . The average of Pedro's satisfaction with the airline service, perceived by respondents, was  $M=2.80$ .

An analysis of covariance (ANCOVA) was held in order to verify if covariables had a significant effect on the model. According to the results no covariable had significant effect on trust recovery, and then none of them was included in the final model. Table 4 shows the results of this test.



Table 4 – ANCOVA with covariables - Tests of Between-Subjects Effect (Study 1)

Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	25.018 <sup>a</sup>	10	2.502	2.292	.018	.188
Intercept	.630	1	.630	.577	.449	.006
General satisfaction with airline services in real experiences	.863	1	.863	.791	.376	.008
Propensity to trust	.053	1	.053	.048	.827	.000
Number of times that airline services were used during the last 3 years	3.712	1	3,712	3,401	.068	.033
Whether the participant had complained to airlines before	2.090	1	2.090	1.915	.170	.019
Failure's severity	.599	1	.599	.549	.460	.006
Type of Failure	.762	1	.762	.698	.405	.007
Tactic	9.305	2	4.653	4.263	.017	.079
Failure * Tactic	7.001	2	3.501	3.208	.045	.061
Error	108.040	99	1.091			
Total	303.063	110				
Corrected Total	133.057	109				

a. R Squared = .188 (Adjusted R Squared = .106)

Source: Research Data, 2016-2017

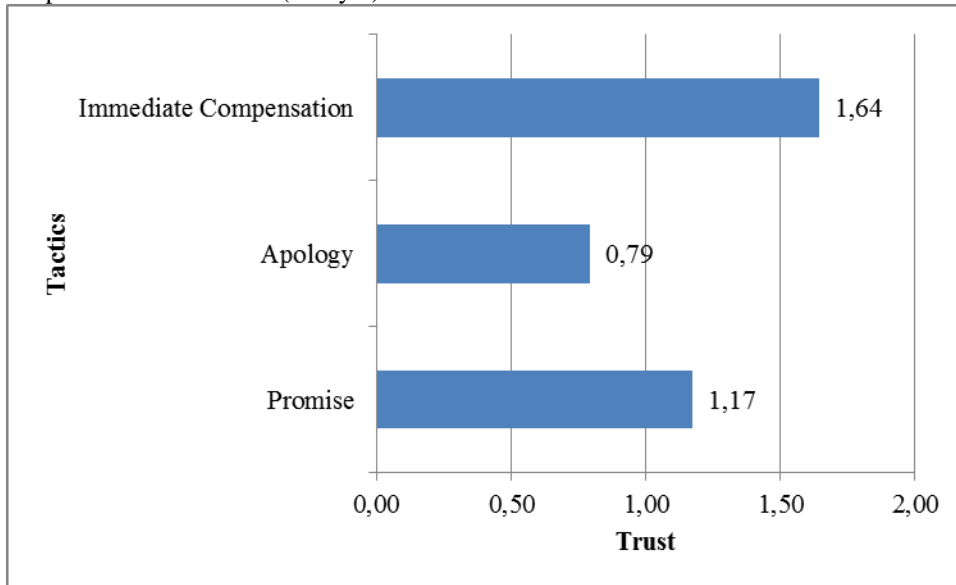
### 3.1.4.3 Trust Recovery

As explained before, participants trust towards the airline was measured in two moments: after the double deviation scenario (T1) and after the manipulation of the trust recovery tactic (T2). To analyse trust recovery a trust delta (TR – trust recovery) was calculated, which corresponds the T2-T1 operation. According to the results found in ANCOVA no covariate had significant effect on trust recovery. Considering that, the covariates were not included in the model analyzed below. A univariate analysis of variance (ANOVA) was carried out in order to check if the situations and tactics had a significant effect on trust, as well as their interaction. Post hoc analysis also was performed using the Least Significant Difference (LSD) test.

The findings show that only trust recovery tactics (immediate financial compensation, apology and promise) had a significant effect on trust ( $F(2,118)= 5.173$ ;  $p=.007$ ). Immediate compensation ( $M=1.64$ ) was more effective than apology ( $M=.79$ ) ( $p=.001$ ) and promise ( $M=1.17$ ) ( $p=.054$ ). At the same time, promise and apology were equally effective restoring

trust ( $p=.158$ ). The graph that shows the means of each trust recovery tactic is represented below.

Graph 1 – Tactics Means (Study 1)



Source: Research Data, 2016-2017

The situations with financial loss ( $M=1.19$ ) or not with financial loss ( $M=1.21$ ) ( $F(1,18)=.004$ ;  $p=.948$ ) and the interaction between situation and tactic ( $F(2,118)=1.737$ ;  $p=.181$ ) had not a significant effect on trust. The results of this analysis are presented in Table 5.

Table 5 – ANOVA - Tests of Between-Subjects Effect (Study 1)

Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	19.578 <sup>a</sup>	5	3.916	2.845	.018	.108
Intercept	177.267	1	177.267	128.788	.000	.522
Type of Failure	.006	1	.006	.004	.948	.000
Tactic	14.241	2	7.120	5.173	.007	.081
Failure * Tactic	4.782	2	2.391	1.737	.181	.029
Error	162.418	118	1.376			
Total	365.875	124				
Corrected Total	181.996	123				

a. R Squared = .108 (Adjusted R Squared = .070)

Source: Research Data, 2016-2017

In order to better explore the results of the study, the univariate analysis of variance (ANOVA) was also performed separately for each type of failure (financial or not financial).

This statistic procedure was done because some significant differences could be disclosed only in a more detailed test. Post hoc analysis also was performed using the Least Significant Difference (LSD) test.

In the case of financial failure, there was a significant difference between groups that received different tactics ( $F(2,59)=10.191$ ;  $p=.000$ ). It was identified that the immediate compensation ( $M=1.91$ ) was superior to apology ( $M=.58$ ) ( $p=.000$ ) and promise ( $M=1.09$ ) ( $p=.006$ ). Promise was as effective as apology ( $p=.095$ ). The results of the analysis of financial loss situation are in the Table 6.

Table 6 – ANOVA - Tests of Between-Subjects Effect - Financial Loss Failure (Study 1)

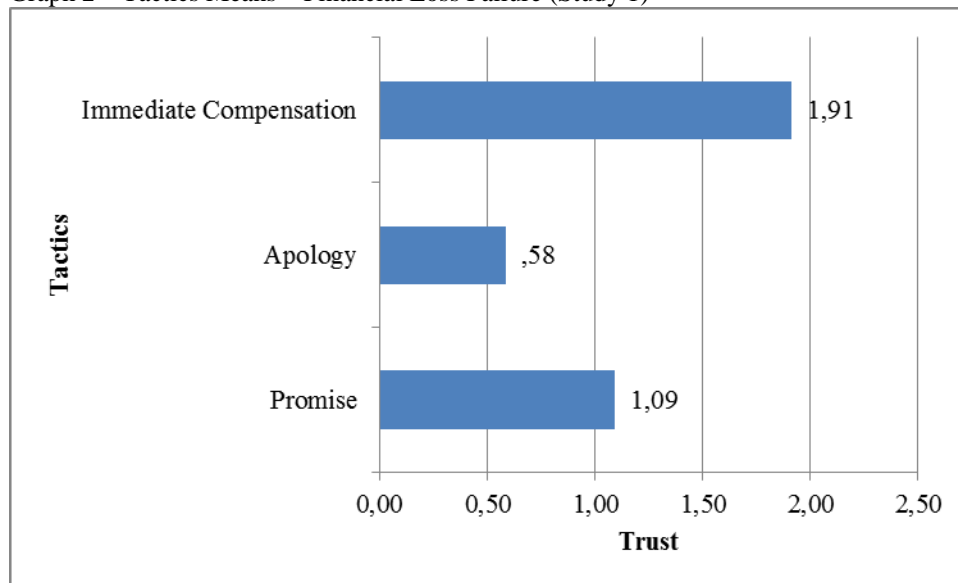
Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	18.098 <sup>a</sup>	2	9.049	10.191	.000	.257
Intercept	87.668	1	87.668	98.736	.000	.626
Tactic	18.098	2	9.049	10.191	.000	.257
Error	52.386	59	.888			
Total	164.875	62				
Corrected Total	70.484	61				

a. R Squared = .257 (Adjusted R Squared = .232)

Source: Research Data, 2016-2017

The graph that shows the averages of each trust recovery tactic in the situation of financial loss is represented below.

Graph 2 – Tactics Means – Financial Loss Failure (Study 1)



Source: Research Data, 2016-2017

Meanwhile, in the scenario of no financial failure there was no difference between tactics ( $F(2,59)=.388$ ;  $p=.680$ ). In other words, immediate compensation ( $M=1.38$ ), apology ( $M=1$ ) and promise ( $M=1.25$ ) presented the same performance in trust recovery after the double deviation (immediate compensation and apology  $p=.396$ ; immediate compensation and promise  $p=.772$ ; apology and promise  $p=.546$ ). The results of the specific analysis of non financial loss situation are in the Table 7.

Table 7 – ANOVA - Tests of Between-Subjects Effect – Non Financial Loss Failure (Study 1)

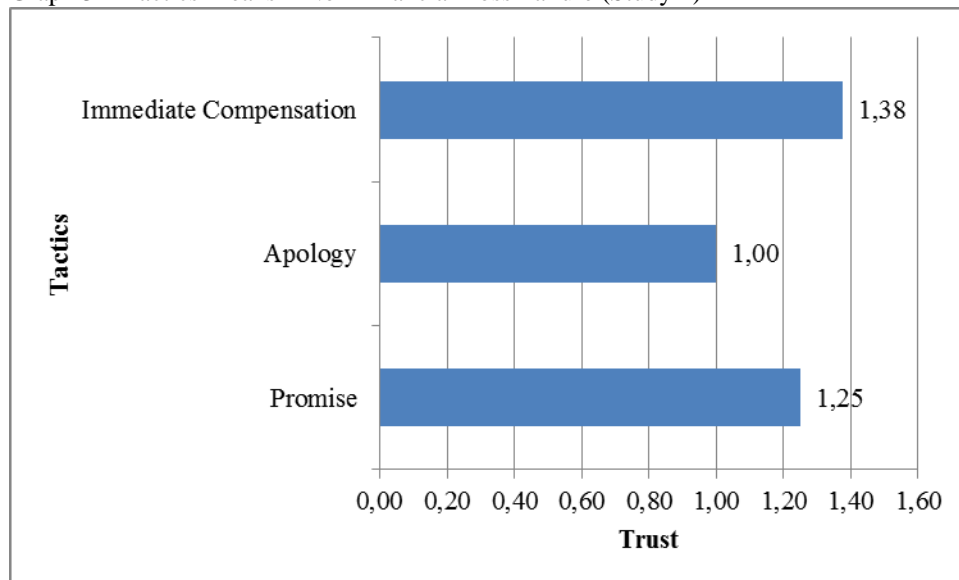
Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	Df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	1.449 <sup>a</sup>	2	.724	.388	.680	.013
Intercept	89.604	1	89.604	48.046	.000	.449
Tactic	1.449	2	.724	.388	.680	.013
Error	110.031	59	1.865			
Total	201.000	62				
Corrected Total	111.480	61				

a. R Squared = .013 (Adjusted R Squared = -.020)

Source: Research Data, 2016-2017

The graph that shows the averages of each trust recovery tactic in the situation of no financial loss is represented below.

Graph 3 – Tactics Means – Non Financial Loss Failure (Study 1)



Source: Research Data, 2016-2017

The univariate analysis of variance (ANOVA) was also performed separately for each tactic (immediate compensation, apology, promise).

Concerning immediate financial compensation tactic, type of failure (financial or not financial) had not a significant effect on trust recovery ( $F(1,38)=2.121$ ;  $p=.154$ ). It is worth to note, that, although there was no significant difference between the averages of each failure, the mean of financial compensation after a financial failure was superior ( $M=1.91$ ) than that of non financial failure ( $M=1.38$ ). The results of the analysis are in the Table 8.

Table 8 – ANOVA - Tests of Between-Subjects Effect – Immediate Compensation (Study 1)

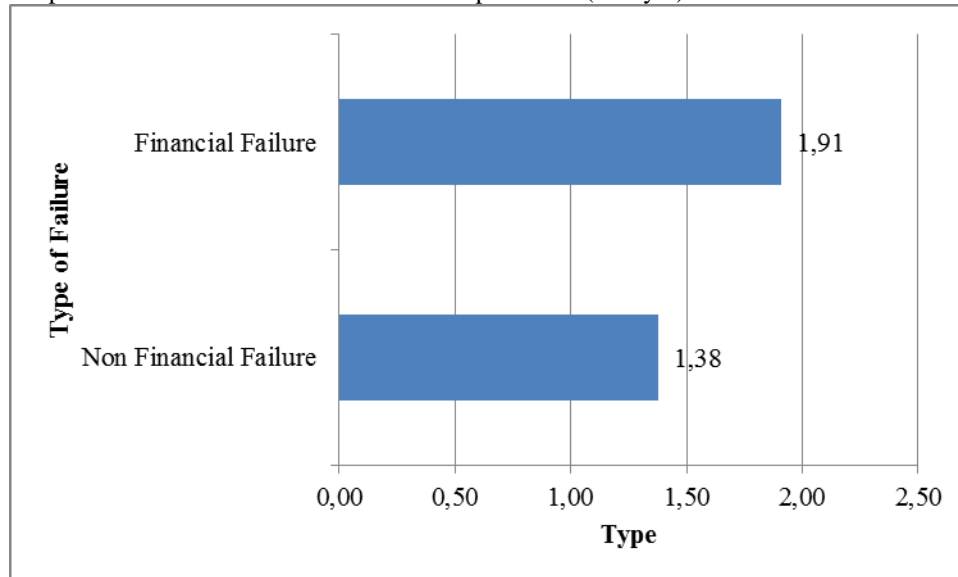
Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	Df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	2.824 <sup>a</sup>	1	2.824	2.121	.154	.053
Intercept	106.774	1	106.774	80.187	.000	.678
Type of Failure	2.824	1	2.824	2.121	.154	.053
Error	50.599	38	1.332			
Total	164.813	40				
Corrected Total	53.423	39				

a. R Squared = .053 (Adjusted R Squared = .028)

Source: Research Data, 2016-2017

The graph that shows the averages of each failure for immediate compensation tactic is represented below.

Graph 4 – Tactics Means – Immediate Compensation (Study 1)



Source: Research Data, 2016-2017

In the analysis of apology, type of failure had no significant effect on trust recovery also ( $F(1,37)=1.440$ ;  $p=.238$ ). Non financial failure average ( $M=1$ ) was bigger than financial

failure one (M=.58), even if the difference is not significant. The results of the analysis are in the Table 9.

Table 9 – ANOVA - Tests of Between-Subjects Effect – Apology (Study 1)

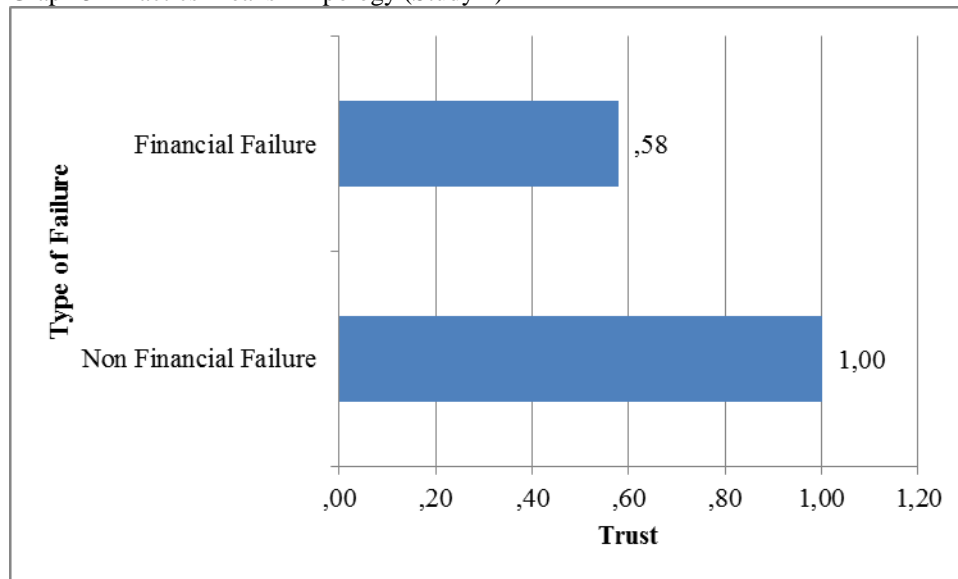
Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	Df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	1.683 <sup>a</sup>	1	1.683	1.440	.238	.037
Intercept	24.298	1	24.298	20.787	.000	.360
Type of Failure	1.683	1	1.683	1.440	.238	.037
Error	43.250	37	1.169			
Total	70.375	39				
Corrected Total	44.933	38				

a. R Squared = .037 (Adjusted R Squared = .011)

Source: Research Data, 2016-2017

The graph that shows the averages of each type of failure for apology is represented below.

Graph 5 – Tactics Means – Apology (Study 1)



Source: Research Data, 2016-2017

In the case of the promise tactic, failure types had no significant effect on trust recovery ( $F(1,43)=.178$ ;  $p=.675$ ). Financial failure average ( $M=1.09$ ) was inferior, but no significant than non financial failure average ( $M=1.25$ ). The results of the analysis are in the Table 10.

Table 10 – ANOVA - Tests of Between-Subjects Effect – Promise (Study 1)

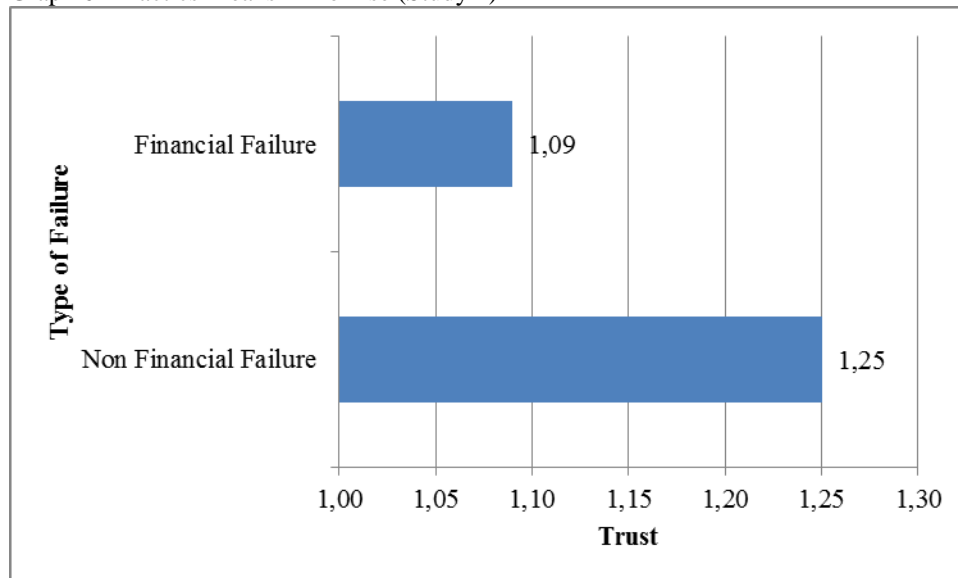
Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	Df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	.285 <sup>a</sup>	1	.285	.178	.675	.004
Intercept	61.618	1	61.618	38.641	.000	.473
Type of Failure	.285	1	.285	.178	.675	.004
Error	68.568	43	1.595			
Total	130.688	45				
Corrected Total	68.853	44				

a. R Squared = .004 (Adjusted R Squared = -.019)

Source: Research Data, 2016-2017

The graph that shows the averages of each type of failure for the promise tactic is represented below.

Graph 6 – Tactics Means – Promise (Study 1)



Source: Research Data, 2016-2017

### 3.1.5 Discussion

The Hypothesis 1 proposes that following a double deviation, a financial compensation given by the company leads to greater trust recovery than an apology or a promise of non reoccurrence of the failure when the initial failure includes a financial loss to the customer. The results of this study supports Hypothesis 1, since an immediate compensation recovers more trust than the apology and promise.

Furthermore, this study tested the Hypothesis 2, which proposes that after a double deviation, when the initial failure does not include a financial loss to the customer, a non financial tactic (i.e. an apology or a promise of non reoccurrence of the failure) given by the company leads to greater trust than a financial compensation. The findings do not support this hypothesis, since there was no difference between financial tactic and no financial tactics in the scenario where the initial failure of double deviation does not cause customer's financial loss.

Besides, although not hypothesized, an analysis by tactic was carried out. We found no significant difference in trust recovery in the different scenarios for each tactic. Yet, based on the effects directions, it is plausible to suggest that with a larger sample, some of these effects could become significant (e.g. a compensation will lead to greater trust when after a monetary loss than a non monetary loss).

According to justice (WIRTZ; MATTILA, 2004) and cue theory (BASSO; PIZZUTTI, 2016), when the client suffers a tangible loss in an exchange relation, financial compensation may be effective in restoring trust because monetary interests matters (CREMER, 2010; DESMET; CREMER; DIJK, 2011). Therefore, it is plausible to find that financial compensation not only is an effective tactic to recover trust after a double deviation that resulted in client's financial loss, but also it is more efficient than non financial recovery tactics (i.e. apology; promise). Moreover, the scenario of no financial failure had different results from those found by Basso and Pizzutti (2016). While Basso and Pizzutti (2016) found that both, apology and promise, were more effective than financial compensation to repair trust, this study demonstrates that these three tactics are equally appropriate in cases of non monetary loss for the customer. The reason for the different results may be due to the fact that Basso and Pizzutti's (2016) study used delayed compensation instead of immediate compensation as in the present study. Although financial compensation seems to work just as well as apology and promise, we argue that it would be the least indicated, since it incurs in more costs for companies. It remains the doubt if there are situations of double deviation when the initial failure did not cause financial loss in which promise and apology are better than immediate financial compensation in trust repair.

This first study presented some limitations. First of all, the number of questionnaires collected could be a limitation, given that some scenarios had less than 20 respondents. In addition, the possible high degree of severity of the double-deviation situations presented could have biased some results. Moreover, it can be considered that the scenario of financial



loss presents two initial failures, since besides missing the flight Pedro lost R\$500.00, which may have generated a response bias. We tried to address these possible limitations in Study 2, by focusing in different types of failures; using a larger sample from a different population (Mturkers); and including a no failure scenario as a control condition.

## 3.2 STUDY 2

The second study was also designed to examine Hypothesis 1, and Hypothesis 2. In addition this study tested Hypothesis 3, which explores the mediation role of attributions.

### 3.2.1 Design and Participants

The design of this second experiment was a factorial 3 (type of failure: monetary; service delivery; interpersonal) x 4 (trust recovery: immediate compensation; apology; promise; none) between-subjects design with random assignment. This study was conducted with 420 Mechanical Turk – MTurk subjects (58% male, average age=35) and about a fictitious company – an auto repair service. Regarding the number of respondents per condition, there were a minimum of 24 and a maximum of 44 respondents.

The original database was composed of 430 respondents and cleaned up by removing incomplete questionnaires (5) and outliers (5) through the *z score* method. The removed outliers were those that presented *z scores* higher than 3.29 or lower than -3.29. Through this process we got the final sample from 420 respondents used in this study.

### 3.2.2 Procedures

To operationalize the study, the scenarios of monetary and interpersonal failures used for Roschk and Gelbrich (2014) were adapted and based on these situations and the scenarios

used by Basso and Pizzutti (2016) a service delivery failure scenario was created. The scenarios presented a trust violation with an auto repair service.

The scenarios (full version in the Appendix B) presented a situation in which Peter has the stained passenger seat of his car cleaned at an auto repair service. In the *monetary* failure situation, Peter discovers that he was over charged, as he paid the original price for the seat cleaning (US\$60) instead of paying the promotional price of US\$40 offered by the company for the day. In the service *delivery* failure, when Peter arrives at the auto repair service to get his car, the employee says there was a delay in the service and he has to wait for two hours to get his car back. In the *interpersonal* failure situation, while Peter is at the auto repair service, the service person receives a cell phone call, returns to his office without an explanation, and returns 15 min later, after having had a coffee with his colleague. In all conditions Peter complains to the auto repair service manager, who can not help to solve the problem (double deviation).

In all conditions the tactic manipulation is presented like that: A week later Peter receives a cell phone call from the auto repair service manager, who says the company will give him an immediate compensation/ an apology/ a promise that the failure will not occur again. In the control condition participants were informed the company's new address. In the immediate compensation tactic situation participants were offered an immediate financial compensation in the amount of half of the cost of one seat cleaning (US\$20).

After the occurrence of the double deviation trust (T1) was measured. Trust (T2) and levels of integrity, competence and benevolence attributions were measured after the application of the recovery tactic manipulation (immediate compensation, apology, promise, none).

It is worth to mention that the choice of service delivery and interpersonal failures was based on the the premise that these situations would, in theory, "fit" in different tactics (i.e. promise and apology, respectively). The service delivery failure could be seen as a competence problem, since there is a car delivery delay. As Basso and Pizzutti found, when there is a competence violation, promise will have a stronger effect on trust. Concerning the interpersonal failure situation, as it corresponds to a relational failure it could match with the apology tactic, which provides the necessary psychological repair to rebuild a relationship after a negative episode (BASSO; PIZZUTTI, 2016, p. 210). Therefore, we would have failures that fit the diversity of recovery tactics we addressed in this research (not only the financial compensation tactic).

The scenarios were tested in four pre-tests with M-Turkers. Levels of severity and realism were measured in order to obtain scenarios that have not significant differences in severity and realism. The pre-tests also examined if respondents perceived a financial loss and double deviation in scenarios according to the manipulations. From the initial pretests, we observed that the descriptions of service delivery and interpersonal failures had generated financial loss perceptions – something that only monetary failure condition should trigger. Moreover, levels of realism and severity were different per condition until the last pre-test.

In the first pre-test, monetary (Peter is charged the price of two seats - US\$80, instead of one - US\$40), procedural (the stain on the passenger seat that Peter paid US\$80 to be cleaned was still clearly visible) and interpersonal (Peter has a problem with the service person who did not give him due attention) failures were tested and 107 questionnaires were collected. Severity had no significant difference between scenarios ( $F(2, 104)=1.482$ ;  $p=.232$ ) (monetary failure  $M=5.01$ ; procedural failure  $M=4.54$ ; interpersonal service failure  $M=5.09$ ). Financial loss manipulation was also tested: in the monetary failure condition 89.2% perceived financial loss, in procedural failure situation 87.9% perceived financial loss and in the interpersonal failure manipulation 68.4% perceived that Peter had a monetary loss. Regarding double deviation, 88.9% agreed or totally agreed that Peter had complained and 82.2% disagreed or totally disagreed that the manager had solved Peter's problem. Because of the financial loss perception in the procedural service situation another pre-test was carried out.

In the second pre-test monetary failure and interpersonal failure were tested again and the procedural failure was replaced by a service delivery failure (Peter has to wait for 2 more hours to get his car back). This pre-test had 108 respondents. Severity had a significant difference between scenarios ( $F(2, 105)=4.793$ ;  $p=.010$ ) (monetary failure  $M=5.19$ ; service delivery failure  $M=4.13$ ; interpersonal service failure  $M=4.07$ ). Financial loss manipulation was also tested. In the monetary failure condition 100% perceived financial loss, in service delivery failure situation 84.6% perceived that Peter had no monetary loss and in the interpersonal failure manipulation 80% did not perceived financial loss. Regarding double deviation manipulation, 91.7% agreed or totally agreed that Peter had complained and 88% disagreed or totally disagreed that the manager had solved Peter's problem. Realism was measured in this pre-test and was significant different among the scenarios ( $F(2,105)= 3.142$ ;  $p=.047$ ) (monetary failure  $M=5.59$ ; service delivery failure  $M=6.08$ ; interpersonal service

failure  $M=5.50$ ). The significant difference of severity and realism between the scenarios required another pre-test.

In the third pre-test five scenarios were tested. Besides the scenarios of monetary failure “A” (Peter is charged the price of two seats instead of one), service delivery failure and interpersonal failure, the following situations were tested: monetary failure “B” in which Peter paid US\$60 instead of US\$40 because of a charge error; and procedural failure by which the stain on the passenger seat that Peter paid US\$40 to be cleaned was still clearly visible. The research was applied to 175 M-Turkers. Severity still had significant difference among scenarios ( $F(4,170)=7.866$ ;  $p=.000$ ) (monetary failure “A”  $M=5.18$ ; monetary failure “B”  $M=5.59$ ; procedural failure  $M=5.02$ ; service delivery failure  $M=4.05$ ; interpersonal service failure  $M=4.03$ ). Realism had no significant difference among scenarios ( $F(4,170)=2.035$ ;  $p=.092$ ) (monetary failure “A”  $M=5.54$ ; monetary failure “B”  $M=6.02$ ; procedural failure  $M=6$ ; service delivery failure  $M=6.05$ ; interpersonal service failure  $M=5.57$ ).

In the fourth and last pre-test, monetary, service delivery and interpersonal failures were tested with few changes in the descriptions. Severity had no significant difference between scenarios ( $F(2,86)=.607$ ;  $p=.547$ ) (monetary failure  $M=4.92$ ; service delivery failure  $M=4.46$ ; interpersonal service failure  $M=4.67$ ). Realism presented not significant difference between scenarios ( $F(2,86)=1.697$ ;  $p=.189$ ). The financial loss manipulation was tested as well. In the monetary failure situation 100% indicated financial loss; in the service delivery failure situation, 84.6% indicated no financial loss; in the interpersonal service failure scenario, 80% perceived no financial failure. Therefore, after these adjustments from fourth pre tests, we conducted the final experiment.

### **3.2.3 Measure**

Following Basso and Pizzutti (2016), trust was measured using the scale from Sirdeshmukh, Singh and Sabol (2002). Participants trust toward the airline was measured in two moments: after the double deviation scenario (T1) and after the manipulation of the trust recovery tactic (T2). To analyse trust recovery a trust delta (TR – trust recovery) was calculated, which corresponds the T2-T1 operation. Attributions of integrity and competence

were measured with Kim *et al.* (2004) scales and benevolence attribution was adapted from Sirdeshmukh, Singh, & Sabol (2002) scale.

To access the perceptions of the situation presented and tactic employed by the company, we adopted a nominal variable, following Kim *et al.* (2004) and Basso and Pizzutti (2016), applied after all the measures, except for the demographic issues, what avoided any response bias.

Based on the financial loss perception the manipulation check regarding the situation was held by informing respondents that a financial (monetary) loss occurs when a person losses some money in an exchange and asking them to answer if Peter lost money in the failure situation described. Apart from that, subjects had to answer their level of agreement about the sentence: “Peter had a financial loss” in a 7-point scale (Totally Disagree – Totally Agree). The manipulation check of the tactic was performed through inquiring respondents what the auto repair service manager said to Peter in the cell phone call.

Concerning control variables, it was measured the number of times the participant had used auto repair services during the last 3 years (approximately), the participant’s general satisfaction with auto repair services in real experiences, whether the participant had complained to auto repair services before and the severity of the failure. The perception of failure severity was measured using a 2 items and 7-point (Nothing important - Very important; Nothing severe – Very severe) scale from Mattila (2001). The participants were asked to indicate on a 7-point (Totally disagree – Totally agree) scale to evaluate whether the situation of the experiment was realistic.

The final questionnaire is presented in Appendix B.

### **3.2.4 Results**

#### **3.2.4.1 Manipulation Check**

Relating to the failure attention check, in the monetary failure situation 87.7% pointed out that Peter was over charged and in the service delivery failure situation 93.4% stated that Peter had to wait two more hours to get his car back. About the interpersonal failure scenario, 90.2% stated that in the situation Peter had not received due attention.

Regarding financial loss manipulation, in the monetary failure situation, 79.5% of participants stated that Peter had a financial loss, 15.8% pointed out that Peter had not a financial loss and 4.8% did not remember if Peter had a monetary loss. Regarding the service delivery failure situation, 73.7% of participants pointed out that Peter had no monetary loss, 24.1% stated that Pedro had a financial loss and 2.2% did not remember if Pedro had a financial loss. Concerning the interpersonal failure situation, 72.7% suggest that Peter had no financial loss, 22.7% indicated that Peter had a monetary loss and 4.5% did not remember if Peter had lost money.

In what concerns trust recovery tactics manipulation, when an immediate compensation tactic was presented, 85.4% of participants stated that the auto repair service offered a financial compensation; when the call referred to an apology, 93.0% of participants suggested that the company had apologized; when the manager call contained a promise, 83.8% of participants indicated that the company had promised that the failures would not be repeated, and when presented with the control condition 89.1% participants perceived that the cell phone call informed the new's company address.

Concerning double deviation perception, 86.4% of respondents pointed that Peter had complained to the auto repair service manager and 84.7% considered that the manager had not solved Peter's problem. Besides, Peter's complaint perception had no significant difference between type of failures ( $F(2,305)=.007$ ;  $p=.993$ ) (monetary failure  $M=6.35$ ; service delivery failure  $M=6.35$ ; interpersonal failure  $M=6.37$ ). The perception that the manager had not solved Peter's problem also had not significant difference between failures ( $F(2,305)=.042$ ;  $p=.959$ ) (monetary failure  $M=1.74$ ; service delivery failure  $M=1.79$ ; interpersonal failure  $M=1.76$ ).

#### 3.2.4.2 Control Variables

Severity was measured from two items with 7-point scales (1-Nothing important and 7-Very important, 1-Nothing severe and 7-Very severe). These items presented a high and significant correlation ( $r=.836$ ;  $p=.000$ ). Therefore, a general severity index was calculated by adding the two items scores and dividing by two. The mean for failure severity was 4.78. A univariate analysis of variance (ANOVA) was also carried out to examine if respondents perceived the severity of the scenarios different or not. Following the last pre-test findings, the results indicated that there was no significant difference in the severity of the scenarios

( $F(2,294)=.835$ ;  $p=.435$ ) (monetary failure  $M=4.67$ ; service delivery failure  $M=4.91$ ; interpersonal failure  $M=4.87$ ).

In general, the situations presented in the scenarios were considered realistic ( $M=5.70$ ). A one sample t Test was also held to compare the mean of realism pointed out by the participants with the midpoint of the scale (4). The realism was significantly higher than the midpoint of the scale ( $t(419)=22.182$ ;  $p=.000$ ). When performing an analysis by situation, it was found an average of realism of  $M=5.70$  for the monetary failure situation,  $M=5.88$  for the service delivery failure situation and  $M=5.53$  for the interpersonal failure situation; indicating that respondents considered the situations with similar realism. The t Test was also performed for each scenario presented - in terms of tactics -, and all of them presented a realistic score significantly higher than the midpoint of the scale, as Table 11 shows.

Table11 – Realism of scenarios (Study 2)

<b>One-Sample Test</b>						
Test Value = 4						
	T	Df	Sig. (bilateral)	Mean Difference	95% Confidence Interval of Difference	
					Lower	Upper
Realism of the Monetary Failure Situation	12.002	148	.000	1.6980	1.418	1.978
Realism of the Service Delivery Failure	12.793	137	.000	1.8768	1.587	2.167
Realism of the Interpersonal Failure	15.019	132	.000	1.5338	1.332	1.736
Realism of the Immediate Compensation Tactic	11.582	96	.000	1.9794	1.640	2.319
Realism of the Apology Tactic	12.361	100	.000	1.6931	1.421	1.965
Realism of the Promise Tactic	10.791	99	.000	1.7100	1.396	2.024
Realism of the Control Condition	10.188	121	.000	1.4918	1.202	1.782

Source: Research Data, 2016-2017

Relating the number of times participants had used auto repair services during the last 3 years, the average was 4 times; and about complaining, 81.1% of subjects had never made a complaint to an auto service repair. The average of participants satisfaction with auto repair services experienced was  $M=5$  (from 1 to 7) and the average of Peter's satisfaction with the auto repair service, perceived by respondents, was  $M=2.83$  (from 1 to 7).

An analysis of covariance (ANCOVA) was held in order to verify if covariables had a significant effect on the model. Table 12 shows the results of this test.

Table 12 – ANCOVA - Tests of Between-Subjects Effect (Study 2)

Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	222.324 <sup>a</sup>	15	14.822	9.928	.000	.350
Intercept	.013	1	.013	.009	.926	.000
General satisfaction with auto repair services in real experiences	10.163	1	10.163	6.807	.010	.024
Number of times that auto repair services were used during the last 3 years	.606	1	.606	.406	.525	.001
Whether the participant had complained to auto repair services before	.038	1	.038	.025	.873	.000
Failure's severity	.001	1	.001	.000	.985	.000
Type of Failure	.199	2	.100	.067	.936	.000
Tactic	155.429	3	51.810	34.702	.000	.273
Failure * Tactic	43.140	6	7.190	4.816	.000	.094
Error	413.554	277	1.493			
Total	956.500	293				
Corrected Total	635.878	292				

a. R Squared = .350 (Adjusted R Squared = .314)

Source: Research Data, 2016-2017

The ANCOVA results demonstrates that only the covariable “General satisfaction with auto repair services in real experiences” has a significant effect on trust recovery in the model ( $F(1,277)= 6.807$ ;  $p=.010$ ).

### 3.2.4.3 Trust Recovery

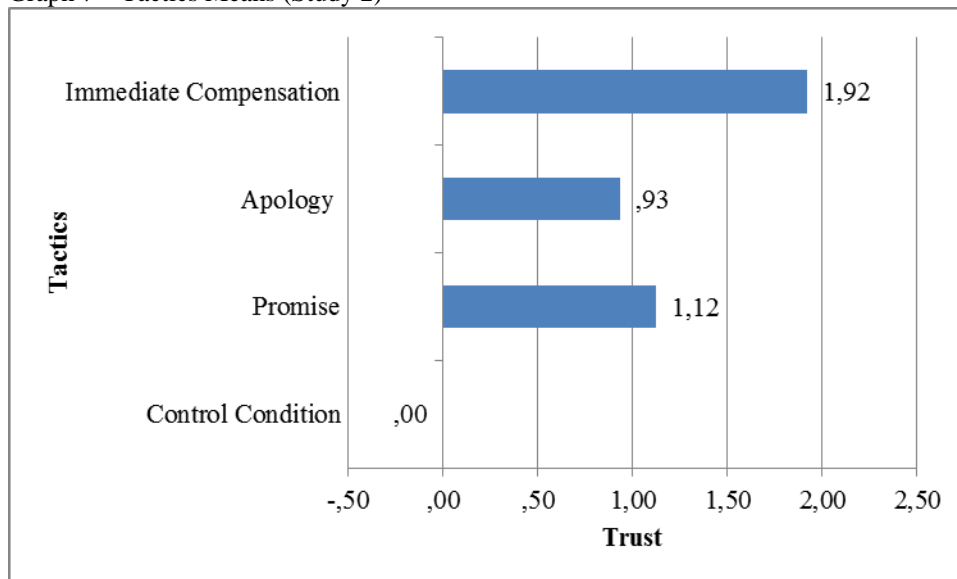
Participants trust towards the auto repair service was measured in two moments: after the double deviation scenario (T1) and after the manipulation of the trust recovery tactic (T2). To analyse trust recovery a trust delta (TR – trust recovery) was calculated, which corresponds the T2-T1 operation. According to the results found in ANCOVA, only the covariable “General satisfaction with auto repair services in real experiences” had a significant effect on trust recovery in the model ( $F(1,276)=6.288$ ;  $p=.013$ ). However, to maintain the standard of analysis of the previous study, this covariate was not included in the model analyzed below. The results including the covariate are presented in a footnote, though. Note that the inclusion of this covarite did not significantly change the results.



A univariate analysis of variance (ANOVA) was carried out in order to check if the situations and tactics had a significant effect on trust. Post hoc analysis also was performed using the Least Significant Difference (LSD) test.

The findings, presented in Table 10, show that situations (monetary failure, service delivery failure and interpersonal failure) had no significant effect on trust recovery ( $F(2,407)=.585$ ;  $p=.558$ ). On the other hand, trust recovery tactics (immediate financial compensation, apology, promise and control condition) had a significant effect on trust recovery ( $F(3,407)= 48.415$ ;  $p=.000$ ), as well as the interaction between situations and tactics ( $F(6,407)=4.928$ ;  $p=.000$ ). Immediate compensation ( $M=1.92$ ) was more effective than apology ( $M=.93$ ) ( $p=.000$ ), than promise ( $M=1.12$ ) ( $p=.000$ ) and than control condition ( $M=.00$ ) ( $p=.000$ ). Meanwhile, promise was as effective as apology ( $p=.347$ ) and both (promise and apology) were more effective than control condition ( $p=.000$ ). The graph that shows the means of each trust recovery tactic is represented below.

Graph 7 – Tactics Means (Study 2)



Source: Research Data, 2016-2017

Table 13 shows the results of the ANOVA<sup>3</sup>.

<sup>3</sup> The results of the ANCOVA performed only with the covariable that had significant effect in the model are these: General satisfaction with auto repair services in real experiences  $p=.005$ ; Type of failure  $p=.449$ ; Tactic  $p=.000$ ; Failure\*Tactic  $p=.000$ .

Table 13 – ANOVA - Tests of Between-Subjects Effect (Study 2)

Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	247.992 <sup>a</sup>	11	22.545	16.122	.000	.303
Intercept	403.729	1	403.729	288.705	.000	.415
Type of Failure	1.636	2	.818	.585	.558	.003
Tactic	203.114	3	67.705	48.415	.000	.263
Failure * Tactic	41.349	6	6.892	4.928	.000	.068
Error	569.154	407	1.398			
Total	1179.688	419				
Corrected Total	817.146	418				

a. R Squared = .303 (Adjusted R Squared = .285)

Source: Research Data, 2016-2017

In order to better explore the results of the study, the univariate analysis of variance (ANOVA) was also performed separately for each type of failure situation (monetary failure, service delivery failure and interpersonal failure). Post hoc analysis also was performed using the Least Significant Difference (LSD) test.

Regarding the scenario of monetary failure, trust recovery tactics had a significant effect on trust recovery ( $F(3,145)=26.056$ ;  $p=.000$ ). In this situation, immediate financial compensation ( $M=2.76$ ) was more effective than apology ( $M=.73$ ) ( $p=.000$ ), promise ( $M=.83$ ) ( $p=.000$ ) and control condition ( $M=-.03$ ) ( $p=.000$ ) to repair trust after double deviation. Apology and promise were equally effective (.763) and better than control condition ( $p=.020$ ;  $p=.006$ ; respectively). The results of the analysis of monetary failure situation are in the Table 14.

Table 14 – ANOVA - Tests of Between-Subjects Effect - Monetary Failure Situation (Study 2)

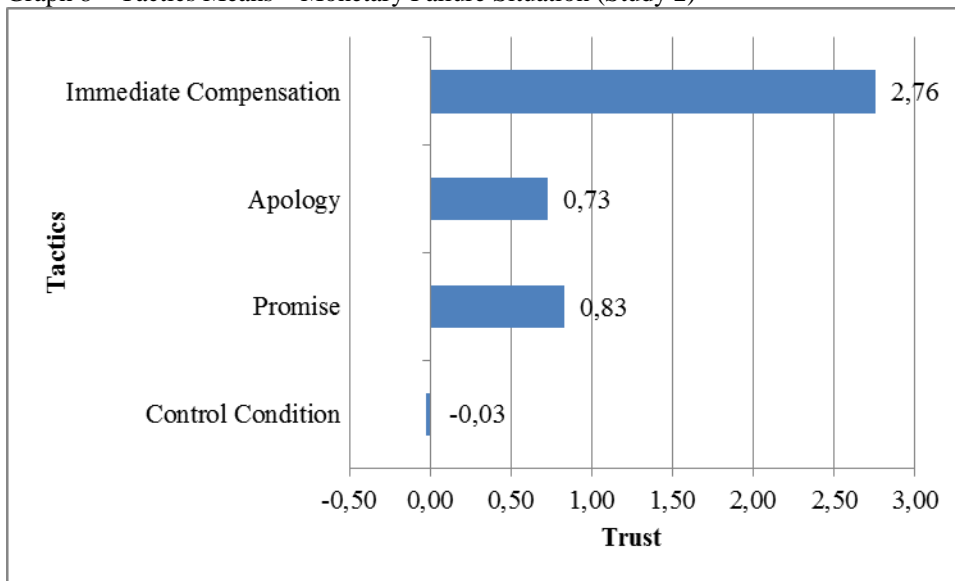
Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	152.037 <sup>a</sup>	3	50.679	26.056	.000	.350
Intercept	168.362	1	168.362	86.561	.000	.374
Tactic	152.037	3	50.679	26.056	.000	.350
Error	282.027	145	1.945			
Total	577.125	149				
Corrected Total	434.065	148				

a. R Squared = .350 (Adjusted R Squared = .337)

Source: Research Data, 2016-2017

The graph that shows the averages of each trust recovery tactic in the situation of monetary failure is represented below.

Graph 8 – Tactics Means – Monetary Failure Situation (Study 2)



Source: Research Data, 2016-2017

In the case of service delivery failure situation, tactics also had a significant effect on trust recovery ( $F(3,134)=11.994$ ;  $p=.000$ ). However, in this scenario, immediate compensation ( $M=1.35$ ) was as effective as apology ( $M=1.06$ ) ( $p=.261$ ) and promise ( $M=1.25$ ) ( $p=.684$ ). Likewise, apology and promise were equally effective to restore trust ( $p=.447$ ). These three tactics demonstrated more effectiveness in trust recovering compared to the control condition ( $M=.014$ ) ( $p=.000$ ). The results of the specific analysis of the service delivery failure situation are in the Table 15.

Table 15 – ANOVA - Tests of Between-Subjects Effect – Service Delivery Failure Situation (Study 2)

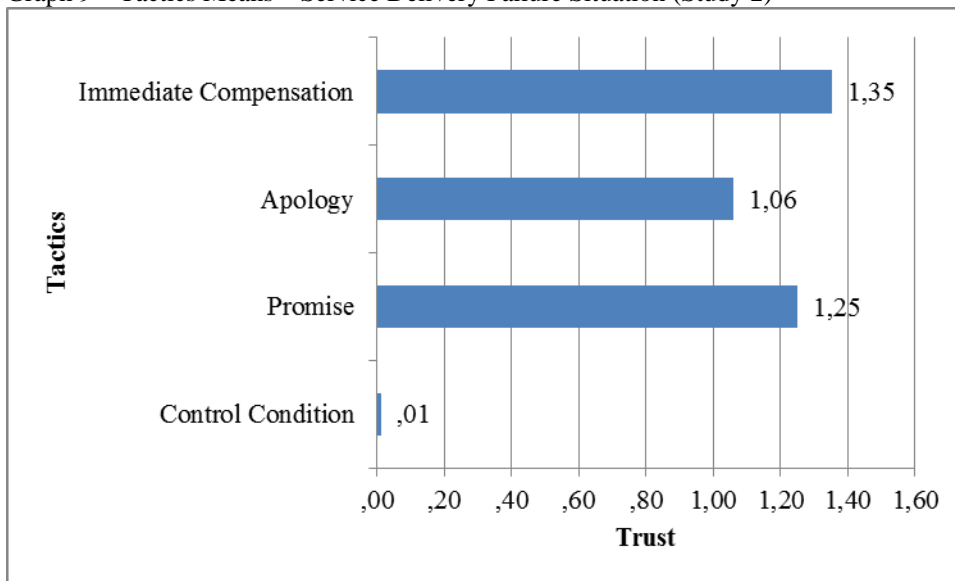
Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	40.068 <sup>a</sup>	3	13.356	11.994	.000	.212
Intercept	116.114	1	116.114	104.270	.000	.438
Tactic	40.068	3	13.356	11.994	.000	.212
Error	149.222	134	1.114			
Total	302.063	138				
Corrected Total	189.290	137				

a. R Squared = .212 (Adjusted R Squared = .194)

Source: Research Data, 2016-2017

The graph that shows the averages of each trust recovery tactic in the situation of service delivery failure is represented below.

Graph 9 – Tactics Means – Service Delivery Failure Situation (Study 2)



Source: Research Data, 2016-2017

Concerning the scenario of interpersonal failure, the effect of tactics on trust repair was significant ( $F(3,128)=17.114$ ;  $p=.000$ ). Control condition ( $M=.01$ ) was significantly less effective than immediate compensation ( $M=1.64$ ) ( $p=.000$ ), apology ( $M=1.02$ ) ( $p=.000$ ) and promise ( $M=1.28$ ) ( $p=.000$ ). While promise was equally effective compared to immediate compensation ( $p=.195$ ) and apology ( $p=.341$ ), immediate compensation was more effective than apology ( $p=.015$ ). The results of the interpersonal failure’s analysis are in the Table 16.

Table 16 – ANOVA - Tests of Between-Subjects Effect – Interpersonal Failure Situation (Study 2)

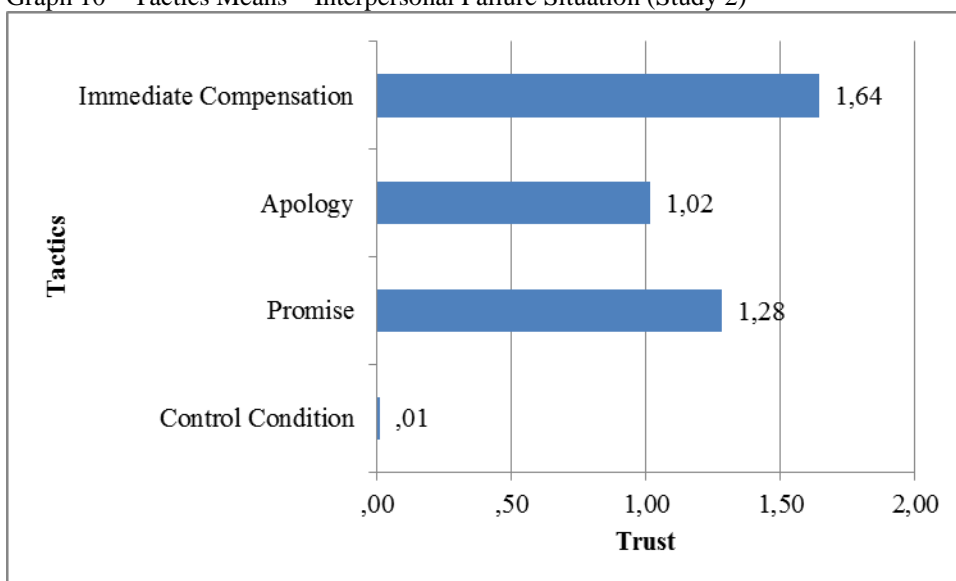
Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	55.315 <sup>a</sup>	3	18.438	17.114	.000	.286
Intercept	123.889	1	123.889	114.992	.000	.473
Tactic	55.315	3	18.438	17.114	.000	.286
Error	137.904	128	1.077			
Total	300.500	132				
Corrected Total	193.220	131				

a. R Squared = .286 (Adjusted R Squared = .270)

Source: Research Data, 2016-2017

The graph that shows the averages of each trust recovery tactic in the situation of interpersonal failure is represented below.

Graph 10 – Tactics Means – Interpersonal Failure Situation (Study 2)



Source: Research Data, 2016-2017

The univariate analysis of variance (ANOVA) was also performed separately for each tactic (immediate compensation, apology, promise). Post hoc analysis also was performed using the Least Significant Difference (LSD) test.

Regarding immediate financial compensation, type of failure (monetary, service delivery, interpersonal) had a significant effect on trust recovery ( $F(2,94)=9.250$ ;  $p=.000$ ). Trust recovery after an immediate compensation was significant superior in monetary failure ( $M=2.76$ ) compared with service delivery failure ( $M=1.35$ ) ( $p=.000$ ) and interpersonal failure ( $M=1.64$ ) ( $p=.002$ ). Trust recovery from a compensation was the same in service delivery failure and interpersonal failure ( $p=.407$ ). The results of the analysis are in the Table 17.

Table 17 – ANOVA - Tests of Between-Subjects Effect – Immediate Compensation (Study 2)

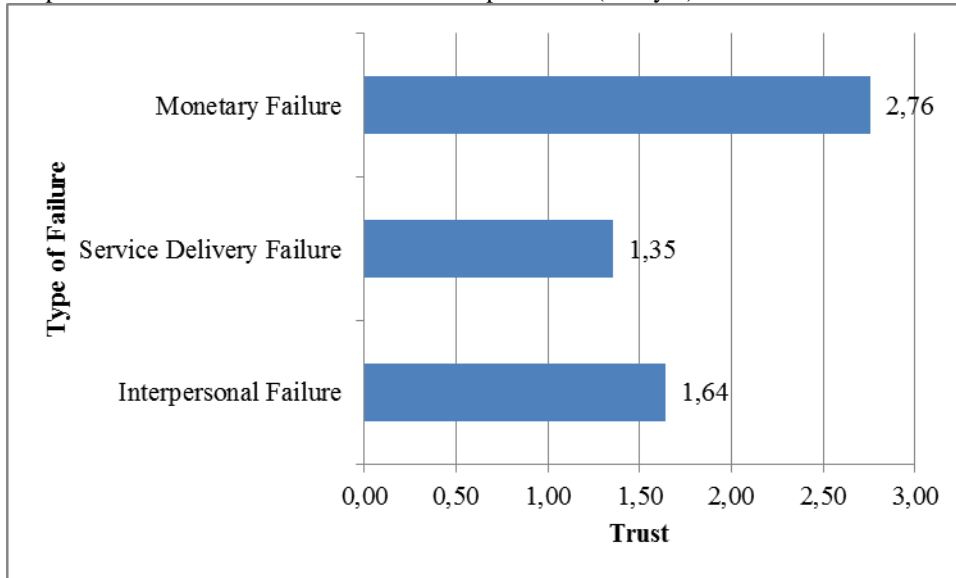
Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	35.557 <sup>a</sup>	2	17.778	9.250	.000	.164
Intercept	356.818	1	356.818	185.656	.000	.664
Type of Failure	35.557	2	17.778	9.250	.000	.164
Error	180.661	94	1.922			
Total	577.688	97				
Corrected Total	216.218	96				

a. R Squared = .164 (Adjusted R Squared = .147)

Source: Research Data, 2016-2017

Below is the graph that shows the averages of each failure for immediate compensation tactic.

Graph 11 – Tactics Means – Immediate Compensation (Study 2)



Source: Research Data, 2016-2017

About the apology tactic, type of failure presented no significant effect on trust recovery ( $F(2,97)=.768$ ;  $p=.467$ ). Even if the difference between failures was not significant, the bigger of trust recovery scores after apology tactic are in service delivery failure ( $M=1.06$ ) and interpersonal failure ( $M=1.02$ ) ( $p=.880$ ). The average of monetary failure was the smallest ( $M=.73$ ) (monetary and service delivery failure  $p=.255$ ; monetary and interpersonal failure  $p=.326$ ). This analysis’s results are in the Table 18.

Table 18 – ANOVA - Tests of Between-Subjects Effect – Apology (Study 2)

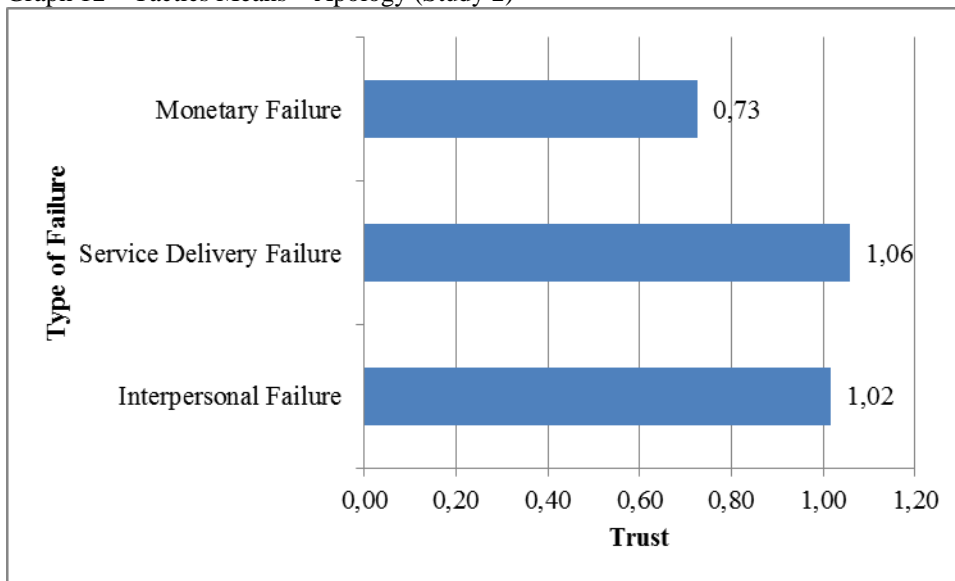
Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	2.157 <sup>a</sup>	2	1.079	.768	.467	.016
Intercept	87.172	1	87.172	62.096	.000	.390
Type of Failure	2.157	2	1.079	.768	.467	.016
Error	136.170	97	1.404			
Total	225.750	100				
Corrected Total	138.328	99				

a. R Squared = .016 (Adjusted R Squared = -.005)

Source: Research Data, 2016-2017

Below is the graph that shows the averages of each type of failure for apology.

Graph 12 – Tactics Means – Apology (Study 2)



Source: Research Data, 2016-2017

In the case of promise, the type of failure had no significance on trust recovery ( $F(2,97)=1.193$ ;  $p=.308$ ). In spite of the no significance difference, it is worth to mention that the mean of trust recovery for delivery failure situation -  $M=1.25$ , interpersonal failure -  $M=1.28$ , and monetary situation -  $M=.83$  (monetary and service delivery failure  $p=.184$ ; monetary and interpersonal failure  $p=.207$ ; service delivery and interpersonal failure  $p=.931$ ). The results of the analysis are in the Table 19.

Table 19 – ANOVA - Tests of Between-Subjects Effect – Promise (Study 2)

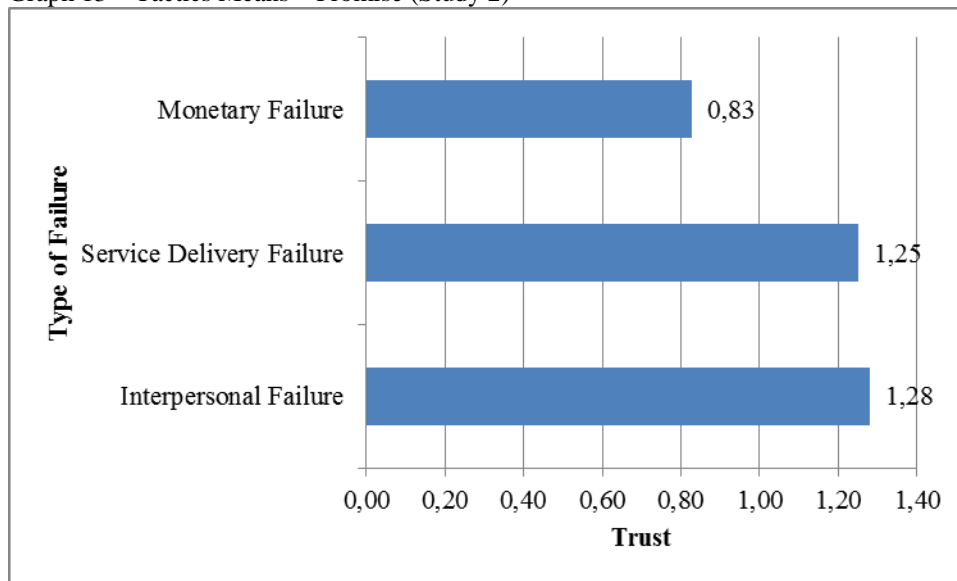
Dependent variable: Trust Recovery						
Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Square Partial Eta
Corrected Model	4.524 <sup>a</sup>	2	2.262	1.193	.308	.024
Intercept	119.546	1	119.546	63.044	.000	.394
Type of Failure	4.524	2	2.262	1.193	.308	.024
Error	183.933	97	1.896			
Total	307.813	100				
Corrected Total	188.457	99				

a. R Squared = .024 (Adjusted R Squared = .004)

Source: Research Data, 2016-2017

Below is the graph that shows the averages of each type of failure for the promise tactic.

Graph 13 – Tactics Means – Promise (Study 2)



Source: Research Data, 2016-2017

In addition, service delivery and interpersonal failures were joined to form a general failure situation without financial loss to execute the univariate analysis of variance (ANOVA) per tactic (immediate compensation, apology, promise) again. About immediate compensation, results were replicated since there was significant difference between failures ( $F(1,95)=17.863$ ;  $p=.000$ ) and trust recovery was higher in the financial loss failure ( $M=2.76$ ) than in the non financial failure ( $M=1.50$ ). Regarding apology, the level of trust recovery did not differ significantly according to the failure ( $F(1,98)= 1.529$ ;  $p=.219$ ), but the average of trust in non financial failure ( $M=1.04$ ) was superior than in financial failure ( $M=.73$ ). Lastly, when applying the promise tactic, the difference of trust repair of both types of failures was no significant ( $F(1,98)=2.402$ ;  $p=.124$ ), despite the recovery in non financial loss ( $M=1.26$ ) was greater than in financial failure ( $M=.83$ ).

Hypothesis 3a that comprise the mediator role of the attribution of integrity in the effect of apology on trust repair after double deviation was tested. For the mediation test the interpersonal failure situation was used and the control group was removed. The independent variable was trust recovery tactic (1=financial compensation tactic; 2=apology), the mediator was attribution of integrity and the dependant variable was trust recovery. The path between the independent variable and the mediator variable was negative and not significant ( $a=-.1717$ ;  $t=-.5208$ ;  $p=.604$ ) and the path between the mediator variable and the dependent variable was positive and significant ( $b=.3258$ ;  $t=3.6602$ ;  $p=.000$ ). The indirect effect of apology on trust recovery, through integrity attribution, was not significant ( $a \times b=-.0559$ ;  $z=-.4977$ ;  $p=.619$ ) and included a null effect ( $-.2627$  to  $.1804$ ). The total effect of apology on



trust was significant ( $c' = -.6288$ ;  $t = -2.4511$ ;  $p = .017$ ). The direct effect of this tactic on the dependent variable was also significant ( $c = -.5728$ ;  $t = -2.4345$ ;  $p = .018$ ). Findings do not support H3a.

Study 2 also tested Hypothesis 3b, by which the attribution of competence mediates the effect of promise that the failure will not recur on trust repair after double deviation. For the mediation test the service delivery failure situation was used and the control group was removed. The independent variable was trust recovery tactic (1=financial compensation tactic; 3=promise), the mediator was attribution of competence and the dependant variable was trust recovery. The path between the independent variable and the mediator variable was negative and significant ( $a = -.4153$ ;  $t = -2.4304$ ;  $p = .018$ ) and the path between the mediator variable and the dependent variable was positive and significant ( $b = .2241$ ;  $t = 2.0947$ ;  $p = .040$ ). The indirect effect of promise on trust recovery, through competence attribution, was not significant ( $a \times b = -.0930$ ;  $z = -1.5148$ ;  $p = .130$ ) and included a null effect ( $-.2229$  to  $.0006$ ). The total effect of promise on trust was not significant ( $c' = -.0524$ ;  $t = -.3443$ ;  $p = .732$ ). Similarly, the direct effect of this tactic on the dependent variable was also not significant ( $c = .0406$ ;  $t = .2621$ ;  $p = .794$ ). These results do not support H3b.

Meanwhile, the mediation of attribution of the company's benevolence in the effect of the financial compensation given by the company on customer trust was tested in this study also. For the mediation test, the control group was removed. The independent variable was trust recovery tactic (1=financial compensation tactic; 5=non financial compensation tactics), the mediator was attribution of benevolence and the dependant variable was trust recovery. The path between the independent variable and the mediator variable was negative and significant ( $a = -.3879$ ;  $t = -4.1752$ ;  $p = .000$ ) and the path between the mediator variable and the dependent variable was positive and significant ( $b = .5683$ ;  $t = 7.8479$ ;  $p = .000$ ). The indirect effect of immediate financial compensation on trust recovery, through benevolence attribution, was also significant ( $a \times b = -.2204$ ;  $z = -3.6629$ ;  $p = .000$ ) and did not include zero or null effect ( $-.3511$  to  $-.1086$ ). The total effect of the immediate compensation on trust was significant ( $c' = -.4930$ ;  $t = -5.7644$ ;  $p = .000$ ). Likewise, the direct effect of this tactic on the dependent variable was also significant ( $c = -.2725$ ;  $t = -3.7223$ ;  $p = .000$ ), what indicates partial mediation and that there are other possible mediators that were not included in the model.

### 3.2.5 Discussion

The Hypothesis 1 proposes that following a double deviation, a financial compensation given by the company leads to greater trust recovery than an apology or a promise of non reoccurrence of the failure when the initial failure includes a financial loss to the customer. Following Study 1, the results of this second study support Hypothesis 1, since immediate financial compensation was more effective than apology and promise to repair trust after double deviation when the initial failure causes customer's monetary loss. That is in consonance with cue theory (BASSO; PIZZUTTI, 2016), by which financial compensation may be effective in restoring trust when the customer has a tangible loss in an exchange relation (CREMER, 2010; DESMET; CREMER; DIJK, 2011).

Moreover, this study tested the Hypothesis 2 again, which proposes that after a double deviation, when the initial failure does not include a financial loss to the customer, a non financial tactic (i.e. an apology or a promise of non reoccurrence of the failure) given by the company leads to greater trust than a financial compensation. This study's results do not support this hypothesis, once in the scenario of service delivery failure, immediate compensation, apology and promise were equally effective to restore trust after double deviation; and in the interpersonal failure situation, immediate compensation was as effective as promise and more effective than apology in trust recovering.

Regarding initial failures that do not generate monetary loss, two situations were analyzed. In the service delivery failure situation, results of the study 1 were replied, since immediate compensation, apology and promise had the same effectiveness in trust recovering. On the other hand, results from the interpersonal failure scenario were surprising, as apology demonstrated to be as effective as promise but less effective than immediate compensation in restoring trust levels. At the same time, promise and immediate compensation were equally effective in trust recovery. This results contradict Basso and Pizzuti (2016) findings, once they found that both, apology and promise tactics, were more efficient than financial compensation to repair trust. However, despite the fact that Basso and Pizzutti (2016) focused on non financial loss failures, their study entailed different type of failures (i.e. competence and integrity violations), not addressing interpersonal failures. Moreover, they applied a delayed financial compensation; and they had not used an automotive context in their scenarios.

This study found also, by performing a separated analysis for each tactic, that immediate compensation repairs significantly more trust after a double deviation that implies in customer's financial loss than in that he/she has no loss. In reference to apology and promise, despite the fact that there was no significant difference in trust restoration between failures, it was noted that these tactics got superior trust recovery means in the case of double deviation with no monetary loss. According to Tabachnick and Fidell (2013, p. 11), samples size impacts the probability of an effect that actually exists to produce statistical significance. Future research could test this with larger samples to check if there are significant differences that we could not observe with our samples.

Regarding to apology, although Basso and Pizzutti (2016, p. 210) state that this tactic "provide the psychological repair necessary to rebuild a relationship after a conflict is negatively solved from the consumer's perspective", Fehr and Gelfand (2010) suggest that it is not always effective in conflict's resolution and forgiveness's inspiration. About that, existing literature suggest that, to be effective, companies should apologize immediately after the fault occurrence. Tomlinson, Dineen and Lewicki (2004) verified that customer will be more willing to reconcile the relationship the sooner the company takes a restorative action, supporting that the absence of an explanation by the company can let the client judge the company negatively.

As this research encompasses double deviation and the tactics were not manipulated immediately after the initial failure, but only after double deviation, apology's performance may possible be compromised. Another reason could be the fact that in the scenarios of this study there is no pre-existing relationships between parts and in these cases forgiveness often comes only if the company proves its intent with an action (VASALOU; HOPFENSITZ; PITT, 2008).

Moreover, Basso and Pizzutti (2016) found that an apology is more effective when the failure is based on integrity, and the interpersonal failure scenario of this study does not specified if the failure involved an integrity problem. On the contrary, it seems that this kind of failure (employee lack of attention) is more associated with a competence problem than an integrity one, since it is a consequence of the inability to deal with the public.

Concerning the mediator role of the attributions, Hypothesis 3a e 3b claimed that after a double deviation, when there was a non financial failure, the level of attribution of the company's integrity/competence mediates the effect of the apology/promise made by the company on customer trust. These hypotheses were tested, but not confirmed. At the same

time, Hypothesis 3c, which proposes that after a double deviation, when there was a financial failure, the level of attribution of the company's benevolence mediates the effect of the financial compensation given by the company on customer trust, was tested in this study. This mediation analysis confirms Hypothesis 3c because benevolence attributions mediated the effect of immediate financial compensation on trust recovery. However, the direct effect of tactics on the dependent variable remains significant, demonstrating that omitted mediators that were not included in the model could exist (ZHAO; LYNCH; CHEN, 2010).

Considering that benevolence is how much a firm is believed to want to do the best for the customer, leaving aside its desire of gain (MAYER; DAVIS; SCHOORMAN, 1995), we support that after a double deviation which failure causes customer's monetary loss, the firm demonstrates a lack of benevolence by no refunding the customer in this case, once it does not demonstrates concern with customer and his/her loss. Acting like that, firm shows that its mayor care is about its own profit. In contrast, by compensating the consumer after a double deviation that incurred in his/her monetary loss, the company will be considered benevolent, as it puts itself in the customer's place and refunds the loss, as he/she had not the blame for the occurred failure. Without thinking about the loss it will have and bearing in mind the treatment that the client deserves, the company would show benevolence.

The table below summarizes the hypothesis and if they were supported or not.

Table 20 – Finding's Summary

<b>Hypothesis</b>	<b>Proposition</b>	<b>Study 1</b>	<b>Study 2</b>
Hypothesis 1	Following a double deviation, an immediate financial compensation given by the company leads to greater trust recovery than a non financial tactic (i.e. an apology or a promise of non reoccurrence of the failure) when the initial failure includes a financial loss to the customer.	Confirmed	Confirmed
Hypothesis 2	Following a double deviation, a non financial compensation (i.e. an apology or a promise of non reoccurrence of the failure) given by the company leads to greater trust recovery than a financial compensation when the initial failure does not include a financial loss to the customer.	Not confirmed	Not confirmed
Hypothesis 3a	After a double deviation, when there was a non financial failure, the level of attribution of the company's integrity mediates the effect of the apology made by the company on customer trust.	Not tested	Not confirmed
Hypothesis 3b	After a double deviation, when there was a non financial failure, the level of attribution of the company's competence mediates the effect of the promise made by the company on customer trust.	Not tested	Not confirmed
Hypothesis 3c	After a double deviation, when there was a financial failure, the level of attribution of the company's benevolence mediates the effect of the financial compensation given by the company on customer trust.	Not tested	Confirmed

Source: Research Data, 2016-2017

#### 4. FINAL CONSIDERATIONS

Trust corresponds an essential relational resource. However, trust is exposed to several threats (XIE; PENG, 2009) which frequently cause its violation (FERRIN *et al.*, 2007). In these cases, trust recovery initiatives are required (MORGAN; HUNT, 1994; LEWICKI; WIETHOFF, 2000; TOMLINSON; DINEEN; LEWICKI, 2004; FERRIN *et al.*, 2007; DESMET; CREMER; DIJK, 2010).

Sometimes firms apply the service recovery process inappropriately and a double deviation arises. Double deviations imply the magnification of trust violation (BASSO; PIZZUTI, 2016) because customer's expectations are not met twice, in the service provision and in the failure recovery (BITNER; BOOM; TETREAULT, 1990).

To the best of our knowledge, only Basso and Pizzutti (2016) address the trust recovery process after a double deviation, and marketing literature has neglected situations in which a monetary compensation may be effective to rebuild trust after a poor recovery effort.

With the purpose to fills some gaps in the trust recovery literature, this research's main objective was to examine situations in which financial compensation is more effective than no financial tactics (i.e. apology) in recovering trust after a double deviation. In line with this objective, this thesis aimed to examine the moderation of the type of violation (if financial or not) in the effect of different recovery tactics on trust recovery after the double deviation; and test the mediation of the attributions of benevolence in the effect of financial compensation on trust recovery after the double deviation.

To accomplish these purposes, two experimental studies were carried out. Study 1 was designed to test Hypothesis 1 and 2. Two double deviation scenarios were tested, whose initial failure causes a financial loss to customer or not. Findings show that after a double deviation, when the initial failure implies in customer's monetary loss, immediate compensation is more effective than apology and promise in trust recovering, supporting H1. However, apology and promise had equally efficiency to repair trust. At the same time, after a double deviation, when the initial failure does not cause client's financial damage, these three tactics had equivalent performance in trust repairing, therefore, not supporting H2.

Study 2 was conceived to test Hypothesis 1, 2 and 3 (3a, 3b, 3c). Three different double deviation situations were used, which presented a monetary failure, a service delivery failure or an interpersonal failure. Results again supported Hypothesis1, indicating that in the

double deviation scenario which initial failure implies in customer's monetary loss, immediate compensation was more effective than apology and promise to repair trust. In the other two situations, with initial failures that do not cause financial loss, the three tactics were equally effective to restore trust (service delivery failure situation); or apology was less effective compared to the other two tactics (interpersonal failure situation); both findings do not support Hypothesis 2.

Moreover, it was verified that the application of immediate compensation produced greater recovery of trust in the financial failure situation than in the non financial failure situation, in the Study 2. The employment of apology and promise tactics did not generate more trust repairing in the situation of non financial failure than financial failure, however that could be a result from the size of our samples (not very big). Note that the directions of the effects are correct (higher means after non financial failures)

Hypothesis 3a and 3b were tested in this research, however the mediation of integrity and competence attributions on the effect of apology and promise on trust restoration, respectively, was not confirmed. Differently, Hypothesis 3c was tested and supported. This result implies that the attribution of benevolence mediates at least partially the effect of immediate financial compensation on trust recovery after a double deviation which initial failure causes client's monetary loss. With that in mind, it can be said that by compensating the consumer in that situation, the firm is considered benevolent, what helps to repair customer's trust.

This research has academic contributions, as no research has examined the effectiveness of financial compensation in restoring trust after a double deviation when the trust violation involves financial loss. We demonstrate that immediate compensation is more effective than apology and promise to repair trust after double deviation, when the initial failure implies in customer's financial loss. Our findings also show that after a double deviation where customer had no monetary loss the tactics financial compensation, apology and promise that the failure will not reoccur in the future have the same performance in restoring trust, what implies that non financial recovery tactics are no better than financial ones in this case. Moreover, this study contributes theoretically to marketing area by showing that the attribution of benevolence plays a mediator role in the effect of monetary compensation on trust recovering in the same situation.

Our findings also have managerial contributions, by showing in which situation financial compensation can be effective to rebuild the violated trust in double deviation, that

is, when the initial failure causes client's financial loss. We found that, apparently, even a small compensation, such as the compensation applied in Study 2 (US\$20), can at least partially restore the trust lost in the unsuccessful recovery process. Furthermore, we contribute by revealing that in cases where double deviation did not generated monetary loss for customer, managers can apply non financial recovery tactics (i.e. apology; promise that the failure will not happen again in the a future) as well as a financial compensation, since they have the same effectiveness in trust repairing.

However, considering that providing a financial compensation requires the company to expend more resources than apologizing or promising that the failure wil not reoccur, applying these lattest trust recovery tactics (apology and promise) would be the most recommended. Besides, employing a promise that failure will not happen again in the future demands the firm to modify its procedures and systems, so that the failure really does not reoccur. Because of that, a promise certainly is more onerous for the company compared with the apology tactic. Thus, relating the three trust recovery tactics investigated in this study, which obtained the same performance in the situation of double deviation with no financial failure, the most indicated would be the apology since it is the least costly for companies.

Nonetheless, service failures had a great influence on satisfaction and dissatisfaction and can engender negative consequences to brand image and customer loyalty (IGLESIAS, 2009). Therefore, the most pertinent initiative companies can invest is regarding failure prevention, which can have better results in the long run, as it will reduce failures volume consequently of complaints. However, even with efficient processes for prevention, failures and double deviation can sometimes occur, so it is also important to have effective systems and procedures to perceive and solve these situations.

#### 4.1 RESEARCH LIMITATIONS AND SUGGESTIONS FOR FUTURE STUDIES

Even though this thesis contributes to academy, it presents some limitations. First of all, experimental scenarios were limited to airline and auto repair services situations. Although we used two different services contexts in the experimental studies, we suggest future research to investigate the moderation of the failure type (financial or not) as well as the mediation of attributions in the effect of recovery tactics to restore trust, through different

service's contexts, such as hotel services, restaurants, internet provision services, among others, so the findings could be expanded.

Although scenario's realism was measured in both studies and presented acceptable averages, another limitation refers to the fact that only laboratory experiments were carried out and no field experiment. Therefore, the execution of field experiments and other types of research that catch real situations is suggested, so it is possible to investigate the occurrence of real episodes of service failures and double deviation, as well as to monitor clients, their behaviors and reactions in such situations. Researches that ask subjects to think about a company whose services they actually use may be relevant, as initial trust could be measured and the fact that respondents already have a relationship with the company, controlled.

Besides that, experimental studies performed in this research only presented fictitious scenarios (scenario method). According to Wirtz and Mattila (2004, p. 163), "the main disadvantage of this method is that respondents may not be able to fully project themselves into the imaginary situations, and then to not respond as they would in a real life service encounter".

We also recommend longitudinal studies so it would be possible to deepen the understanding about trust recovery process after double deviation and the effectiveness of financial and non financial recovery tactics. Researches like that carried out by Wirtz and Mattila (2004) and Frantz and Bennisson (2005) highlight the relevance of studying timing as a factor of recovery tactics effectiveness, as well as the working paper "Trust recovery tactics after double deviation: Is there a right timing?" of Pacheco, Pizzutti, Basso and Van Vaerenbergh.

Moreover, experimental studies were conducted only with undergraduate students and M-Turkers. Regarding M-Turkers, Huff and Tingley (2015) support that they are not that different from respondents of other survey platforms. Even so, research with other populations could extend this research's findings.

Another limitation is that our experimental studies did not manipulate integrity, competence and benevolence attributions. Basso and Pizzutti (2016) demonstrated that apology and promise are useful in trust restoration after a double deviation and that this occurs through attributions of integrity and competence, respectively. Thus, different results could be found if this study had manipulated attributions, especially in the condition of double deviation which initial failure does not imply in client's monetary loss (including service delivery and interpersonal failure scenarios of Study 2), where all three tactics (i.e. immediate



compensation, apology and promise) had the same performance in trust repair, or apology presented less effectiveness. About that, future researches could examine in which situation non financial recovery tactics are better than financial recovery tactics to recover trust after double deviation episodes.

Furthermore, as pointed out by Basso and Pizzutti (2016), future studies could approach the effect of message's persuasiveness of tactic's manipulation. This thesis did not control the perceived persuasiveness of the email and cell phone call message, aspect that could impact the results.

Lastly, this research only investigated the efficiency of three trust recovery tactics: apology, promise that the failure will no reoccur and immediate financial compensation. Other kinds of non financial recovery tactics (i.e. silence; reticence; denial) and financial recovery tactics (delayed financial comensation; full compensation; overcompensation) could be explored in future research, as well as the conjunction of two tactics, for example, financial compensation with an apology.

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## APPENDIX A – STUDY 1

### EXPERIMENTAL SITUATIONS

#### Financial Loss Situation

Pedro is going to travel abroad for vacations. He bought an air ticket and now the day of travel has arrived. Pedro arrives at the airport and finds his airline's check-in counter. However, upon showing his ticket at check-in, the company representative informs him that his flight has been canceled. The representative says he can fly six hours later.

Pedro is obviously upset and asks to speak with the company supervisor. He makes a complaint to the supervisor and explains that due to the delay of that international flight, he will miss a domestic flight from another airline to his final destination. Pedro will be able to reschedule the passage of this domestic flight for later, but to effect this change, will have to pay something around R\$500,00.

Pedro then asks the supervisor to find a way to get him to his destination as soon as possible. The supervisor says he will try to solve Pedro's problem and goes to the computer to check some information. After a while, he explains to Pedro that there is nothing he can do in his case and that Pedro will have to wait six hours to board the next flight. Pedro goes to the airport lobby to wait for his international flight.

#### No Financial Loss Situation

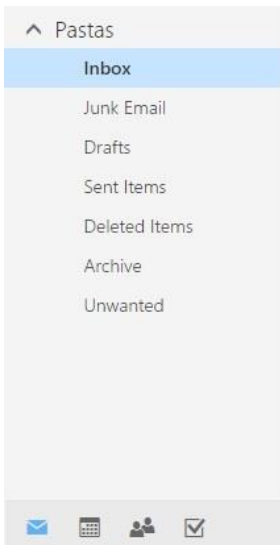
Pedro is going to travel abroad for vacations. He bought an air ticket and now the day of travel has arrived. Pedro arrives at the airport and finds his airline's check-in counter. However, upon showing his ticket at check-in, the company representative informs him that his flight has been canceled. The representative says he can fly six hours later.



Pedro is obviously upset and asks to speak with the company supervisor. He makes a complaint to the supervisor and explains that due to the delay of that international flight, he will miss a domestic flight from another airline to his final destination. Pedro will be able to reschedule the passage of this domestic flight for later, without paying anything.

Pedro then asks the supervisor to find a way to get him to his destination as soon as possible. The supervisor says he will try to solve Pedro's problem and goes to the computer to check some information. After a while, he explains to Pedro that there is nothing he can do in his case and that Pedro will have to wait six hours to board the next flight. Pedro goes to the airport lobby to wait for his international flight.

## RECOVERY TACTICS

### Immediate Financial Compensation



 Alberto Beloto   
18/10/2016  
To: Pedro Moreira

Dear Mr. Pedro Moreira,

We want to thank you for choosing to travel with our airline on October 11, 2016. We are aware of the six-hour delay of your flight. For this reason, we have come through this email to inform that it will be credited to your credit card the amount of R\$ 500.00.

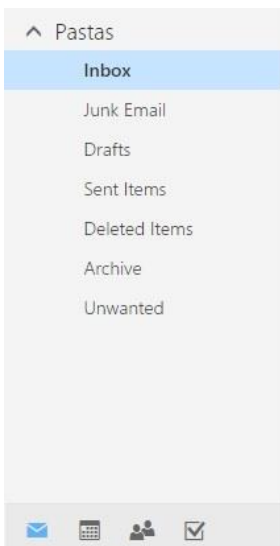
We hope you come back to use the services of Alfa Airlines soon.



Thank you for your attention.

Regards,

Alberto Beloto  
Relationship manager

### Apology



 Alberto Beloto   
18/10/2016  
To: Pedro Moreira

Dear Mr. Pedro Moreira,

We want to thank you for choosing to travel with our airline on October 11, 2016. We are aware of the six-hour delay of your flight. For this reason, we have come through this email to ask our sincere apologies for the failure occurred in our service delivery and the generated disorder.

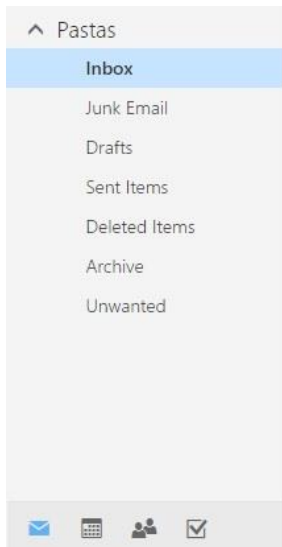
We hope you come back to use the services of Alfa Airlines soon.


Thank you for your attention.

Regards,

Alberto Beloto  
Relationship manager

## Promise



 **Alberto Beloto** v  
 18/10/2016  
 To: Pedro Moreira

Dear Mr. Pedro Moreira,

We want to thank you for choosing to travel with our airline on October 11, 2016. We are aware of the six-hour delay of your flight. For this reason, we have come through this email to inform you that we have modified our operating procedures to improve service delivery to customers and we promise that faults, such as your flight day, will not recur in the future.

We hope you come back to use the services of Alfa Airlines soon.

Thank you for your attention.

Regards,

Alberto Beloto  
 Relationship manager

## QUESTIONNAIRE

### RESEARCH

Dear student, I'm Valentina Ortiz Ubal. I am a student of the Academic Master in Administration of UFRGS and I am conducting an academic research about experience in services under the guidance of Profa. Cristiane Pizzutti. Your response to this questionnaire is voluntary and anonymous. To participate, carefully read the situation below and try to imagine the situation as it is described. Then answer the questions.

#### Situation

\*EXPERIMENTAL SITUATION

**Based on the presented service delivery situation, you believe that Peter realizes that the airline is...**

1	Very undependable	1	2	3	4	5	6	7	Very dependable
2	Very incompetent	1	2	3	4	5	6	7	Very competent
3	Of very low integrity	1	2	3	4	5	6	7	Of very high integrity
4	Very unresponsive to customers	1	2	3	4	5	6	7	Very responsive to customers.

What is your level of agreement with the following statements?		Totally Disagree					Totally Agree	
		1	2	3	4	5	6	7
5	Pedro made a complaint to the airline's supervisor.							
6	The supervisor, after receiving the complaint from Pedro, solves the problem (flight canceled and waits from 6 hours to next).							

After a week of his trip, Pedro received an email sent by the manager of the airline responsible for his international flight. When Pedro opened the email from his inbox, he found the following message:

\*EMAIL WITH THE TRUST RECOVERY TACTIC MANIPULATION

Considering Pedro's experience with the company (including receiving the e-mail), you believe Pedro realizes that the airline is...

7	Very undependable	1	2	3	4	5	6	7	Very dependable
8	Very incompetent	1	2	3	4	5	6	7	Very competent
9	Of very low integrity	1	2	3	4	5	6	7	Of very high integrity
10	Very unresponsive to customers	1	2	3	4	5	6	7	Very responsive to customers.

11) Why did you answer the above questions the way you did it? Put down any thoughts that have come into your mind as you read about the experience of Pedro described earlier and that has helped you to answer it.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_.

What is your level of agreement with the following statements?		Totally Disagree					Totally Agree	
12	I usually trust companies until they give me a reason not to trust them.	1	2	3	4	5	6	7
13	I generally give companies the benefit of the doubt when I first meet them.	1	2	3	4	5	6	7
14	My typical approach is to trust new companies until they prove I should not trust them.	1	2	3	4	5	6	7

How do you think Pedro evaluated an experience he had with airline service?

24	Highly unsatisfactory	1	2	3	4	5	6	7	Highly satisfactory
25	Very unpleasant	1	2	3	4	5	6	7	Very pleasant
26	Tenrible	1	2	3	4	5	6	7	Delightful

Think of the failure committed by the airline - flight canceled. You would say that the severity of this failure (problem) is:

27	Nothing important	1	2	3	4	5	6	7	Very important
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28) Please answer the next question without returning to the text.

Considering only the situation OCCURRED AT THE AIRPORT, did Pedro have a financial loss due to the delay in his international flight? ( ) Yes ( ) No ( ) Do not remember

29) In the email received by Pedro, the airline is (check one alternative):

- ( ) Making an apology
- ( ) Making a promise that failure will not occur again
- ( ) Offering financial compensation
- ( ) Revealing a received certification on the quality of the processes
- ( ) None of the above

30) Based on the situation presented, Pedro had (just one alternative):

- ( ) Only one domestic flight (national)
- ( ) Only one international flight
- ( ) An international flight and then a domestic flight (national)
- ( ) A domestic (national) flight and then an international flight
- ( ) No flight

What is your level of agreement with the following statement?		Totally Disagree					Totally Agree	
31	The situation described in the text is realistic.	1	2	3	4	5	6	7

32) Approximately how many times have you used the services of an airline during the last 3 years? \_\_\_\_\_times.

Until now, in general, how were YOUR real experiences with flights and airlines?

33	Highly unsatisfactory	1	2	3	4	5	6	7	Highly satisfactory
34	Very unpleasant	1	2	3	4	5	6	7	Very pleasant
35	Terrible	1	2	3	4	5	6	7	Delightful

36) Have you ever made any kind of complaint to an airline?

( ) Yes ( ) No

If yes, why (if you had more than 1 complaint experience, please report the last)?

\_\_\_\_\_.

37) What is the main reason for your flights? ( ) Business ( ) Tourism

38) How old are you? \_\_\_\_\_years old.

39) What is your gender? ( ) Male ( ) Female

40) What do you think is the purpose of this research?

\_\_\_\_\_.

41) If you have any questions, criticisms or suggestions, write below.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_.

If you want more information about the study and its results, you can contact by email: [valentinaortizubal@hotmail.com](mailto:valentinaortizubal@hotmail.com).

Thank you for your participation!

## APPENDIX B – STUDY 2

### EXPERIMENTAL SITUATIONS

#### Monetary Failure

Peter has the stained passenger seat of his car cleaned at an auto repair service for the price of US\$60. A day after Peter discovers that he was over charged, as he paid the original price for the seat cleaning (US\$60) instead of paying the promotional price of US\$40 offered by the company for the day. Peter is obviously upset and goes to the auto repair service to speak with the company supervisor. He makes a complaint to the supervisor and explains the problem. Peter then asks the supervisor to find a way to get his money back. The supervisor says he will try to solve Peter's problem and goes to check some information with the staff responsible for the charge. After a while, he explains to Peter that there is nothing he can do in his case and that the money could not be returned.

#### Service Delivery Failure

Peter has the stained passenger seat of his car cleaned at an auto repair service for the price of US\$40. When Peter arrives at the auto repair service to get his car, the employee says there was a delay in the service and he has to wait for two hours to get his car back. Peter is obviously upset and asks to speak with the company supervisor. He makes a complaint to the supervisor and explains the problem. Peter then asks the supervisor to find a way to get his car as soon as possible. The supervisor says he will try to solve Peter's problem and goes to check some information with the staff responsible for the cleaning. After a while, he explains to Peter that there is nothing he can do in his case and that he has to wait about two hours.

#### Interpersonal Failure

Peter has the stained passenger seat of his car cleaned at an auto repair service for the price of US\$40. While Peter is at the auto repair service, the service person receives a cell phone call, returns to his office without an explanation, and returns 15 min later, after having had a coffee with his colleague. Peter is obviously upset and asks to speak with the company supervisor. He makes a complaint to the supervisor and explains the problem. Peter then requires a more attentive employee to assist him. The supervisor says he will try to solve Peter's problem and goes to check some information with the employee. After a while, he explains to Peter that there is nothing he can do in his case and that nobody else is available to assist him.

### RECOVERY TACTICS

#### Immediate Compensation

A week later Peter received a cell phone call from the auto repair service manager, who thanked Peter for choosing the company's services and said the company was aware of the failure that occurred. For this reason, he said the company would credit on his credit card the amount of US\$20.

### Apology

A week later Peter received a cell phone call from the auto repair service manager, who thanked Peter for choosing the company's services and said the company was aware of the failure that occurred. For this reason, he expressed the company's sincerely apologizing for the failure occurred in their service.

### Promise

A week later Peter received a cell phone call from the auto repair service manager, who thanked Peter for choosing the company's services and said the company was aware of the failure that occurred. For this reason, he informed the company had modified the operating procedures to improve their service and promised that failure, as occurred, would not recur in the future.

### Control

A week later Peter received a cell phone call from the auto repair service manager, who informed the company's new address.

## QUESTIONNAIRE

### RESEARCH

Dear participant, this study aims to understand how people evaluate service failure situations.

You will be asked to answer a questionnaire, taking approximately 8 minutes, and will receive a security code at the end. This code must be copied and pasted at the Mechanical Turk activity page.

There is neither financial loss nor risk involved in participating in this research.

Your answer is very important, anonymous, and will be used only for academic purposes.

If you have any questions, suggestions or comments about the survey, please contact us by email [valentinaortizubal@hotmail.com](mailto:valentinaortizubal@hotmail.com).

### INFORMED CONSENT FORM

I declare that I am 18 or over 18 years old and agree to participate in this research. I declare that I was informed that my participation in this study is voluntary and that I can leave this survey at any time without penalty, and all data is confidential. I understand that this study does not offer any risk.

I have read and understood the above consent form and desire of my own free will to participate in this study.

( ) Yes

( ) No

\*EXPERIMENTAL SITUATION

**Based on the presented service delivery situation, you believe that Peter realizes that the auto repair service is...**

1	Very undependable	1	2	3	4	5	6	7	Very dependable
2	Very incompetent	1	2	3	4	5	6	7	Very competent
3	Of very low integrity	1	2	3	4	5	6	7	Of very high integrity
4	Very unresponsive to customers	1	2	3	4	5	6	7	Very responsive to customers

<b>What is your level of agreement with the following statements?</b>		<b>Totally Disagree</b>					<b>Totally Agree</b>	
5	Pedro made a complaint to the auto repair service supervisor.	1	2	3	4	5	6	7
6	The supervisor, after receiving the complaint from Pedro, solves the problem.	1	2	3	4	5	6	7

**How do you think Peter felt regarding the auto repair service?**

7	Not satisfied at all	1	2	3	4	5	6	7	Very satisfied
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\*TRUST RECOVERY TACTIC MANIPULATION

**Considering Peter's experience with the company (including receiving the cell phone call), you believe Peter feels that the auto repair service is...**

8	Very undependable	1	2	3	4	5	6	7	Very dependable
9	Very incompetent	1	2	3	4	5	6	7	Very competent
10	Of very low integrity	1	2	3	4	5	6	7	Of very high integrity
11	Very unresponsive to customers	1	2	3	4	5	6	7	Very responsive to customers.

**Why did you answer the above questions the way you did it? Put down any thoughts that have come into your mind as you read about Peter's experience described earlier and that has helped you to answer it.**

\_\_\_\_\_.

**How do you think Peter felt regarding the auto repair service's cell phone call?**

12	Not satisfied at all	1	2	3	4	5	6	7	Very satisfied
13	Not happy at all	1	2	3	4	5	6	7	Very happy

<b>Based on the cell phone call received by Peter, how much do you agree with the statements below?</b>		<b>Totally Disagree</b>					<b>Totally Agree</b>	
14	The company is very capable of performing its job.	1	2	3	4	5	6	7
15	The company has much knowledge about the work that needs to be done on the job.	1	2	3	4	5	6	7
16	I feel very confident about the company's skills.	1	2	3	4	5	6	7

<b>Based on the cell phone call received by Peter, how much do you agree with the statements below?</b>		<b>Totally Disagree</b>					<b>Totally Agree</b>	
17	I like the company's values.	1	2	3	4	5	6	7
18	Sound principles seem to guide the company's behavior.	1	2	3	4	5	6	7
19	The company has a great deal of integrity.	1	2	3	4	5	6	7

<b>Based on the cell phone call received by Peter, how much do you agree with the statements below?</b>		<b>Totally Disagree</b>					<b>Totally Agree</b>	
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20	The company acts as if it values the customer.	1	2	3	4	5	6	7
21	The company puts itself in the customer's place.	1	2	3	4	5	6	7
22	The company treats the customer with respect.	1	2	3	4	5	6	7

**How do you think Peter evaluated the overall experience he had with the auto repair service?**

23	Highly unsatisfactory	1	2	3	4	5	6	7	Highly satisfactory
24	Very unpleasant	1	2	3	4	5	6	7	Very pleasant
25	Terrible	1	2	3	4	5	6	7	Delightful

**Think of the failure committed by the auto repair service. You would say that the severity of this failure (problem) is:**

26	Nothing important	1	2	3	4	5	6	7	Very important
27	Nothing severe	1	2	3	4	5	6	7	Very severe

**28) Based on the situation presented, Peter had (just one alternative):**

- been charged the original price of the seat cleaning instead of been charged the promotional price
- to wait about two more hours to get his car back
- a problem with the service person who did not give him due attention
- None of the above

**29) A financial (monetary) loss occurs when a person loses some money in an exchange.**

**Considering that, do you think Peter lost money in the failure situation described previously?**

- Yes     No     Do not remember

	What is your level of agreement with the following statement?	Totally Disagree					Totally Agree		
		1	2	3	4	5	6	7	
30	Peter had a FINANCIAL loss.								

**31) In the cell phone call received by Peter, the auto repair service is (check one alternative):**

- Offering an immediate financial compensation
- Apologizing
- Making a promise that failure will not occur again
- Informing the company's new address
- None of the above

	What is your level of agreement with the following statement?	Totally Disagree					Totally Agree		
		1	2	3	4	5	6	7	
32	The situation described in the text is realistic.								

**33) Approximately how many times have you used the services of an auto repair service during the last 3 years? \_\_\_\_\_ times.**

**Until now, in general, how were YOUR real experiences with auto repair services?**

34	Highly unsatisfactory	1	2	3	4	5	6	7	Highly satisfactory
35	Very unpleasant	1	2	3	4	5	6	7	Very pleasant
36	Terrible	1	2	3	4	5	6	7	Delightful

**37) Have you ever made any kind of complaint to an auto repair service?**

- Yes     No

**If yes, what was the problem and how the company solved it (if you had more than 1 complaint experience, please report the last)?**

\_\_\_\_\_.

**38) How old are you? \_\_\_\_\_years old.**

**39) What is your gender? ( )Male ( )Female**

**If you have any questions, criticisms or suggestions, write below.**

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**If you want more information about the study and its results, you can contact by email:  
valentinaortizubal@hotmail.com.**

**Thank you for your participation!**