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The Relationships among Perceived Fairness, Customer Satisfaction and Relationship Quality in
a Multi-Channel Retail Environment

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With the growing popularity of multi-channel retailing in apparel industry, it has become crucial to maintain the long-term relationship with customers across all channels (Thorsten Henni-Thurau, 1997). Thus, this study primarily aims to examine the differences in customer's service recovery expectations across different retail channels and investigates the relationship among service recovery expectation, consumer's fairness perception towards service recovery, post recovery satisfaction, and relationship quality. The study also investigates the moderating effect of past shopping experience and channel preference on the relationship between post recovery satisfaction and customer relationship quality.

Prior studies have revealed that the effect of service recovery strategies on consumers' reaction is determined by types of retail channels such as online and offline environment (Katherine E. Harris, 2006). Hence, we proposed hypothesis 1: Customer service recovery expectations will differ depending on the online and offline channels. The recovery expectations is found to be related with the recovery disconfirmation and thus the recovery expectations can have an influence on their perception towards recovery fairness (Michael A. McCollough, 2000). Thus, we proposed the following hypotheses: H2. Customer's recovery expectations significantly affect their perception of distributive (H_{2a}), procedural (H_{2b}) and interactional fairness (H_{2c}). Prior studies have also established a positive relationship between perceived fairness and customer satisfaction (Ying-Feng Kuo, 2012); H3. Customer's perceived distributive (H_{3a}), procedural (H_{3b}) and interactional fairness (H_{3c}) significantly affect customer satisfaction. In addition, prior literature has discussed the relationship between customer satisfaction and customer relationship quality with the retailer (Thorsten Henni-Thurau, 1997). Thus, we propose hypothesis 4: Customer's post recovery satisfaction significantly affect customer relationship quality. We also examined the moderating effect of past shopping experience (H_{5a}) and channel preference (H_{5b}) on the relationship between post recovery satisfaction and customer relationship quality.

We conducted a survey-based experiment using fictitious service failure and recovery scenario in a multi-channel retail environment. We collected 148 survey participants and they were 81% female and 19% males with an average age of 19 years. The participants were randomly assigned to two groups: online and offline retail channels. To examine the hypothesized differences in the service recovery expectations across the two retail channels, ANOVA was conducted. The ANOVA results; $F(1, 145) = 0.78$, $p > 0.05$; suggests no statistically significant difference between the two retail channels in terms of consumers' service recovery expectations. Hence, H_1 was not supported.

We conducted regression analyses to examine the hypothesized relationships, and the regression model for the relationships among service recovery expectations and perception of distributive fairness ($R^2 = .137$, $F(1, 145) = 2.70$, $p > .5$), procedural fairness ($R^2 = .137$, $F(1,$

145) = 2.64, $p > .5$) and interactional fairness ($R^2 = .003$, F (1, 145) = .00, $p > .5$) were not significant. Hence, H$_{2a}$, H$_{2b}$, and H$_{2c}$ were rejected. Distributive ($\beta = .775$, $p < .001$), procedural ($\beta = 0.864$, $p < .001$),) and interactional fairness ($\beta = 0.724$, $p < .001$),) were found to be statistically significant ($R_{DF}^2 = .600$, F (1, 145) = 210.41, $p < .001$; $R_{PF}^2 = .746$, F (1, 145) = 401.84, $p < .001$; $R_{IF}^2 = .525$, F (1, 145) = 158.99, $p < .001$) in predicting satisfaction. Therefore, H$_{3a}$, H$_{3b}$, H$_{3c}$ were supported, confirming that consumer's perceived fairness was a significant predictor of consumer satisfaction. Similarly, customer's post recovery satisfaction was found to be significant ($\beta = 0.805$, $p < .001$) in predicting relationship quality ($R^2 = .648$, F (1, 145) =261.48, $p < .001$). Hence, H$_4$ was supported. Finally, the interaction of past shopping experience and satisfaction ($\beta = 0.714$, $p < .01$) as well as the interaction of channel preference and satisfaction ($\beta = 0.541$, $p < .05$) was found to have a significant effect on the relationship quality. The regression model of H$_{5a}$ ($R^2 = .668$, F (1, 145) = 94.01, $p < .001$) and H$_{5b}$ ($R^2 = .677$, F (1, 145) = 97.00, $p < .001$) were all significant. Therefore, H$_{5a}$ and H$_{5b}$ were supported.

Overall, the relationship between perceived recovery fairness and satisfaction was significantly supported. The satisfaction was found to be a significant predictor of relationship quality in the context of service failure and recovery. Consumers' past shopping experience and their channel preference were found to have a moderating effect on their relationship quality with the retailer. This implies that post recovery satisfaction has relatively greater impact on the relationship quality of customers trying a new retail channel than those who have been using it extensively for a longer period of time and already prefer it. Hence, the retailers entering new channels can strategize their service recovery activities to build and improve relationship quality with their potential returning customers. However, the two major channels in a multi-channel retailing did not differ in terms of customer's service recovery expectation. This result implies that the customers want the same level of response and action from a retailer when they are encountered with service failure and the retailer must respond in an appropriate way in order to maintain their relationship with the customer regardless of the type of retail channel consumers are using.

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