

# Capitalizing on Service Failures: Implications for Customer Engagement and Loyalty

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## Abstract

This study examines the driver influence of service recovery performance (SRP) on customer engagement (CE) and customer loyalty (CL) in the Indian retail banking setting. Data collected from a sample of 457 customers who had recent experiences of service failure formed the basis of the empirical investigation. All constructs under examination were measured through structured questionnaires developed in previous research work in this area of study. However, the validity and reliability of the scales were reassessed before the final data analysis. Empirical results indicate that SRP positively influences CE and, concomitantly, CL. Further, CE fully mediates the relationship between service recovery and CL. In addition, it was observed that the structural linkages among SRP, CE and CL are significantly moderated by the gender of the customer. Banking companies are, therefore, advised to consider service failures as an opportunity, rather than a threat, to nurture CE and loyalty. Also, the gender of the customer (male/female) must be considered in deciding the recovery approach.

## Keywords

Service recovery performance, customer engagement, customer loyalty, gender, Indian banking

## Introduction

In modern times, the banking industry has attracted considerable research attention because of its crucial importance to the financial sector (Mathew et al., 2020). Not only is the financial sector, but the banking industry is a significant predictor of a nation's overall growth and progress (Ehimare, 2012). Banks mobilize savings, facilitate capital formation, and nurture economic development (Ehimare, 2012). On the pretext of several factors like globalization, privatization, technological advancement, knowledgeable and demanding customers etc., the competition in the banking sector, like other sectors, has intensified during the contemporary era. Under this scenario, customer satisfaction is widely recognized as the paramount indicator of a service provider's performance and success (Ali & Raza, 2017). As a

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