

# Service Recovery on Loyalty through Customer Satisfaction at Fast Food Restaurant "X" in North Jakarta

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#### Abstract

Fast food restaurant "X" has four competitors, which becomes challenges. Therefore, this restaurant can establish good relationships with customers, so they become loyal. Customer loyalty can be influenced by the three dimensions of service recovery through customer satisfaction and by customer satisfaction. Customer satisfaction can be influenced by the three dimensions of service recovery. Hence, this research aims to test the influence of the three dimensions of service recovery on customer satisfaction; test the influence of customer satisfaction on customer loyalty; examine the role of customer satisfaction in mediating the influence of the three dimensions of service recovery on customer loyalty. The population is customers from fast food restaurant "X" in North Jakarta. A sample of 140 were selected using non-probability sampling method with purposive sampling technique. The data were collected using questionnaires via Google Form. The data analysis technique used is SEM using SmartPLS. The results are distributive and interactional justice have positive influence on customer satisfaction; procedural justice doesn't have positive influence on customer loyalty through customer satisfaction; procedural justice doesn't have positive influence on customer loyalty through customer satisfaction; procedural justice doesn't have positive influence on customer loyalty through customer satisfaction; procedural justice doesn't have positive influence on customer loyalty through customer satisfaction.

**Keywords:** Distributive Justice; Procedural Justice; Interactional Justice; Customer Satisfaction, Customer Loyalty

#### Introduction

Fast food restaurants have a large market potential in Indonesia that can be proven based on the data from Mordor Intelligence (2022) which showed that in 2022, the foodservice market in Indonesia generated over US\$34,985.26 million in revenue. In this market, there are five market leaders, which four of them are fast food restaurants, namely Domino's Pizza Inc., McDonald's Corporation, HokBen, and Yum! Brands Inc., (Kentucky Fried Chicken or KFC, Pizza Hut, and Taco Bell). One of the fast food restaurants in Indonesia is fast food restaurant "X". It has four competitors which becomes challenges to win customers.

Customers are the most important part in driving sales because customers affect the company's profits, both directly and indirectly. Therefore, companies must establish good relationships with



customers, so that customers can become loyal. Customer loyalty is important for companies because through loyalty, customers will make purchases from the same company on an ongoing basis and recommend it to others (Griffin, 2002; Kandampully & Suhartanto, 2003; Margaretha & Rodhiah, 2021; Oliver, 1999). Customer loyalty can be influenced by the three dimensions of service recovery (distributive justice, procedural justice, and interactional justice) through customer satisfaction (Purwianti & Khoviati, 2021; Russo et al., 2022; Chang & Chang, 2010). A satisfied customer tends to be loyal to the company they choose because when a customer has a good experience, such as feeling satisfied, he/she will repurchase from the company that has satisfied him/her, and even recommend it to others. Customer satisfaction is a customer's emotional response from a comparison between his/her expectation of a product or a service and his/her feeling after using the product or service (Gonzalez, 2019; Jamal & Naser, 2003; Oliver, 2015). Thus, the role of customer satisfaction is equally important for a company because customer loyalty can be influenced by customer satisfaction, 2018; Cheng et al., 2019; Mohd-Any et al., 2019).

Service recovery is an action carried out by a service provider in response to service failure and consists of three dimensions, namely distributive justice, procedural justice, and interactional justice (Grönroos, 2015). Distributive justice has positive influence on customer loyalty through customer satisfaction (Purwianti & Khoviati, 2021). Furthermore, procedural justice has positive influence on customer loyalty through customer satisfaction (Russo et al., 2022). Moreover, interactional justice has positive influence on customer loyalty through customer satisfaction (Chang & Chang, 2010). Customer satisfaction has positive influence on customer loyalty (Cha & Borchgrevink, 2018; Cheng et al., 2019; Mohd-Any et al., 2019). However, Dewi (2020) and Yuliani & Rahyuda (2021) stated that customer satisfaction does not have positive influence on customer loyalty. Customer satisfaction can be influenced by the three dimensions of service recovery (distributive justice, procedural justice, and interactional justice) (Cheng et al., 2019). The three dimensions of service recovery (distributive justice, procedural justice, and interactional justice) have positive influence on customer satisfaction (Cheng et al., 2019). However, Ampong et al. (2020) stated that distributive justice does not have positive influence on customer satisfaction, while procedural justice and interactional justice have positive influence on customer satisfaction. Moreover, Muhammad & Gul-E-Rana (2020) stated that procedural justice does not have positive influence on customer satisfaction, while distributive justice and interactional justice have positive influence on customer satisfaction. Furthermore, Mohd-Any et al. (2019) stated that interactional justice does not have positive influence on customer satisfaction, while distributive justice and procedural justice have positive influence on customer satisfaction.

This study aims to test the influence of distributive justice, procedural justice, and interactional justice on customer satisfaction at fast food restaurant "X" in North Jakarta; the influence of customer satisfaction on customer loyalty at fast food restaurant "X" in North Jakarta; and the influence of distributive justice, procedural justice, and interactional justice on customer loyalty through customer satisfaction at fast food restaurant "X" in North Jakarta.

#### Literature Review

#### **Distributive Justice and Customer Satisfaction**

According to Clark et al. (2009), distributive justice is the restitution given by a company to its customers who have experienced service failures, so that the customers are expected to recover from the service failures. This statement is supported by the definition of distributive justice according to Grönroos (2015), namely the extent to which the results of the service recovery process carried out by a company are considered equal with customer needs, such as compensation and apology levels. Meanwhile, the definition of distributive justice according to Río-Lanza et al. (2009), namely tangible compensations provided by a company to its customers in order to overcome service failures that have been experienced



by these customers, namely making refunds, changing the products or services, or giving discounts for future purchases. In conclusion, distributive justice is tangible compensations provided by a company for its customers to overcome losses due to service failures experienced by these customers. Cheng et al. (2019) stated that by offering customers a fair level of compensation, such as a free upgrade of room or free meal coupon, a company can gain customer satisfaction. A company that took good compensation measures to solve the problem got satisfied customers (Mohd-Any et al., 2019). A customer tends to feel satisfied with a company if he/she perceives that the outcome of his/her complaint is fair (Muhammad & Gul-E-Rana, 2020). When customers perceive that compensations to overcome service failures given by a company are adequate, appropriate, fair, and meet their expectations, these customers will feel satisfied with the company. Thus, distributive justice has the potential to improve customer satisfaction. The following hypothesis is proposed:

H1: Distributive justice has positive influence on customer satisfaction.

# **Procedural Justice and Customer Satisfaction**

According to Kenesei & Bali (2020), procedural justice is the justice that is applied to company rules in the process of recovering service failures that experienced by its customers. In the context of justice that is applied in the service recovery process, there is a same opinion as Patterson et al. (2006), procedural justice is a customer's perception of the fairness of the process carried out by a company in recovering service failure, such as the speed of recovery or keeping customers informed. Meanwhile, the definition of procedural justice according to Río-Lanza et al. (2009), namely company procedures in carrying out the service recovery process that includes overcoming service failures in some aspects, such as accessibility, timing/speed, process control, delay, and flexibility in adapting to customers' recovery needs. In conclusion, procedural justice is service recovery procedures implemented by a company in recovering service failures that experienced by customers. Customers may feel satisfied with the type of recovery offered, yet the evaluation of the service recovery may be poor if the procedures used to obtain the outcome are perceived to be unfair (Ampong et al., 2020). When there's a failure in a company's service delivery process, the company can prevent its customer to feel dissatisfied by performing a psychological service recovery, which includes offering friendly standard policies and regulations to address such failures (Cheng et al., 2019). Procedural justice is beneficial in maintaining long-term satisfaction between a company and its customers (Mohd-Any et al., 2019). Customers who perceive that a company overcomes service failures in a reasonable time and provides comfort during the process of overcoming service failures are satisfied with the company. Hence, procedural justice has the potential to increase customer satisfaction. The following hypothesis is proposed:

H2: Procedural justice has positive influence on customer satisfaction.

# Interactional Justice and Customer Satisfaction

According to Blodgett et al. (1997), interactional justice is the fairness perceived by customers from the way the customers are treated by service providers in the interaction during the process of recovering service failures. This statement is supported by the definition of interactional justice according to McColl-Kennedy & Sparks (2003), namely the manners when service failures are addresed by service providers and the specific interactions between service providers and their customers. Meanwhile, the definition of interactional justice according to Tax et al. (1998), namely the actions of service providers in conducting interpersonal behavior during the establishment of procedures to solve problems related to service failures experienced by their customers. In conclusion, interactional justice is the justice that customers get from interacting with service providers during the service recovery process. If a customer's perception of interactional justice is positive, he/she can feel a high level of fairness that makes he/she feels satisfied with the company (Ampong et al., 2020). Companies that always improve their



interactional justice by improving good interpersonal skills reflect high levels of professionalism in managing service recovery, and hence customer satisfaction will be increased (Cheng et al., 2019). A company that has a high sense of caring when interacting with its customers who experience service failures will lead to customer satisfaction (Muhammad & Gul-E-Rana, 2020). If customers perceive that the employees of a company are polite, honest, ethical and provide proper treatment during the interaction of overcoming service failures, they will feel satisfied with the company. Therefore, interactional justice has the potential to improve customer satisfaction. The following hypothesis is proposed:

H3: Interactional justice has positive influence on customer satisfaction.

#### **Customer Satisfaction and Customer Loyalty**

Gonzalez (2019) stated that customer satisfaction is the extent to which customers feel pleasure and satisfaction with the products and services provided by a company. Likewise, according to Jamal & Naser (2003), customer satisfaction is the feeling or attitude of customers on products or services after use. Meanwhile, the definition of customer satisfaction according to Oliver (2015) is a response to fulfill customers' orders in the form of assessments that the features of products/services or the products/services have provided or is providing levels of satisfaction related to the consumption-related fulfillment, including levels of satisfaction that are lack or excess. Hence, customer satisfaction is customers' emotional responses that appear from comparisons between their expectations of products or services and their feelings after using the products or services. Customers from a restaurant who are satisfied with their dining experience are more likely to revisit, recommend, or leave good reviews for the restaurant (Cha & Borchgrevink, 2018). Customer satisfaction is a need for developing customer loyalty (Cheng et al., 2019). Customers with higher satisfaction will make future purchases from the same company (Mohd-Any et al., 2019). Satisfied customers tend to be loyal to the company they choose because when customers have a good experience, such as feeling satisfied, they will repurchase from a company that has satisfied them, and even recommend it to others. Thus, customer satisfaction can increase customer loyalty. The following hypothesis is proposed:

H4: Customer satisfaction has positive influence on customer loyalty.

#### Distributive Justice and Customer Loyalty through Customer Satisfaction

If a customer perceives that the outcome of his/her complaint is fair, the customer will feel satisfied. If the service recovery is also based on the complaint from the customer, the customer will feel cared and can make him/her loyal to the company (Purwianti & Khoviati, 2021). Customers that perceive the compensations to overcome service failures given by a company are adequate, appropriate, fair, and meet their expectations will create customer loyalty if mediated by customer satisfaction. The following hypothesis is proposed:

H5: Distributive justice has positive influence on customer loyalty through customer satisfaction.

#### Procedural Justice and Customer Loyalty through Customer Satisfaction

A fair and fast response from a company in the service recovery process create customer loyalty through customer satisfaction (Russo et al., 2022). Customers who perceive that a company overcomes service failures in a reasonable time and provides comfort during the process of overcoming service failures can create customer loyalty through customer satisfaction. The following hypothesis is proposed:

H6: Procedural justice has positive influence on customer loyalty through customer satisfaction.



#### Interactional Justice and Customer Loyalty through Customer Satisfaction

The politeness and the honesty from a company's employees in the interactions during service recovery process make customers become loyal to the company if mediated by customer satisfaction (Chang & Chang, 2010). If customers perceive that the employees of a company are polite, honest, ethical and provide proper treatment during the interaction of overcoming service failures, customer loyalty can be achieved if it's mediated by customer satisfaction. The following hypothesis is proposed:

#### H7: Interactional justice has positive influence on customer loyalty through customer satisfaction.

Based on the explanation above, Figure 1 below shows the research model.

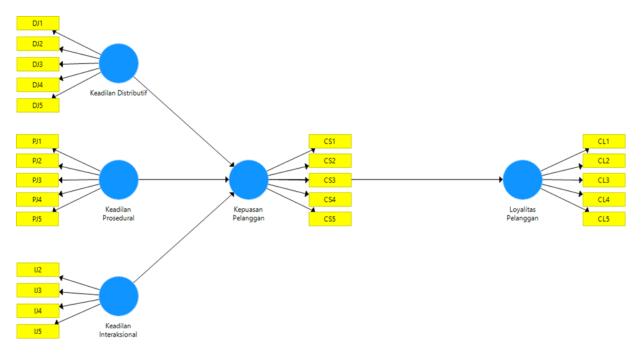


Figure 1. Research Model

#### **Research Methods**

The population in the present study is customers from fast food restaurant "X" in North Jakarta. In this study, a non-probability sampling method is used with a purposive sampling technique. Purposive sampling is a sampling that selects a certain people who are able to provide the information needed because only them who have the information or meet several criteria made by the researcher (Bougie & Sekaran, 2020). The criteria selected as respondents for this study were customers who have visited fast food restaurant "X" in North Jakarta for at least three times with the age range 15 to 66 years. The sample size of this study is 140. The sampling in this study was carried out by distributing questionnaires from Google Forms to respondents via social media. Furthermore, questionnaires were also distributed to respondents who were at fast food restaurant "X" in North Jakarta. This study uses five variables, namely distributive justice that is measured by five indicators adapted from previous studies (Blodgett et al., 1997; Cheng et al., 2019; Lin et al., 2011), procedural justice that is measured by five indicators adapted from previous studies (Ateke et al., 2015; Olson & Ro, 2020; Siu et al., 2013), interactional justice that is measured by five indicators adapted from previous studies (Janet al., 2022), customer satisfaction that is measured by five indicators adapted from previous studies (Jin et al., 2012; Lam et al., 2004; Rodríguez-López et al., 2020), and customer loyalty hat is



measured by five indicators adapted from previous studies (Cakici et al., 2019; Han & Ryu, 2009; Jin et al., 2012). The data analysis technique used is SEM using SmartPLS software. The data processing in this study consists of two analyses, namely the outer model which analyzes the validity and reliability of constructs and the inner model which assesses the relationship between exogenous and endogenous latent variables with respect to the calculated variances.

#### **Results and Discussion**

#### **Outer Model**

The outer model testing consists of testing convergent validity (Average Variance Extracted), discriminant validity (Heterotrait-Monotrait ratio), and reliability (Cronbach's Alpha and Composite Reliability.

#### a. Convergent Validity

Table 1. Convergent Validity		
	Average Variance Extracted	
Distributive Justice	0.589	
Interactional Justice	0.535	
Procedural Justice	0.501	
Customer Satisfaction	0.609	
Customer Loyalty	0.686	

Based on the test results above, it can be known that that each variable has a value of Average Variance Extracted (AVE) that is above 0.50 (>0.50). Thus, it has met the criteria of convergent validity that is measured by the value of Average Variance Extracted.

\* \* .....

#### b. Discriminant Validity

	Distributi veJustice	Interactiona lJustice	Procedural Justice	Customer Satisfaction
Distributive				
Justice				
Interactional	0.625			
Justice	0.023			
Procedural Justice	0.799	0.820		
Customer	0.535	0.625	0.564	
Satisfaction	0.335	0.025	0.304	
Customer Loyalty	0.508	0.473	0.480	0.802

Based on the test results above, it can be known that all values of Heterotrait-Monotrait Ratio (HTMT) for each indicator are below 0.90 (<0.90). Thus, all indicators of each variable can be accepted.



### c. Composite Reliability Test

Table 5. Cloudach's Alpha and Composite Reliability			
	Cronbach's Alpha	Composite Reliability	
Distributive Justice	0.825	0.877	
Interactional Justice	0.712	0.821	
Procedural Justice	0.753	0.833	
Customer Satisfaction	0.840	0.886	
Customer Loyalty	0.886	0.916	

Table 3. Cronbach's Alpha and Composite Reliability

Based on the test results above, it can be known that each item that is used in measuring the variables has a value of Cronbach's Alpha above 0.60 (>0.60), so it can be said that the indicators or the items that are used to measure the variables are reliable. Moreover, each item that is used in measuring the variables has a value of Composite Reliability above 0.60 (>0.60), so it can be said that the variables are reliable.

#### **Inner Model**

#### a. Coefficient of Determination Test

Table 4. Coefficient of Determination	Table 4.	Coefficient	of Determination
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	$\mathbb{R}^2$
Customer Satisfaction	0.313
Customer Loyalty	0.501

Based on the test results above, it can be known that there is a R2 with a value of 0.313 which explains that 31.3% of customer satisfaction can be explained by distributive justice, procedural justice, and interactional justice; whereas 68.7% can be explained by the variables that aren't studied in the present research. Furthermore, there is a R2 with a value of 0.501 which explains that 50.1% of customer loyalty can be explained by customer satisfaction, whereas 49.9% can be explained by the variables that aren't studies that aren't studied in the present research.

#### **b.** Hypothesis Testing

Table 5. Hypothesis Testing			
Hypothesis	Hypothesis Statement	Path Coefficient Value	P Value
H1	Distributive Justice $\rightarrow$ Customer Satisfaction	0.219	0.006
H2	Procedural Justice $\rightarrow$ Customer Satisfaction	0.134	0.061
H3	Interactional Justice $\rightarrow$ Customer Satisfaction	0.308	0.000
H4	Customer Satisfaction $\rightarrow$ Customer Loyalty	0.708	0.000

Based on the test results above, it can be known that only H2 is not supported because the p value is above 0.05 (<0.05).



Table 6. Hypothesis Testing

Hypothesis	Hypothesis Statement	Path Coefficient Value	P Value	Mediation Analysis
Н5	Distributive Justice → Customer Satisfaction → Customer Loyalty	0.139	0.005	Partial
	Distributive Justice $\rightarrow$ Customer Loyalty	0.139	0.028	mediation
H6	Procedural Justice $\rightarrow$ Customer Satisfaction $\rightarrow$ Customer Loyalty	0.087	0.048	Full
	Procedural Justice $\rightarrow$ Customer Loyalty	0.051	0.259	mediation
H7	Interactional Justice → Customer Satisfaction → Customer Loyalty	0.193	0.000	Full mediation
	Interactional Justice $\rightarrow$ Customer Loyalty	-0.033	0.349	

# c. Mediation Hypothesis Testing

Based on the test results above, it can be known that all hypotheses are supported because the p values are below 0.05 (<0.05) and the path coefficients values are above 0 (>0).

#### Discussion

Based on the first hypothesis's test result, it can be stated that distributive justice has positive influence on customer satisfaction at fast food restaurant "X" in North Jakarta because the p value is 0.006 which is below 0.05 and the path coefficient value is 0.219. Thus, H1 is supported. This result is in line with previous studies (Cheng et al., 2019; Mohd-Any et al., 2019; Muhammad & Gul-E-Rana, 2020) which showed that distributive justice has positive influence on customer satisfaction. Therefore, the customers from fast food restaurant "X" perceive the compensations to overcome service failures given by a company are adequate, appropriate, fair, and meet their expectations, and perceive that the compensations to overcome service failures are given sincerely then these make customers feel satisfied with the dining experience at the restaurant.

Based on the second hypothesis's test result, it can be stated that procedural justice does not have positive influence on customer satisfaction at fast food restaurant "X" in North Jakarta because the p value is 0.061 which is above 0.05. Therefore, H2 is not supported. This result is in line with previous study (Muhammad & Gul-E-Rana, 2020) which showed that procedural justice does not have positive influence on customer satisfaction. Thus, the customers from fast food restaurant "X" perceive that the restaurant has adequate policies in overcoming service failures, overcoming service failures in a reasonable time, dealing with service failures adequately, providing comfort during the process of overcoming service failures, and being swift in overcoming service failures. However, these do not make the customers feel satisfied with the restaurant.

Based on the third hypothesis's test result, it can be stated that interactional justice has positive influence on customer satisfaction at fast food restaurant "X" in North Jakarta because the p value is 0.000 which is below 0.05 and the path coefficient value is 0.308. Hence, H3 is supported. This is in line with previous studies (Ampong et al., 2020; Cheng et al., 2019; Muhammad & Gul-E-Rana, 2020) which showed that interactional justice has positive influence on customer satisfaction. Thus, the customers from fast food restaurant "X" perceive that the restaurant employees are polite, honest, ethical and provide fair and proper treatment during the interaction of overcoming service failures then these make customers feel satisfied with the dining experience at the restaurant.



Based on the fourth hypothesis's test result, it can be stated that customer satisfaction has positive influence on customer loyalty at fast food restaurant "X" in North Jakarta because the p value is 0.000 which is below 0.05 and the path coefficient value is 0.708. Thus, H4 is supported. This result is in line with previous research (Cha & Borchgrevink, 2018; Cheng et al., 2019; Mohd-Any et al., 2019) which showed that customer satisfaction has positive influence on customer loyalty. Therefore, the customers from fast food restaurant "X" enjoy eating at the restaurant, perceive that their choice to dine at the restaurant is a wise choice, happy with their decision to dine at the restaurant, perceive that the dining experience at the restaurant meets their expectations, and feel satisfied with the dining experience at the restaurant then these make customers willing to continue to choose to dine at the restaurant even though there are other alternatives.

Based on the fifth hypothesis's test result, it can be stated that distributive justice has positive influence on customer loyalty through customer satisfaction at fast food restaurant "X" in North Jakarta because the p value is 0.005 which is below 0.05 and the path coefficient value is 0.139. Hence, H5 is supported. The mediation is a partial mediation, which means that interactional justice has positive influence on customer loyalty through customer satisfaction at fast food restaurant "X" in North Jakarta and interactional justice has positive influence on customer loyalty at fast food restaurant "X" in North

Jakarta. The fifth hypothesis is supported by previous study (Purwianti & Khoviati, 2021) which showed that distributive justice has positive influence on customer loyalty through customer satisfaction. Thus, the customers from fast food restaurant "X" perceive the compensations to overcome service failures given by a company are adequate, appropriate, fair, and meet their expectations, and perceive that the compensations to overcome service failures are given sincerely then these can create customer loyalty if mediated by customer satisfaction.

Based on the sixth hypothesis's test result, it can be stated that procedural justice has positive influence on customer loyalty through customer satisfaction at fast food restaurant "X" in North Jakarta because the p value is 0.048 which is below 0.05 and the path coefficient value is 0.087. Therefore, H6 is supported. The mediation is a full mediation, which means that procedural justice has positive influence on customer loyalty through customer satisfaction at fast food restaurant "X" in North Jakarta, whereas procedural justice does not have positive influence on customer loyalty at fast food restaurant "X" in North Jakarta. The sixth hypothesis is supported by previous study (Russo et al., 2022) which showed that procedural justice has positive influence on customer loyalty through customer satisfaction. Hence, the customers from fast food restaurant "X" perceive that the restaurant has adequate policies in overcoming service failures, overcoming service failures in a reasonable time, dealing with service failures adequately, providing comfort during the process of overcoming service failures, and being swift in overcoming service failures then these can create customer loyalty through customer satisfaction.

Based on the seventh hypothesis's test result, it can be stated that interactional justice has positive influence on customer loyalty through customer satisfaction at fast food restaurant "X" in North Jakarta because the p value is 0.000 which is below 0.05 and the path coefficient value is 0.193. therefore, H7 is supported. The mediation is a full mediation, which means that interactional justice has positive influence on customer loyalty through customer satisfaction at fast food restaurant "X" in North Jakarta, whereas interactional justice does not have positive influence on customer loyalty at fast food restaurant "X" in North Jakarta. The seventh hypothesis is supported by previous study (Chang & Chang, 2010) which showed that interactional justice has positive influence on customer loyalty through customer satisfaction. Hence, the customers from fast food restaurant "X" perceive that the restaurant has adequate policies in overcoming service failures, overcoming service failures in a reasonable time, dealing with service failures adequately, providing comfort during the process of overcoming service failures, and being swift in overcoming service failures then these can create customer loyalty if mediated by customer satisfaction.



## Conclusion

The conclusion that can be drawn from this study are distributive justice has positive influence on customer satisfaction at fast food restaurant "X" in North Jakarta, procedural justice does not have positive influence on customer satisfaction at fast food restaurant "X" in North Jakarta, interactional justice has positive influence on customer satisfaction at fast food restaurant "X" in North Jakarta, customer satisfaction has positive influence on customer loyalty at fast food restaurant "X" in North Jakarta, distributive justice has positive influence on customer loyalty through customer satisfaction at fast food restaurant "X" in North Jakarta, distributive justice has positive influence on customer loyalty through customer satisfaction at fast food restaurant "X" in North Jakarta, procedural justice has positive influence on customer loyalty through customer loyalty in North Jakarta.

It is expected that fast food restaurant "X" in North Jakarta can improve the distributive justice, the procedural justice, and the interactional justice, so that customer satisfaction can be increased which will then lead to customer loyalty.

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