



**THE DOER EFFECT OF FAILURE AND RECOVERY IN MULTI-AGENT CASES: SERVICE SUPPLY CHAIN PERSPECTIVE**

Journal:	<i>Journal of Service Theory and Practice</i>
Manuscript ID	JSTP-05-2016-0094.R5
Manuscript Type:	Research Paper
Keywords:	service failure, service recovery, agency theory, tourism service supply chain, Equity Theory

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## THE DOER EFFECT OF FAILURE AND RECOVERY IN MULTI-AGENT CASES: SERVICE SUPPLY CHAIN PERSPECTIVE

**Purpose:** The purpose of the study is to explore the doer effect of service failure, good prior experience, and recovery on overall customer satisfaction, and repurchase intentions for multi-agents in tourism service supply chain. It specifically focuses on internal and external failure, and recovery.

**Design/Methodology/Approach:** The study employs a 2\*2\*3 between-subjects experimental design with twelve diverse scenarios. It aims to examine the main effects of good prior experience, and the interaction effects of service failure and recovery on overall customer satisfaction and repurchase intentions.

**Findings:** The main findings show that consumers do not show favourable behavioural outcomes when they have good prior experience with an affiliated party. Results of the experiments demonstrate that for hotels, there is no interaction effect between failure and recovery regarding overall customer satisfaction and repurchase intentions; however, for travel agencies, an interaction effect has been found. This indicates that, an internal failure (by travel agency), should be recovered internally to increase the behavioural outcomes for travel agency. However, if there is an external failure (by hotel) then the essential thing is providing a recovery.

**Originality:** Although the service literature covers failure and recovery in diverse contexts, these concepts are rarely studied from a multi-agent perspective in the service supply chain literature. In such a chain, a failure by a different party may remain unresolved, and this may create a positive effect on another party, if they provide recovery for the failure. This means that the doer of the failure and/or recovery (the party responsible from the failure and/or recovery) may have an impact on behavioural outcomes. However, previous literature has neglected to focus on the important issue of which entity/party performs the failure and/or recovery, and the effect on behavioural outcomes. By focusing on a principal-agent relationship in a tourism service supply chain, the study aims to address this research gap.

**Keywords:** Service Failure, Service Recovery, Agency Theory, Tourism Service Supply Chain, Equity Theory

**Article Classification:** Research Paper

## Introduction

The exchange between customer and service provider has long been referred as service encounter (Bitner et al., 1990), this concept has recently been expanded to include the perspective of the providers, who aim to deliver a “customer journey,” a series of “touch points” (Patricio et al., 2011), embracing “all activities and events related to the delivery of a service from the customer’s perspective” (Zomerdijk and Voss, 2010, p. 74). Such exchanges may continue over a period, involving diverse providers that contribute to the customer’s experience in various ways (Tax et al., 2013). Although this view increases understanding of service experience across various contacts, it fails to provide an overall perspective (Patricio et al., 2011). Multiple providers create a network to generate their customer journey (Tax et al., 2013), and are responsible for delivering a connected or seamless service experience for customers, thus creating a service delivery network (Tax et al., 2013). As this seamless experience cannot be accomplished without cooperation and coordination between parties, both upstream or downstream, it is important for companies to cooperate with other organizations (Ghosh and Craig, 1986), namely, suppliers and complementors, whose offerings synergistically enhance the customer value derived from the focal company’s own offering (Brohman et al., 2009).

Since networks are complex and often ill-defined, the literature (e.g. Borgatti and Halgin, 2011) advises researchers to delimit the relevant network according to the purpose of the research. Accordingly, this paper focuses on tourism service supply chains (TSSC).

Since it is challenging to meet tourists’ demands through efforts of single organization (Chen, 2009), there is a need for overall systems in which all organizations work effectively to provide a seamless experience (Medina-Munoz and Garcia-Falcon, 2000).

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3 The service supply chain's basic structure is an integrated network, including functional  
4 service suppliers (e.g. hotels, state enterprises), integrated service suppliers (e.g. travel  
5 agencies) and customers (e.g. tourists) (Zhang et al., 2010). As every tourism organization  
6 has relationships at some level with other entities in the network, the actions of one  
7 member can affect other member's quality, repurchase intentions (Bourdeau et al., 2007),  
8 profits and survival (Chen, 2009). Moreover, 'these effects are magnified when the  
9 partnered service is a seamless one' (Bourdeau et al., 2007). Customers engage with these  
10 parties throughout their travel plan; from booking a holiday through a travel agency, until  
11 arriving at the designated hotel, many engage with parties including airlines, rental agencies,  
12 and restaurants. Failures, however, are common, and produce negative consequences, such  
13 as dissatisfaction and extra costs (Maxham III, 2001). In such a chain, a failure caused by one  
14 party may remain unresolved, and this may create a positive effect for another party  
15 providing recovery for the failure (Allen et al., 2015). This means that the doer of the failure  
16 and/or recovery, in other words, the particular party responsible for the failure and/or  
17 recovery may have an impact on behavioural outcomes. Accordingly, this study aims to  
18 reveal the impact of doer effect on behavioural outcomes, namely, overall customer  
19 satisfaction and repurchase intentions.

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21 Service failure and recovery are the key area of research in marketing, tourism and  
22 hospitality (Lee et al., 2013). While researchers have studied a range of failures and recovery  
23 options in TSSC in relation to single entities, the effect of one firm's loss on other members  
24 has only recently become a discussion topic (e.g. Allen et al., 2015). Although there have  
25 been investigations on multi-agent situations (e.g. Oflaç et al., 2012) and recoveries  
26 following a failure by an affiliated or unrelated partner (e.g. Allen et al., 2015), to our  
27 knowledge these have not been addressed from a TSSC perspective indicating a principal-

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3 agent relationship. A key innovation in the current research is a focus on a principal-agent  
4 relationship between hotel, travel agency, and consumer, which provides a vertical  
5 relationship with delegation of work between partners (e.g. although hotel is an agent that  
6 consumer directly encounters, it has a vertical relationship as a supplier to travel agency in  
7 TSSC). Another feature of the current study is that consumers have no idea regarding the  
8 doer of the failure (they do not know who is responsible of the failure); and become aware  
9 after arriving at the hotel.  
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18 Moreover, good prior experience with an affiliated or unrelated partner has not been  
19 addressed by previous research. This may be an important omission because a good prior  
20 experience with an affiliated partner in TSSC may act as a buffer for other partners in case of  
21 a failure. Therefore, this study aims to investigate the doer effect of service failure, good  
22 prior experience and recovery on overall customer satisfaction and repurchase intentions.  
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28 This article is organized as follows. First, it provides a theoretical background, including a  
29 literature review concerning service failure, service recovery and good prior experience.  
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32 Then, it presents the methods and findings. Finally, the results are summarized, and  
33 potential implications and directions for further research are presented.  
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### 38 39 **Theoretical Foundation: Agency Theory**

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41 Agency Theory was first developed in the field of information economics to model a  
42 relationship between two parties, with one (the principal) delegating work to another (the  
43 agent) (Eisenhardt, 1988). The theory was later extended to include agency problems for  
44 cooperating parties with diverse goals (Ross, 1973; Eisenhardt, 1989). It has become an  
45 underlying doctrine in many fields of study, such as finance (e.g. Fama, 1980), organizational  
46 behaviour (e.g. Eisenhardt, 1988; Eisenhardt, 1989), marketing (e.g. Basu et al., 1985; Bergen  
47 et al., 1992), and supply chain management (e.g. Zsidisin and Ellram, 2003; Fayezi et al.,  
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2012). It has been used to investigate several constructs, including conflict of interest or incentive problems (Guilding et al., 2005). Agency theory employs a dyadic approach to describe the relationship between the principal and the agent, (Jensen and Meckling, 1976; Eisenhardt, 1988). It is therefore appropriate for the study of tourism supply chains since, in a TSSC, a customer delegates work to a travel agency, which in turn delegates to a hotel, implying principal-agent relationships (See Figure 1).

***Figure 1 comes about here.***

Another aspect of the theory relates to diverse goals and risk preferences. The principal's requirements may be costly to fulfil, resulting in agent's opportunistic behaviours (Bergen et al., 1992), where opportunism is considered as pursuing self-interest by devious means (Arrow, 1971). Agents may mislead, disguise, deceive or shirk in their own interest, which increases agency costs (Wright, et al., 2001). This, in turn, reduces competitiveness in terms of price and benefits for either principal or agent (Wright and Mukherji, 1999). Such opportunistic behaviours are made more likely by adverse selection or moral hazard (Wright, et al., 2001). Adverse selection occurs when a principal is unable to verify the agent's skills or activities (Mills, 1990); as a result, agents may misrepresent their ability (Eisenhardt, 1989). Moral hazard emerges when the agent fails to make the agreed-upon effort (Eisenhardt, 1989). Due to difficulties in measuring effort, an agent may be tempted to shirk (Mills, 1990). Moral hazard and adverse selection may be due to information asymmetry between a principal and an agent, meaning that one party has better or more information (Wright and Mukherji, 1999).

Agency theory contributes to the literature by providing logical assumptions about how rational individuals may behave within principal-agent relationships, with an agreed-upon set of predictions (Wright et al., 2001). Despite its contributions, however, agency theory has

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3 been criticized for its narrowness (Heracleous and Lan, 2012), which may result in a partial,  
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5 inaccurate view of interpersonal relationships (Wright et al., 2001). For instance, the theory  
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7 states that the principal is the dominant party in the principal-agent relationship (Bergen et  
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9 al., 1992). However, within a supply chain, power can shift from principal to agent due to the  
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11 agent's expertise (Shapiro, 2005). Another criticism relates to the theory's assumption of an  
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13 imperfect agent and perfect principal (Fayezi et al., 2012), ignoring the possibility that  
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15 agency problems, such as adverse selection or moral hazard, can be produced by the  
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17 principal as well as the agent (Perrow, 1986). Furthermore, as mentioned above, the theory  
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19 takes a mainly dyadic approach, a relationship between one agent and one principal.  
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21 However, this is an invalid assumption when considering supply chains, which consist of  
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23 multiple parties, with each member having the potential to act as both principal and agent; a  
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25 manufacturer may be a principal for a supplier, but an agent for a retailer. These issues raise  
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27 further complexities, as the presence of multiple agents and principals may increase  
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29 information asymmetries, increasing the difficulty of monitoring agents' behaviour (Shapiro,  
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31 2005). Therefore, while previous research has largely dealt with dyadic relationships (Zhang,  
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33 et al., 2015), it is necessary to study three or even four-way agency relationships due to the  
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35 existence of multiple agents and principals in diverse contexts. Moreover, the service failure  
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37 of a single service provider is a prominent risk for buyer firms in such relationships, since  
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39 such failures create costs, whether relational or operational (Modi et al., 2015). This study  
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41 aims to overcome the deficiencies of agency theory by investigating the relationships  
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43 between different partners in TSSC as principals and agents in a service failure and recovery  
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### Good Prior Experience

Good prior experience (GPE) holds an important point of view when multi agent situations are considered. While trying to understand customer satisfaction and future behaviour, it is essential to consider the history of a customer's relations with the company concerned (Kwon and Jang, 2012). Customers' satisfaction, and intention to purchase services in the future depend on expectations being fully met. However, their current expectations are also affected by prior experience, personal needs, word-of-mouth, and the image of the service provider (Michel, 2001). Therefore, customers' prior experience and their knowledge both influence their perceptions of a product or service (Holloway et al., 2005), and thus their behavioural intentions (Taylor and Todd, 1995).

The effect of past transactions is supported by cognitive consistency theory, which predicts that customers with higher expectations value service quality as higher than those with lower expectations (Boulding et al., 1993). Customers with a history of transactions with an organization begin to expect a similar level of performance in the future, being accustomed to consistency in the service provided (Hess et al., 2003). Thus, these experienced customers' perceptions are more enduring (Kim et al., 2009b), as GPE acts as a buffer against current negative outcomes or failures (e.g.; Dawar and Pillutla, 2000; DeWitt and Brady, 2003). This implies that, the accumulated goodwill of a customer with GPE may also mitigate the negative effects of a failure (Tax et al., 1998), and ensure more positive future attitudes (e.g. customer satisfaction and repurchase intentions) (Holloway et al., 2005). For instance, when it comes to forming expectations for future transactions, past transactions with travel agencies may play an essential role as a predictor of customer satisfaction (del Bosque et al., 2006).



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3 In TSSC, there are affiliated parties, and this positive impact may exist due to a spillover  
4 effect, whereby an experience with one organization may have an impact on another (Allen  
5 et al.,2015). Previous research on spillover effects (e.g. Bourdeau et al., 2007; Simonin and  
6 Ruth, 1998) suggest that a positive encounter with a particular firm may produce a positive  
7 perception in a subsequent encounter. According to Information Integration Theory  
8 (Anderson, 1965), when faced with new stimuli, customers use a schema which gives prior  
9 beliefs and attitudes greater importance, and this creates bias in processing new information  
10 (Anderson, 1965, 1971; Bourdeau et al., 2007; Simonin and Ruth, 1998). Previous literature  
11 (e.g. Smith and Bolton, 2002; Tax et al., 1998) suggests that for services, customers place  
12 more value on prior assessments, which makes new information relatively less effective. This  
13 situation is directly related to TSSC, in which two or more partners integrate their processes  
14 to create a seamless travel product/experience. Therefore, within a TSSC perspective, it is  
15 easier for customers to integrate or transfer their attitudes from travel agency to hotel, or  
16 vice versa. This means a customer with good prior experience of a particular party will retain  
17 favourable future attitudes towards other affiliated party in TSSC after experiencing a failure.  
18 This leads to the following hypotheses:

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**H1:** Consumers will have more favourable levels of (a) overall customer satisfaction and/or  
(b) repurchase intentions for a hotel when they have good prior experience with a travel  
agency.

**H2:** Consumers will have more favourable levels of (a) overall customer satisfaction and/or  
(b) repurchase intentions for a travel agency when they have good prior experience with a  
hotel.

### **Service Failure and Recovery**

Service failure (SF) is defined as any real and/or perceived service related problem that  
appears during a consumer's experience with a company (Maxham III, 2001). Failures  
produce intensive, immediate and emotional reactions (Seiders and Berry, 1998), which

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3 include dissatisfaction, negative word-of-mouth, customer defection, and complaint  
4 behaviours (either directly or to third parties) (e.g. McColl-Kennedy and Sparks, 2003;  
5 Nikbin, et al., 2012; Sparks and McColl-Kennedy, 2001). Since service failures are extremely  
6 costly for firms (Maxham III, 2001), and failures are inevitable during service delivery  
7 (Webster and Sundaram, 1998), organizations need to respond effectively to failures to  
8 maintain their performance and their relationships with customers (Schoefer and Ennew,  
9 2005; Wang et al., 2011). To avoid negative outcomes of failures, it is important to take  
10 corrective actions or remedies, known as service recovery. Previous work on marketing  
11 frequently studies service recovery through equity theory and justice theory<sup>1</sup> (Goodwin and  
12 Ross, 1992).

13  
14 Within the lenses of Equity Theory, failure can be perceived as the reason for inequalities,  
15 and recovery is considered as the compensation (Weun, et al., 2004). The theory states that  
16 people weigh inputs such as economic costs, time and energy against the outcomes, and  
17 compare them with those of others for every exchange that takes place (Adams, 1963). If  
18 there is an equal balance between inputs and outputs, the exchange is considered fair and  
19 just, if not, there is inequity, i.e. the exchange is not fair or just.

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21 If a firm, therefore, corrects a failure by providing remedy which is perceived as an adequate  
22 compensation, the actual and expected service may be perceived as equal, and this, in turn,  
23 creates satisfaction, repurchase intentions (Goodwin and Ross, 1992; Spreng et al., 1995),  
24 positive word-of-mouth (Blodgett et al., 1993; 1997; Komunda and Osarenkhoe, 2012),  
25 better customer relationships (Maxham III, 2001) and loyalty (Komunda and Osarenkhoe,  
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<sup>1</sup> Justice Theory provides compensation through distributive, procedural and interactional justice. Distributive justice is generally associated with 'atonement' in the form of replacements, refunds, discounts, free gifts, or coupons (e.g. Karatepe, 2006; Kim et al., 2009; Wang et al., 2011), whereas procedural Justice (PJ) refers to the procedures used during the service recovery process (Blodgett, et al., 1993) such as responsiveness and flexibility. In our scenarios, distributive and procedural justice are used to provide recovery. The dimensions were taken regardless of their levels, and thus, were not manipulated.

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3 2012). Therefore, the previous literature states that organizations must ensure recovery  
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5 which is equal to the perceived loss for increasing customers' behavioural intentions  
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7 towards the company providing the recovery (Goodwin and Ross, 1992; Smith et al., 1999).  
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10 Furthermore, it is possible for customers to have more favourable outcomes for recovering  
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12 firms, since a prior failure lowers their expectations, which demonstrates that failure may  
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14 also result with satisfaction if a satisfactory recovery is provided (Allen et al., 2015) and thus  
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16 increase future purchases (Goodwin and Ross, 1992).  
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19 Previous research has mainly focused on the outcome (e.g. tangible result for previously  
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21 dissatisfied customer) and the process (e.g. the way a provider handles a problem) (Weun et  
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23 al., 2004), rather than on who performs the recovery. Another research stream in  
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25 organizational behaviour literature addresses the issue of to whom the recovery is directed,  
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27 classifying recovery efforts as internal and external. Internal recovery, introduced by Bowen  
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29 and Johnston (1999), is defined as the efforts of organizations to help internal customers  
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31 (e.g. front-line employees) recover from possible negative feelings associated with external  
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33 recovery efforts (e.g. recoveries directed to external customer) (Philips et al., 2006; Yoo et  
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35 al., 2006). Therefore, although this stream offers a different perspective, it still does not  
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37 show a dyadic perspective in which recovery may be provided by one of a number of  
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39 different parties. However, a recent study (Allen et al., 2015) recognizes that failure and  
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41 recovery may be carried out by different partners, indicating, in our perspective, a 'doer  
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43 effect'. Therefore, although service failure and recovery lie at the heart of research,  
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45 especially in marketing, tourism and hospitality (Lee, et al., 2013), previous studies have  
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47 neglected this multi-agent view, especially with a TSSC perspective.  
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53 The tourism industry consists of functional service suppliers (e.g. hotels, state enterprises),  
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55 integrated service suppliers (e.g. travel agencies) and customers (e.g. tourists) (Zhang et al.,  
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2010). The TSSC therefore includes a range of members, who are linked by travel agencies as suppliers or agents to provide various products or services to meet the demands of tourists/customers (Chengcheng, 2011). Thus, in principle, travel agencies (as intermediary members) play a central role by integrating all the products and services, and arranging schedules with upstream suppliers (e.g. hotels) to provide customers with added value (Zhang et al., 2010). The reality, however, is different. For instance, travel agencies are responsible for more than 90 of cruise and 95 % of airline ticket bookings, but only 20-25% of hotel rooms (Schulz, 1994), which highlights the unsatisfactory relationship between travel agencies and hotels (Zhang et al., 2009). This makes it more difficult to control the quality of travel products (Chen, 2009). Yet providing inadequate travel products for tourists not only results in customer losses but also complaints, which in turn create a loss for TSSC. From a theoretical perspective, both travel agencies and hotels are considered as agents, while the customer is the principal. These parties integrate their functional processes to create a seamless service product, and when two-phase partnered service is the case, the seamlessness of the service may be assessed with other party (Bourdeau et al., 2007). For instance, a failure by another party in TSSC may affect customers' behavioural intentions towards another party (Allen et al., 2015). This means, in case of a failure, customer perception may alter regarding the doer. Practically, due to an unsatisfactory relationship, both travel agencies and hotels as agents may be responsible for a failure, creating a multi-agent failure, as well as being responsible for the recovery. Similarly, when a failure is done by, for instance, travel agency, it may be solved by the same party. Another possibility is that the failure may stay unresolved by travel agency, but hotel may prefer to recover that failure. Thus, this study describes two types of failures and recoveries in multi-agent situations, i.e. indicating the doer of the failure and recovery as internal or external. The

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3 definitions of internal and external failure are based on the dependent variable. For  
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5 instance, if we are looking for the effects on repurchase intentions for hotel, then external  
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7 failure is done by the affiliated party (e.g. travel agency), and internal failure is done by  
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9 hotel. Similar to failure situations, for the same dependent variable for hotel, internal  
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11 recovery states that hotel provides recovery, while the external recovery is performed by an  
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13 affiliated firm (e.g. travel agency).  
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16 ***Figure 2 comes about here.***  
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20 Considering these, present study assumes interaction effects between service failure and  
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22 recovery. An interaction effect shows that the effect of an independent variable on the  
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24 dependent variable is influenced by another moderator variable (Baron and Kenny, 1986;  
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26 Keppel and Wickens, 2006). Accordingly, we claim that the effect of service failure is  
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28 influenced by recovery efforts, and the interaction between service failure and recovery  
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30 determines the levels of overall customer satisfaction and repurchase intentions. This means  
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32 that service recovery efforts may act as a moderator, and thus it may affect the direction  
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34 and/or strength of the relations between failure, and overall customer satisfaction and  
35  
36 repurchase intentions.  
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40 Building upon Equity Theory, in case of an internal failure, an inequity is likely to occur if the  
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42 firm does not provide adequate compensation for its own failure. However, if firm offers  
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44 adequate compensation, this exchange might be considered as equitable. In that sense, to  
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46 create an equitable exchange, it is wiser for the offending firm to recover from its mistakes  
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48 to increase its behavioural outcomes, such as satisfaction and repurchase intentions, rather  
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50 than leaving the responsibility to an affiliated partner to recover the mistakes.  
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3 In case of an external failure, Signaling Theory provides an explanation. A signal is  
4 information or hint that customers obtain regarding unobservable service or product  
5 performance/quality. A signal may be offering a warranty or entering an alliance with  
6 another brand, which provides assistance in credibility signalling (Rao et al., 1999), which can  
7 be also interpreted in a supply chain context. In a multi-agent situation, it is possible that  
8 consumers may see the affiliation as a signal, and expect either firm to honour the  
9 commitment conveyed, since not doing so would economically harm the relationship  
10 (Kirmani and Rao, 2000). Thus, in case of an external failure, it is possible that consumers  
11 perceive no difference between the recoveries provided by either party, since they expect to  
12 have a recovery by either party.  
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15 Considering the above-mentioned definitions of internal/external failure and recovery, since  
16 H3 and H4 are formed based on hotel (overall customer satisfaction and repurchase  
17 intentions), internal failure and internal recovery are done by hotel, whereas external failure  
18 and external recovery are done by travel agency. Therefore, the following hypotheses are  
19 formed:  
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**H3:** There is an interaction between internal failure and recovery, such that consumers will  
44 have more favourable levels of (a) overall customer satisfaction and (b) repurchase  
45 intentions for hotels when there is an internal recovery by hotel compared to an external  
46 recovery by travel agency.

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**H4:** There is an interaction between external failure and recovery, such that consumers show  
no difference regarding the levels of (a) overall customer satisfaction and (b) repurchase  
intentions for hotel when they experience an internal recovery by hotel compared to an  
external recovery by travel agency.

H5 and H6, on the other hand, are formed based on behavioural outcomes of travel agency.

Thus, an internal failure and internal recovery indicate that the doer is travel agency; while

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3 an external failure and external recovery are done by hotel. Accordingly, the following  
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5 hypotheses are formed:

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8 **H5:** There is an interaction between internal failure and recovery, such that consumers will  
9 have more favourable levels of (a) overall customer satisfaction and (b) repurchase  
10 intentions for travel agencies when there is an internal recovery by travel agency compared  
11 to an external recovery by hotel.  
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14 **H6:** There is an interaction between external failure and recovery, such that consumers show  
15 no difference regarding the levels of (a) overall customer satisfaction and (b) repurchase  
16 intentions for travel agency when they experience an internal recovery by travel agency  
17 compared to an external recovery by hotel.  
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## 19 20 **METHOD**

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23 Following previous experimental studies on service failure and recovery (e.g. Webster and  
24 Sundaram, 1998; Maxham III, 2001), the present study uses scenarios. Research on service  
25 recovery is especially challenging since it is triggered by a service failure, which makes it very  
26 difficult to conduct systematic empirical studies, whether in a laboratory or a field  
27 environment (Smith and Bolton, 1998). Therefore, the hospitality and tourism literature has  
28 turned to scenario- based experiments as a valid means of investigating service failure and  
29 recovery (McCullough, 2000) to enable researchers to explore customer reactions to  
30 hypothetical service failures and recovery efforts (Smith and Bolton, 1998).  
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34 Scenarios have some additional advantages. They enable researchers to more easily  
35 manipulate contexts and control otherwise unmanageable extraneous variables (Bitner,  
36 1990). Role-playing allows researchers to compress time by providing a summary of real-life  
37 events that may otherwise occur over several weeks (Bitner, 1990). The use of scenarios also  
38 resolves the issues of both the ethical considerations and costs of observing real service  
39 failure encounters, while avoiding possible response biases due to memory lapses in survey  
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3 responses (Smith and Bolton, 1998). Lastly, using scenarios deflects having to deliberately  
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5 impose service failure encounters on real customers (Smith, et al., 1999).  
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7 A 2\*2\*3 between-subjects factorial design was used to manipulate three independent  
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9 variables: service failure (caused by either travel agency/hotel), good prior experience (with  
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11 travel agency/hotel) and service recovery (performed by either travel agency/hotel/no  
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13 recovery) to test the effect of these independent variables on the dependent variables  
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15 (overall customer satisfaction and repurchase intentions) (see Table 1). Thus, the 2\*2\*3  
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17 design requires twelve different scenarios (see Appendix for further details of the scenarios),  
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19 with participants randomly assigned to one scenario.  
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23 ***Table 1 comes about here.***  
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26 A hotel visit was chosen as the scenario context for two reasons. First, previous research  
27  
28 indicates that service failures are common in hotel settings (Smith and Bolton, 1998).  
29  
30 Furthermore, previous research from a Turkish web-site<sup>2</sup> revealed 4,894 consumer  
31  
32 complaints regarding hotels, thermal spa hotels and hostels in one year, suggesting that  
33  
34 participants would find the manipulations believable. Second, this context also makes it  
35  
36 possible to manipulate all the independent variables (sources of service failure, good prior  
37  
38 experience and service recovery) under investigation.  
39  
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42

### 43 **Sample and Procedure**

44  
45

46 384 (32 for each cell) respondents completed the main questionnaire in a large metropolitan  
47  
48 city in Turkey, while 120 volunteers participated in the pre-tests. Table 2 gives information  
49  
50 regarding the respondents' demographics in the main experiment. Their ages are  
51  
52 appropriate for ensuring construct validity, which refers to the degree to which underlying  
53  
54

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55 <sup>2</sup> See web-site at <https://www.sikayetvar.com/turizm>  
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1  
2  
3 constructs are grasped (Viswanathan, 2005) through understanding the meaning of saving  
4  
5 money and purchasing a holiday.  
6  
7

8 **Table 2 comes about here.**  
9

10 Both before the pre-tests and the main test, expert opinions were solicited from a group of  
11  
12 ten bilinguals in the translation of the scales into Turkish.  
13  
14

15 Participants were randomly assigned to one of the twelve scenarios, meaning that each  
16  
17 participant was exposed to only one treatment in both the main and pre-tests (Perdue and  
18  
19 Summers, 1986). Participants were instructed to read the scenario first, and asked to  
20  
21 imagine themselves as the customer in the scenario. Then, they were asked to respond to  
22  
23 the questions in terms of how they would feel or act when they are faced with such a  
24  
25 situation.  
26  
27

28  
29 **Manipulation Checks**  
30

31 Manipulation checks are designated to identify and eliminate potential threats to the validity  
32  
33 of the research findings (Bagozzi et al., 1991), and to correct any misunderstandings before  
34  
35 conducting the main analysis of any experiment. Conducting manipulation checks before the  
36  
37 main analysis contributes to construct validity (Perdue and Summers, 1986), which aims to  
38  
39 assure that an operationalization of a variable measures the construct that it ought to  
40  
41 measure (Bagozzi et al., 1991). Conducting manipulation checks is also necessary for  
42  
43 convergent validity, which is a subtype of construct validity. Convergent validity is used to  
44  
45 demonstrate that *“the treatment manipulations are related to ‘direct’ measures of the latent*  
46  
47 *(independent) variables they were designed to alter”* (Perdue and Summers, 1986, p.2). To  
48  
49 achieve convergent validity in this study, manipulation checks measured service failure, good  
50  
51 prior experience and service recovery, separately in a between-subject design, with a sample  
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3 size of 120, in which respondents randomly assigned to pre-test groups. The manipulation  
4  
5 checks enabled the main design to be finalized as they demonstrated that the manipulations  
6  
7 were valid.  
8

### 9 10 **Measures**

11  
12 In common with previous studies in service failure and recovery (e.g. Smith et al., 1999;  
13  
14 Maxham III and Netemeyer, 2002; Karande et al., 2007), this study investigates the effect of  
15  
16 failure and recovery on overall satisfaction. Customer satisfaction is vital for the success of  
17  
18 organizations, as it is directly related to profits (e.g. Bitner, 1990; Sparks and McColl-  
19  
20 Kennedy, 2001), and is used as a fundamental tool for assessing the health of a company's  
21  
22 relationship with its customers (Rossomme, 2003). Satisfaction is explained as the fulfilment  
23  
24 response of customers (e.g. Rossomme, 2003; Karande et al., 2007; Oliver, 2010), an  
25  
26 individual's subjective evaluation of a product or service. Customer satisfaction created  
27  
28 through service recovery provides customers with positive emotions (Kim et al., 2009),  
29  
30 which is also strongly correlated with customer retention (Tax et al., 1998), customer loyalty  
31  
32 (Karatepe, 2006), positive word-of-mouth reports (Maxham III and Netemeyer, 2002), and  
33  
34 repurchase intentions (Tax et al., 1998). In short, the interaction that occurs between  
35  
36 service-provider and customer is an important element of satisfaction, which motivates  
37  
38 enduring relationships (Patterson et al., 2006).  
39

40  
41  
42 Repurchase intentions are defined as the willingness of customer(s) to repeat a specific  
43  
44 consumption decision (Jones and Sasser, 1995). Repurchase intention is used in marketing  
45  
46 research (e.g. service failure and recovery studies) to examine the relationship between  
47  
48 satisfaction and customer loyalty (del Bosque et al., 2006), since a critical service mistake  
49  
50 may severely damage a customer's future relationship with a company (Weun et al., 2004).  
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55 From a justice theory perspective, however, companies can recover from almost any failure  
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57

(Goodwin and Ross, 1992) by providing effective recovery, thereby ensuring stable or even increased levels of repurchase intention (Maxham III, 2001).

Given this, it is important to identify which partner in a TSSC has more impact on overall customer satisfaction and repurchase intention, as this affects the survival of all partners.

Overall customer satisfaction can be operationalized using various scales. This study uses three items from del Bosque et al. (2006). Two items ("*The service was better than I expected*" and "*My choice of this travel agency was a wise one*") measure the cognitive dimension of satisfaction while the other ("*I am satisfied with the travel agency service*") measures the affective dimension. Repurchase intentions were operationalized through two items ("*I will shop from travel agency again*" and "*I will still shop from travel agency in the future*") of Lin et al. (2011).

The internal consistency of each measure was tested using Cronbach's Alpha (see Table 3), demonstrating that all constructs were higher than 0.70, which is considered as indicating a reliable and internally consistent measure in marketing research (Hair, et al., 1998). To further evaluate validity, a confirmatory factor analysis was conducted, with the criterion for acceptable construct validity determined as factor loadings above 0.70 (Nunnally, 1978). This showed values ranging from 0.824 to 0.979. Composite reliability (CR) also evaluates the internal consistency and homogeneity of scale items (Churchill, 1979). In this case, the composite values of all constructs were higher than 0.90, far exceeding the recommended level of 0.60 (Hair et al., 1998). Finally, average variance extracted (AVE) values, between 0.756 and 0.917, were all greater than the minimum acceptable level of 0.5 (Hair et al., 1998).

**Table 3 comes about here.**

All items were translated into Turkish (using expert opinions), and all used a 5-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (5). The measures were adapted to refer to both the travel agency and hotel in the scenarios.

## **Analyses and Results**

### **Manipulation Check Results**

The manipulation checks revealed a significant difference between scores for service failure by the travel agency ( $M_{TA}=4.70$ ;  $SD_{TA}= 0.923$ ) and the hotel ( $M_H=3.15$ ;  $SD_H= 0.745$ ), where  $t(38) = 5.842$ ;  $p=0.000$ . Respondents found both scenarios realistic, giving high mean values for both travel agency ( $M_{TA}=4.75$ ;  $SD_{TA}= 0.444$ ) and hotel service failure ( $M_H=4.70$ ;  $SD_H= 0.571$ ), indicating high ecological validity. There was also a significant difference between the scores for good prior experience with the travel agency ( $M_{TA}=1.70$ ;  $SD_{TA}=0.923$ ) and hotel ( $M_H=4.50$ ;  $SD_H=0.688$ ), where  $t(38) = -10.873$ ,  $p=0.000$ . Respondents confirmed the realism of both scenarios regarding good prior experience, with mean values of 4.60 for the travel agency and 4.10 for the hotel. Regarding service recovery, there was a significant difference between the scores for the travel agency service recovery ( $M_{TA}=4.40$ ;  $SD_{TA}=0.598$ ) and hotel recovery ( $M_H=1.95$ ;  $SD_H=0.826$ ), where  $t(38) = 10.747$ ,  $p=0.000$ . Respondents found both service recovery scenarios realistic, with mean values of 4.45 for the travel agency and 4.30 for the hotel.

### **Hypotheses Testing**

#### **Results for H1 and H2**

To measure the main effects of GPE on the dependent variables, one-way ANOVA was employed.

No significant difference between the two levels of good prior experience on overall customer satisfaction for hotel ( $M_{TA}=2.81$ ,  $SD_{TA}=1.042$  versus  $M_H=2.77$ ,  $SD_H=1.112$ ) at the

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3  $p < .005$  level [ $F(1,382) = 0.156, p = .693$ ] was observed, so H1a was not supported (See Table  
4  
5 4). Similarly, there was no significant difference between the two levels of good prior  
6  
7 experience on repurchase intention for the hotel ( $M_{TA} = 2.83, SD_{TA} = 1.119$  versus  $M_H = 2.80,$   
8  
9  $SD_H = 1.170$ ) at the same level [ $F(1,382) = 0.050, p = .824$ ]. Therefore, H1b was also rejected.

11  
12 **Table 4 comes about here.**

13  
14 There was also no significant difference between the two levels of good prior experience  
15  
16 ( $M_{TA} = 2.53, SD = 1.151$  versus  $M_H = 2.35, SD = 1.104$ ) at the  $p < .005$  level [ $F(1,382) = 2.318, p$   
17  
18  $= .129$ ] on overall customer satisfaction for travel agency, and ( $M_{TA} = 2.44, SD_{TA} = 1.238$  versus  
19  
20  $M_H = 2.30, SD_H = 1.170$ ) [ $F(1,382) = 1.307, p = .254$ ] on repurchase intentions for travel agency.  
21  
22 Therefore, H2a and H2b were also rejected (See Table 5).

23  
24  
25  
26 **Table 5 comes about here.**

27  
28 **Results for H3 & H4**

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30 To measure the interaction effects of the independent variables (SF and SR) on the  
31  
32 dependent variables for hotel, a two-way ANOVA was employed.

33  
34  
35 The interaction between failure and recovery was not statistically significant at  $p < .05$  level [ $F$   
36  
37 ( $2,378$ ) = .246,  $p = .782$ , partial  $\eta^2 = .001$ ];] on overall customer satisfaction for hotel,  
38  
39 therefore H3a and H4a were rejected.

40  
41  
42 Since there were no interactions, it was decided to focus on the main effects by conducting  
43  
44 further one-way ANOVA. A significant difference in ANOVA group means ( $p < 0.05$ ) for overall  
45  
46 satisfaction for the hotel [ $F(2,381) = 70.890, p = .000$ ] was observed. Post-hoc tests showed  
47  
48 significant differences among the three levels of service recovery; that is, overall satisfaction  
49  
50 for the hotel was lower if participants read about service recovery by travel agency ( $M_{TA}$ :  
51  
52 2.61,  $SD_{TA} = 0.964$ ) rather than recovery by the hotel ( $M_H$ : 3.55,  $SD_H = 0.913$ ). Moreover, the  
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3 scores for no service recovery ( $M_{NSR}=2.22$ ,  $SD_{NSR}=0.884$ ) were lower than recovery by either  
4  
5 the travel agency or hotel.

6  
7 There were no interactions between the independent variables regarding repurchase  
8  
9 intentions for the hotel at  $p<.05$  level [ $F(2,378) = .312$ ,  $p=.732$ ,  $\text{partial } \eta^2=.002$ ], indicating  
10  
11 that H3b and H4b were also rejected.

12  
13  
14 As there were no interactions, a further one-way ANOVA was also conducted for repurchase  
15  
16 intentions for the hotel. There was a significant difference in group means ( $p<.05$ ) in  
17  
18 repurchase intentions for the hotel [ $F(2,381) = 63.234$ ,  $p=.000$ ]. More specifically, consumers  
19  
20 who experienced service recovery by travel agency ( $M_{TA}=2.60$ ,  $SD_{TA}=1.044$ ) showed lower  
21  
22 levels of repurchase intentions for hotel compared to recovery by hotel ( $M_H= 3.60$ ,  
23  
24  $SD_H=0.888$ ). Moreover, when consumers experienced no recovery ( $M_{NSR}=2.26$ ,  $SD_{NSR}=1.040$ ),  
25  
26 they demonstrated lower levels of repurchase intentions for the hotel compared to recovery  
27  
28 by hotel or travel agency.

### 31 32 **Results for H5 & H6**

33  
34  
35 The interaction effect between failure and recovery on overall customer satisfaction for  
36  
37 travel agency was statistically significant [ $F(2,378) = 6.851$ ,  $p=.001$ ,  $\text{partial } \eta^2=.035$ ],  
38  
39 supporting H5a and H6a.

40  
41  
42 To further explore the relationship between failure and recovery, follow-up tests of single  
43  
44 effects were conducted, analysing each sub-group separately. The data was split according  
45  
46 to service failure (internal failure by travel agency or external failure by hotel) to explore the  
47  
48 effects of service recovery on overall satisfaction for travel agency separately.

49  
50  
51 ANOVA results for overall customer satisfaction for the travel agency [ $F(2,189) = 19.516$ ,  
52  
53  $p=.000$ ] were significantly different for travel agency's failure. Post-hoc tests were  
54  
55 performed to determine precisely which groups differed (see Table 6). The results of post-  
56  
57

hoc tests demonstrated that for an internal failure, overall customer satisfaction for the travel agency was higher when there is internal recovery by travel agency ( $M_{TA}=2.79$ ,  $SD_{TA}=1.07$ ) compared to external recovery (Hotel,  $M_H=1.82$ ,  $SD_H=0.906$ ), therefore, H5a was supported. Additionally, it was also higher than if there was no recovery at all ( $M_{NSR}=1.83$ ,  $SD_{NSR}=1.05$ ). Although not hypothesized, for overall satisfaction for travel agency the results showed no significant difference in mean scores between recovery performed by the hotel ( $M_H=1.82$ ,  $SD_H=0.906$ ) and no recovery ( $M_{NSR}=1.83$ ,  $SD_{NSR}=1.05$ ).

**Table 6 comes about here.**

We further analysed the scenarios involving failure by hotel (an external failure). ANOVA results for overall customer satisfaction for travel agency [ $F(2,189) = 14.233$ ,  $p=.000$ ] indicated no difference between external recovery ( $M_H=2.95$ ,  $SD_H=.970$ ) or internal recovery ( $M_{TA}=3.07$ ,  $SD_{TA}=.932$ ), supporting H6a (see Table 7).

Although not hypothesized, post-hoc tests further inferred that for an external failure, overall customer satisfaction for the travel agency was higher for respondents whose scenario involved a recovery by travel agency ( $M_{TA}=3.07$ ,  $SD_{TA}=.932$ ) rather than no recovery ( $M_{NSR}=2.19$ ,  $SD_{NSR}=1.117$ ). Overall customer satisfaction for the travel agency was also higher for respondents who experienced a recovery by the hotel ( $M_H=2.95$ ,  $SD_H=.970$ ) than for those who experienced no recovery ( $M_{NSR}=2.19$ ,  $SD_{NSR}=1.117$ ).

**Table 7 comes about here.**

An interaction between the independent variables on repurchase intentions for the travel agency at  $p<.05$  level [ $F(2,378) = 7.807$ ,  $p=.000$ , partial  $\eta^2=.040$ ] was also observed, and were further explored in follow-up tests.

The ANOVA results for repurchase intentions for travel agency [ $F(2,189) = 12.302$ ,  $p=.000$ ] demonstrated significant differences in group means for an internal failure. In this case,

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2  
3 repurchase intentions for travel agency were higher if there is an internal recovery  
4  
5 ( $M_{TA}=2.64$ ,  $SD_{TA}=1.27$ ) compared to an external recovery ( $M_H=1.75$ ,  $SD_H=.971$ ) (supporting  
6  
7 H5b). Although not hypothesized, the scores were also higher than for no recovery  
8  
9 ( $M_{NSR}=1.82$ ,  $SD_{NSR}=1.13$ ; See Table 8), and showed no difference between external recovery  
10  
11 ( $M_H=1.75$ ,  $SD_H=.971$ ) and no service recovery.  
12  
13

14 ***Table 8 comes about here.***

15  
16 For an external failure, the ANOVA results for repurchase intentions for travel agency  
17  
18 [ $F(2,189)= 21.549$ ,  $p=.000$ ] demonstrated that there was no significant difference between  
19  
20 the mean scores for an external ( $M_H=2.96$ ,  $SD_H=1.020$ ) and internal recovery ( $M_{TA}=3.08$ ,  
21  
22  $SD_{TA}=1.05$ ), supporting H6b. Moreover, participants' repurchase intentions for the travel  
23  
24 agency were higher for internal recovery ( $M_{TA}=3.08$ ,  $SD_{TA}=1.05$ ) compared to no recovery  
25  
26 ( $M_{NSR}=1.99$ ,  $SD_{NSR}=1.013$ , see Table 9). External recovery ( $M_H=2.96$ ,  $SD_H=1.020$ ) had also a  
27  
28 more favourable effect than no recovery ( $M_{NSR}=1.99$ ,  $SD_{NSR}=1.013$ ).  
29  
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31

32 ***Table 9 comes about here.***

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34  
35 **Discussion and Managerial Implications**

36  
37 Although service failure and recovery are important considerations in tourism and  
38  
39 hospitality service sectors (e.g. Lewis and McCann, 2004), including airlines (i.e. Bamford  
40  
41 and Xystouri, 2005), and restaurants (i.e. Hess et al., 2003), there is a lack of information on  
42  
43 differences in consumers' reactions to service failures and recoveries according to which  
44  
45 supply chain parties perform them. While recent research (e.g. Allen et al., 2015) has  
46  
47 emphasized the effects of one firm's failure on another, the issue has never, to our  
48  
49 knowledge, been addressed in terms of service supply chain partners, in a principal-agent  
50  
51 relationship.  
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3 The majority of previous studies (e.g. Dawar and Pillutla, 2000; DeWitt and Brady, 2003)  
4  
5 conclude that good prior experiences with an agent will buffer against service failures by  
6  
7 that agent. However, the present study found that, contrary to Cognitive Consistency Theory  
8  
9 and Information Integration Theory, and in line with the Disconfirmation/Confirmation  
10  
11 paradigm, even when there is a good prior experience with an affiliated firm in TSCC, there  
12  
13 will not be favourable levels of overall customer satisfaction and repurchase intentions for a  
14  
15 partner firm.  
16  
17

18  
19 Although customers may have had good prior experiences with either party, a failure may  
20  
21 have a stronger effect, which decreases their overall satisfaction and repurchase intentions  
22  
23 for both parties. Our results may also be explained by the Recency Effect (Maxham III and  
24  
25 Netemeyer, 2002b), which theorizes that as the most recent events are the most salient,  
26  
27 their effects more strongly influence the overall judgement. Thus, since the failure is  
28  
29 experienced in the present, its negative consequences outweigh memories of previous good  
30  
31 experiences. The Negativity Effect may lead to stronger reactions if individuals give more  
32  
33 weight to negative information during judgement formation (Fiske, 1980; Kellermann, 1984).  
34  
35 When the Negativity Effect and Recency Effect are combined in a failure, customers might  
36  
37 feel 'betrayed' (Mattila, 2004).  
38  
39  
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41  
42 The majority of tourism services try to form expectations through marketing communication  
43  
44 tools and peripheral clues. However, as failures are inevitable in the provision of services,  
45  
46 travel agencies should be careful about the formation of expectations. If expectations are set  
47  
48 too high, the occurrence of a single mistake will negatively affect behavioural outcomes.  
49  
50 Furthermore, they should not take for granted customers with prior good experiences  
51  
52 because, when a failure occurs, customers treat the parties in the supply chain equally,  
53  
54 tending to remember the most recent incident and reacting accordingly. Thus, practitioners  
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3 should understand that a single minor failure could harm customers' overall evaluations of  
4  
5 both parties. Finally, since the failure is more recent, it may have a domino effect on  
6  
7 customer perceptions of the entire service supply chain, despite good prior experience with  
8  
9 either party.

10  
11 As service failures are inevitable, it is important to provide recovery to transform negative  
12  
13 effects into positive ones. Our results suggest that customers who experience a failure have  
14  
15 higher overall customer satisfaction and repurchase intentions for a hotel when recovery is  
16  
17 performed by the hotel itself, rather than by a travel agency or when recovery is not  
18  
19 performed. Thus, hotel practitioners should understand the importance of providing justice to  
20  
21 recover from failures. However, although frontline employees and customers have often in a  
22  
23 close interaction (Yoo et al., 2006), employees are seldom provided with the autonomy  
24  
25 and/or resources to provide recovery (Bowen and Johnston, 1999). Thus, managers'  
26  
27 willingness to develop recovery policies that empower their employees to generate solutions  
28  
29 will increase the possibility of improving recovery and achieving higher levels of overall  
30  
31 customer satisfaction and repurchase intentions.

32  
33 Since our results reveal no interaction between failure and recovery for hotels, there is no  
34  
35 compounding effect for hotels on either of the dependent variables. This lack of interaction  
36  
37 may be due to customers' first contact. Since customers' first contact is with travel agency,  
38  
39 which is therefore likely to be seen as their agent, so the hotel may be ignored as a second  
40  
41 agent.

42  
43 Regarding travel agencies, there is an interaction between internal failure and recovery on  
44  
45 both overall customer satisfaction and repurchase intentions. That is, the effect of failure  
46  
47 depends on service recovery. The results for both overall customer satisfaction and  
48  
49 repurchase intentions for travel agency indicate that if there is an internal failure, then  
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3 customers perceive significant differences between internal recovery (by travel agency) and  
4 external recovery (by hotel), and between internal recovery and no service recovery.

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6  
7 Furthermore, customers perceive no difference between external recovery or no recovery.

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9  
10 This implies that, to increase overall customer satisfaction and repurchase intention levels,  
11 the travel agency itself needs to perform the recovery following its failure; in other words,  
12 an internal failure demands an internal recovery.  
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15  
16 These results demonstrate the importance of the question: "Who performed the recovery?".

17  
18 Although Agency Theory assumes otherwise, the principal (customer) becomes risk-averse,  
19 and transfers the risk to the agent (travel agency). In this case, it is illogical for the travel  
20 agency to become risk averse by transferring the risk to the hotel (agent). The theory predicts  
21 that an agent may act opportunistically without considering the welfare of the principal.  
22  
23 Furthermore, even if the agent does not act opportunistically, hotels may be under the  
24 bystander effect, which decreases their likelihood of acting, because a bystander (a travel  
25 agency) is present (Chekroun & Brauer, 2002). Even if hotels perform external recovery for  
26 an internal failure, the customer's overall satisfaction with the principal (travel agency)  
27 decreases compared to internal recovery (by travel agency-principal). Therefore, it is better  
28 for the principal (travel agency) to take a risk-neutral position when responsible for the  
29 failure (see Figure 3).  
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44 If there is external failure, on the other hand, overall customer satisfaction and repurchase  
45 intentions for the travel agency are higher for internal recovery (by travel agency) than for  
46 no recovery. Similarly, overall customer satisfaction and repurchase intentions are higher for  
47 external recovery (by hotel) than for no recovery. This shows that, in the case of an external  
48 failure, customers perceive no difference between internal (e.g. travel agency) and external  
49 (e.g. hotel) recovery.  
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3 The interactions in our results indicate that when there is external failure, it is essential that  
4 the recovery is performed regardless of the doer. From a practical point of view, therefore,  
5 travel agencies have an opportunity to ignore failures by an affiliated party, especially if the  
6 affiliated party is able to perform recovery itself. From a theoretical perspective, Agency  
7 Theory describes relationships through the usage of a contract as a metaphor. This result of  
8 the interaction effect between failure and recovery on overall satisfaction and repurchase  
9 intentions further emphasizes the importance for travel agencies of making appropriate  
10 contracts, including special clauses stating the obligations of each party regarding recovery  
11 attempts for circumstances involving failure by either party. Such contracts can protect the  
12 rights and obligations of the two parties, creating benefits for both.  
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26 ***Figure 3 comes about here.***  
27

28 Our results highlight that even if individual partners believe that they compete  
29 independently, they are in fact all part of a single chain, in which all partners may affect each  
30 other. From a TSSC perspective, travel agencies and hotels sometimes have an unsatisfactory  
31 relationship due to unclear policies or conflicting goals (Lee and Fernando, 2015), despite  
32 working closely. The results of this study may help partners in TSSC improve relationships  
33 and create policies that emphasize the importance of TSSC, and the need for collaboration,  
34 integration, and information sharing between partners.  
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#### 44 **Limitation and Recommendations for Further Research**

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46 The use of a single type of failure, a booking error, is a limitation; other failures, such as  
47 personnel attitudes, wi-fi connection problems, and food quality also need to be  
48 investigated in future research in order to generalize the findings here.  
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52 The travel agency and hotel mentioned in the scenarios were anonymous, so the effect of  
53 branding has been ignored. However, brand names may also affect customer attitudes, so  
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future studies could incorporate brand manipulations as another independent variable.

Lastly, further studies may also focus on the consumer perceptions regarding the overall performance of a service supply chain as a dependent variable.

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3 **Revision of the manuscript JSTP-05-2016-0094 entitled " THE DOER EFFECT OF FAILURE**  
4 **AND RECOVERY IN MULTI-AGENT CASES: SERVICE SUPPLY CHAIN PERSPECTIVE"**  
5 **submitted to the Journal of Service Theory and Practice**  
6  
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8

9 Dear Reviewer 1,  
10

11 We thank you for the constructive feedback. We revised each section of our paper according to the  
12 comments. We tried to explain ourselves through this letter by considering every comment.  
13

14 Your only comment was on the confusion regarding H3-H5, and H4-H6. We believe that we should be  
15 clearer regarding the definitions of internal and external failure and recovery.  
16

17 You state that:  
18

19 "If you consider H3-H5: they are opposing each other. H3 implies that following a failure caused by  
20 the hotel, the SAT(hotel) is higher if the recovery is performed by the hotel compared to recovery  
21 performed by the agency. Yet, H5 implies that following a failure caused by the hotel, the SAT(hotel)  
22 is equal regardless if the recovery is performed by the hotel compared to recovery performed by the  
23 agency."  
24

25 You are right to consider that H3 implies a failure by hotel since we state an internal failure. In here  
26 the definition of internal vs external is based on the dependent variables. Since in H3, we are looking  
27 for the effects on SAT and RI (hotel), internal failure is caused by hotel.  
28

29 In H5, we are still looking for the effects on SAT and RI (hotel), but looking for the interaction  
30 between external failure and recovery. Therefore, H5 implies that following a failure caused by travel  
31 agency, not by the hotel.  
32

33 As you indicated, you had the same confusion for H4 and H6, therefore, we regrouped the hypotheses  
34 by dividing SAT and RI (hotel), and SAT and RI (travel agency), and providing further explanations  
35 above them for avoiding confusion regarding internal and external failure/recovery.  
36

37 As a result, again the number of hypotheses has altered, and accordingly we also made the changes in  
38 hypotheses testing section, and Tables and Figures document.  
39

40 Overall, with the abovementioned changes, we hope that with this new version, the readability of the  
41 paper has improved, and we can make a good contribution to the field and to the Journal of Service  
42 Theory and Practice. We would like to thank you once more for sharing comments with us and giving  
43 us an opportunity to strengthen our manuscript.  
44

45 Kind Regards.  
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Table 1. Focal Variables	
<i>Independent Variables</i>	<i>Dependent Variables</i>
Service Failure (SF)	Overall Customer Satisfaction (for Travel Agency)
Good Prior Experience (GPE)	Overall Customer Satisfaction (for Hotel)
Service Recovery (SR)	Repurchase Intention (for Travel Agency)
	Repurchase Intention (for Hotel)

Table 2. Demographic Characteristics of Sample			
		<i>N=384<sup>1</sup></i>	<i>% (percentage)</i>
<b>Gender</b>	Male	202	52.9
	Female	180	47.1
<b>Education</b>	Secondary School	13	3.4
	High School	76	19.9
	University	230	60.4
	Master's	38	10.0
	Doctorate	24	6.3
<b>Age</b>	20-24	80	21.0
	25-29	74	19.4
	30-34	64	16.8
	35-39	75	19.7
	40-44	35	9.2
	45-49	26	6.8
	50+	27	7.1
<b>Income</b>	0-1000	43	11.3
	1001-2000	148	38.9
	2001-5000	151	39.7
	5001+	38	10.0

Table 3. Scale Reliability				
<i>Construct</i>	<i>Cronbach's Alpha</i>	<i>Number of scale items</i>	<i>CR</i>	<i>AVE</i>
Overall Customer Satisfaction-Travel Agency (TA)	0.905	3	0,906	0,762
Overall Customer Satisfaction-Hotel	0.906	3	0,903	0,756
Repurchase Intention – Travel Agency	0.956	2	0,957	0,917
Repurchase Intention –Hotel	0.939	2	0,939	0,886

Table 4. ANOVA Statistics for Good Prior Experience (Hotel)					
ANOVA Statistics for Overall Customer Satisfaction (H1a)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	,181	1	,181	,156	,693
Within Groups	443,777	382	1,162		
Total	443,958	383			
ANOVA Statistics for Repurchase Intentions (H1b)					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	,065	1	,065	,050	,824
Within Groups	501,393	382	1,313		
Total	501,458	383			

Table 5. ANOVA Statistics for Good Prior Experience (Travel Agency)					
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<sup>1</sup> Since there are no hypotheses set for demographic questions, missing data has not been replaced by using any method for these questions.

**Table 5. ANOVA Statistics for Good Prior Experience (Travel Agency)**

ANOVA Statistics for Overall Customer Satisfaction (H2a)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2,952	1	2,952	2,318	,129
Within Groups	486,416	382	1,273		
Total	489,368	383			

ANOVA Statistics for Repurchase Intentions (H2b)

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1,898	1	1,898	1,307	,254
Within Groups	554,849	382	1,452		
Total	556,747	383			

**Table 6. Multiple Comparisons for H5a if failure is internal (by TA)**

Multiple Comparisons after Split Data Analysis for Overall Customer Satisfaction for Travel Agency (H5a)

(I) ServiceRecovery	(J) ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	,97396*	,17906	,000
	NoSR	,96354*	,17906	,000
Hotel	TA	-,97396*	,17906	,000
	NoSR	-,01042	,17906	,998
NoSR	TA	-,96354*	,17906	,000
	Hotel	,01042	,17906	,998

\*. The mean difference is significant at the 0.05 level.

a. ServiceFailure = TA

**Table 7. Multiple Comparisons for H6a if failure is external (by Hotel)**

Multiple Comparisons after Split Data Analysis for Overall Customer Satisfaction for Travel Agency (H6a)

(I) ServiceRecovery	(J) ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	,12500	,17852	,764
	NoSR	,88021*	,17852	,000
Hotel	TA	-,12500	,17852	,764
	NoSR	,75521*	,17852	,000
NoSR	TA	-,88021*	,17852	,000
	Hotel	-,75521*	,17852	,000

\*. The mean difference is significant at the 0.05 level.

a. ServiceFailure = Hotel

**Table 8. Multiple Comparisons for H5b if failure is internal (by TA)**

Multiple Comparisons after Split Data Analysis for Repurchase Intentions for Travel Agency (H5b)

(I) ServiceRecovery	(J) ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	,89063*	,20045	,000
	NoSR	,82813*	,20045	,000
Hotel	TA	-,89063*	,20045	,000

	NoSR	-,06250	,20045	,948
NoSR	TA	-,82813*	,20045	,000
	Hotel	,06250	,20045	,948

\*. The mean difference is significant at the 0.05 level.

a. ServiceFailure = TA

Table 9. Multiple Comparisons for H6b if failure is external (by Hotel)				
Multiple Comparisons after Split Data Analysis for Repurchase Intentions for Travel Agency (H6b)				
(I) ServiceRecovery	(J) ServiceRecovery	Mean Difference (I-J)	Std. Error	Sig.
TA	Hotel	,12500	,18238	,772
	NoSR	1,09375*	,18238	,000
Hotel	TA	-,12500	,18238	,772
	NoSR	,96875*	,18238	,000
NoSR	TA	-1,09375*	,18238	,000
	Hotel	-,96875*	,18238	,000

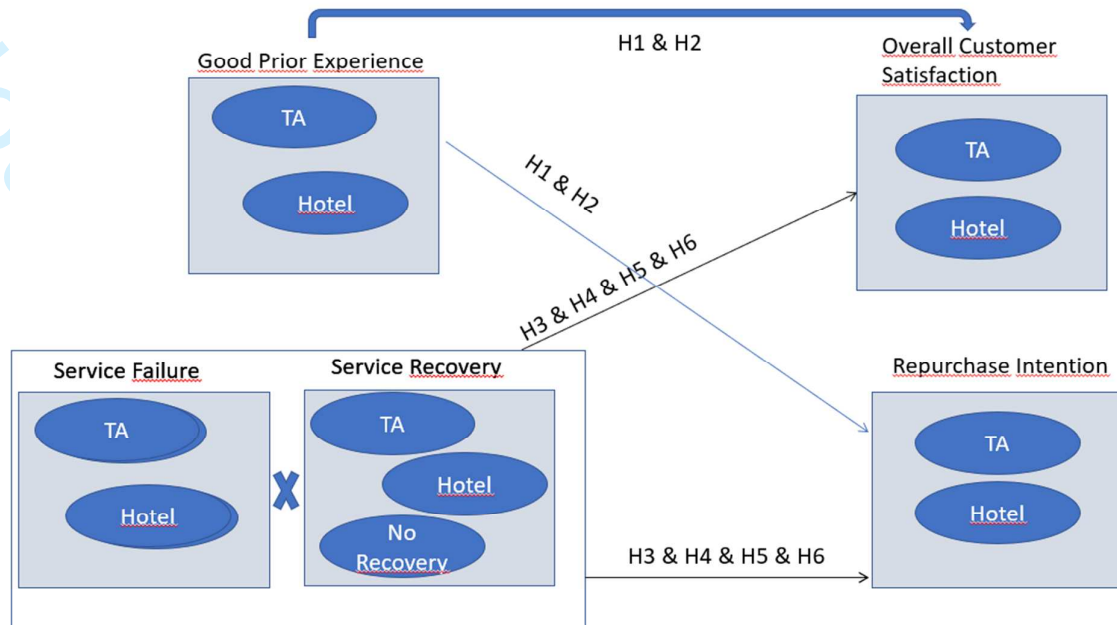
\*. The mean difference is significant at the 0.05 level.

a. ServiceFailure = Hotel

Figure 1: TSSC Model Used in Present Study



Figure 2: Research Model



Note: "x" denotes interaction effects of service failure with recovery

**Figure 3: Interaction Effect Implications for Travel Agencies**

	Service Recovery	By Travel Agency
Service Failure		
Internal Failure (By Travel Agency)		Compulsory
External Failure (By Hotel)		Optional



## Appendix :

	<b>Service Failure</b>	<b>Good Prior Experience</b>	<b>Service Recovery</b>
1	Travel Agency	Travel Agency	Travel Agency
2	Travel Agency	Travel Agency	Hotel
3	Travel Agency	Travel Agency	No Recovery
4	Travel Agency	Hotel	Travel Agency
5	Travel Agency	Hotel	Hotel
6	Travel Agency	Hotel	No Recovery
7	Hotel	Hotel	Hotel
8	Hotel	Hotel	Travel Agency
9	Hotel	Hotel	No Recovery
10	Hotel	Travel Agency	Hotel
11	Hotel	Travel Agency	Travel Agency
12	Hotel	Travel Agency	No Recovery

<b>Levels</b>	<b>Service Failure Manipulation</b>
By travel agency	You immediately called the clerk at the reception desk and told that you were supposed to be given a room with a sea view. However, after checking the booking information, the clerk told you that there is no mistake so they cannot change the room. You got angry and you reached your travel agency's personnel and the personnel of the travel agency informed you that they made a mistake during reservation.
By hotel	You immediately called the clerk at the reception desk and told that you were supposed to be given a room with a sea view. However, after checking the booking information, the clerk told you that they made a mistake during reservation.
<b>Good Prior Experience Manipulation</b>	
With travel agency	With this decision in mind, you booked an appointment in XYZ travel agency from whom you had purchased a tour before and with whom you had a good experience. You sat down with the sales attendant and checked for the destinations, the hotels and their rooms. You decided on ABC hotel in which you have not stayed before.
With hotel	With this decision in mind, you booked an appointment in XYZ travel agency from whom you have no experience with. You sat down with the sales attendant and checked for the destinations, the hotels and their rooms. You decided on ABC hotel in which you had stayed before and with whom you had good experience.
<b>Service Recovery Manipulation</b>	
By travel agency	At the end of the conversation, the personnel of the travel agency informed you that your problem has been solved and your room with sea view is ready.
By hotel	After that, you explained your situation to the clerk at the hotel and due to the inconvenience, the clerk immediately changed your room.



**Scenario Example****Service Failure-Travel Agency/Good Prior Experience-Travel Agency/Service Recovery-Travel Agency**

*Imagine that for your annual leave, you have saved some money for two years and you want to spend the time in a convenient hotel.*

*With this decision in mind, you booked an appointment in XYZ travel agency from whom you had purchased a tour before and with whom you had a good experience. You sat down with the sales attendant and checked for the destinations, the hotels and their rooms. You decided on ABC hotel in which you have not stayed before. You specially declared that you wanted a decent room with a sea view and accepted to pay more money for that.*

*After several weeks, when you arrive to the ABC hotel and then your room, you realized that the room is different than you expected and although you wanted a sea view, your room faces another building. You immediately called the clerk at the reception desk and told that you were supposed to be given a room with a sea view. However, after checking the booking information, the clerk told you that there is no mistake so they cannot change the room. You got angry and you reached your travel agency's personnel and the personnel of the travel agency informed you that they made a mistake during reservation.*

*At the end of the conversation, the personnel of the travel agency informed you that your problem has been solved and your room with sea view is ready. You said thank you and went to your room.*