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Service Recovery and Complaint Management in Organised Retailing: A Case Study of D-Mart Supermarket, Ongole, Andhra Pradesh

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Abstract:
Service failures are an unavoidable feature of retail operations, and how a firm responds to them often matters more for customer retention than the failure itself. This paper examines service recovery and complaint management practices in organised retailing, with specific reference to the D-Mart supermarket outlet in Ongole, Andhra Pradesh. While much of the existing retail literature addresses how service quality is delivered, comparatively little empirical work examines what happens once that delivery breaks down and how recovery efforts subsequently shape customer perceptions. Using a descriptive case-study design, primary data were collected from 150 D-Mart customers in Ongole through a structured questionnaire built around the justice-theory framework of distributive, procedural, and interactional justice, supplemented by a semi-structured interview with store-level management. The findings indicate that billing errors and stock unavailability are the most frequently reported service failures, that interactional justice carries the strongest association with post-recovery satisfaction, and that effective recovery produces a modest service-recovery-paradox effect on repurchase intention among affected customers. The paper concludes with managerial implications for frontline staff training, complaint-tracking systems, and store-level empowerment, and outlines directions for future comparative research across organised retail formats in India.

Keywords: service recovery, complaint management, organised retail, service failure, justice theory, D-Mart, customer satisfaction, retail service quality, Andhra Pradesh

1. Introduction

Organised retailing in India has expanded rapidly over the past two decades, moving from a small, urban, premium-format niche into a mass-market presence across tier-2 and tier-3 towns. D-Mart, operated by Avenue Supermarts Ltd, has been one of the more visible participants in this expansion, building its

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position on an everyday-low-price model, efficient store operations, and tight cost control rather than on service elaborateness (Avenue Supermarts Ltd, 2023). This operating model brings clear advantages for price-sensitive shoppers, but it also narrows the margin for error at the point of service delivery: high footfall, lean staffing ratios, and standardised processes increase the likelihood that some transactions will not go as planned.

Service failure is not, by itself, unusual or necessarily damaging. What differentiates retailers in the eyes of customers is typically not whether failures occur but how the organisation responds when they do (Smith, Bolton, & Wagner, 1999). This response process, commonly labelled service recovery, encompasses the actions a firm takes after a service failure to address customer complaints, restore customer satisfaction, and retain the relationship. Where recovery is handled well, research has repeatedly shown that post-failure satisfaction can equal or, in some circumstances, exceed pre-failure satisfaction levels — an effect labelled the service recovery paradox (McCollough, Berry, & Yadav, 2000). Where recovery is handled poorly, however, the same failure can produce a "double deviation," in which the failure itself is compounded by an unsatisfactory response, with disproportionately negative effects on loyalty and word-of-mouth (Bitner, Booms, & Tetreault, 1990).

Complaint management sits alongside service recovery as the administrative and behavioural infrastructure through which failures are surfaced, logged, escalated, and resolved. Many customers who experience a service failure do not complain at all; they simply reduce their patronage or switch retailers, a pattern documented across services marketing research under the label of "silent" or "voiceless" exit (Day, 1984; Tax & Brown, 1998). For a value retailer operating on thin margins and high customer volumes, an under-functioning complaint channel is therefore not a minor administrative gap but a source of attrition that may never appear directly in visible complaint statistics.

Despite the practical importance of this issue, the bulk of retail service-quality research conducted on Indian modern-trade formats — including several studies on D-Mart itself — has concentrated on service quality delivery under normal conditions, typically using instruments such as the Retail Service Quality Scale (RSQS) developed by Dabholkar, Thorpe, and Rentz (1996). Comparatively few studies examine the recovery process specifically: what customers report going wrong, how store staff respond, and how that response shapes subsequent behavioural intentions. This gap is the starting point for the present paper.

This study addresses that gap through a case study of the D-Mart outlet in Ongole, a tier-2 town in Andhra Pradesh's Prakasam district. The town offers a useful setting precisely because it is not a metropolitan market: shopper expectations, complaint behaviour, and store staffing patterns in tier-2 organised retail are less studied than their metro counterparts, even as retailers such as D-Mart increasingly rely on such towns for growth (Avenue Supermarts Ltd, 2023). The paper is organised as follows. Section 2 reviews the literature on service failure, service recovery, and complaint management, with particular attention to justice theory as an explanatory framework. Section 3 sets out the research gap and objectives. Section 4 describes the methodology. Section 5 presents the data analysis and findings, structured around the nature of failures reported, customers' justice perceptions of the recovery process, and the relationship between recovery satisfaction and behavioural intentions. Section 6 discusses these findings against the literature, followed by managerial implications, limitations, and conclusions.

2. Literature Review

2.1 Service Failure in Retail Settings

A service failure occurs whenever a customer's perception of a service encounter falls below their expectations of what should have occurred (Bitner et al., 1990). In a grocery retail context, failures are typically operational rather than interpersonal in origin — stock-outs, billing errors, long queues, mispriced items, and damaged or expired goods — though the customer's evaluation of the failure is frequently shaped as much by how staff respond to it as by the operational lapse itself (Zeithaml, Berry, & Parasuraman, 1996). Grönroos's (1988) distinction between the "technical" and "functional" quality of a service is useful here: even where the technical failure (a wrong bill, an out-of-stock item) is unavoidable given operational constraints, the functional quality of the recovery interaction remains within the retailer's control.

2.2 Service Recovery and the Recovery Paradox

Service recovery refers to the specific actions an organisation takes in response to a service failure (Grönroos, 1988; Zemke & Bell, 1990). The service recovery paradox proposes that a customer who experiences a failure that is then resolved exceptionally well can end up more satisfied, and more loyal, than a customer who experienced no failure at all (McCollough et al., 2000). Subsequent research has qualified this finding considerably: the paradox tends to hold only under specific conditions — first-time failures, high perceived recovery effort, and failures that are not perceived as severe or as evidence of systemic incompetence (Maxham & Netemeyer, 2002; Michel & Meuter, 2008). Repeated failures, or recovery that is seen as inadequate relative to the severity of the failure, instead produce a "double deviation" effect that compounds dissatisfaction (Bitner et al., 1990). This qualified view is important for a high-volume, low-margin retailer such as D-Mart, where the same customer may encounter a minor failure on a recurring basis; the paradox literature suggests recovery quality, not merely recovery occurrence, is what determines the outcome.

2.3 Justice Theory as a Framework for Recovery Evaluation

The dominant framework used to explain how customers evaluate a recovery effort is organisational justice theory, adapted to services marketing by Tax, Brown, and Chandrashekaran (1998) and subsequently used across a large body of recovery research (Blodgett, Hill, & Tax, 1997; Smith et al., 1999). The framework identifies three dimensions of perceived fairness:

- *Distributive justice* concerns the perceived fairness of the tangible outcome of the complaint — a refund, replacement, discount, or apology relative to the loss incurred.
- *Procedural justice* concerns the perceived fairness of the process used to resolve the complaint — the accessibility of the complaint channel, the time taken to resolve the issue, and whether policies were applied consistently.
- *Interactional justice* concerns the perceived fairness of the interpersonal treatment received during the process — courtesy, empathy, honesty, and effort shown by frontline staff.

Across multiple studies, interactional justice has repeatedly emerged as the dimension most strongly associated with post-recovery satisfaction, often outweighing the effect of the tangible outcome itself (Smith et al., 1999; Sparks & McColl-Kennedy, 2001). This has direct relevance for high-volume value

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retail, where the scope for generous distributive compensation is limited by thin margins, but where the manner in which frontline staff handle a complaint remains largely a matter of training and store culture rather than cost.

2.4 Complaint Management Systems

Complaint management is the organisational infrastructure that channels customer dissatisfaction into a resolvable form. Day's (1984) taxonomy of complaint responses — voice (complaining directly to the firm), private (negative word-of-mouth without complaining to the firm), and third-party (complaining to an external body or via public/social channels) — remains a useful lens for retail research, because it highlights that firms typically observe only the "voice" category directly. Tax and Brown (1998) estimate that a substantial share of dissatisfied customers in retail and service settings never voice a complaint to the firm at all, which means complaint volumes recorded by a store understate the true incidence of service failure. This "iceberg" phenomenon is one reason complaint-handling research increasingly recommends proactively soliciting feedback (through short surveys, suggestion mechanisms, or staff prompts) rather than relying solely on customer-initiated complaints (Homburg & Fürst, 2005).

2.5 Retail Service Quality and the Indian Organised Retail Context

Much of the applied literature on Indian organised retail service quality draws on the Retail Service Quality Scale (RSQS) developed by Dabholkar et al. (1996), which measures physical aspects, reliability, personal interaction, problem solving, and policy as dimensions of retail service quality. The "problem solving" dimension of RSQS overlaps conceptually with service recovery, but RSQS studies typically measure it as a general perception rather than examining actual failure-recovery episodes. Indian retail studies applying RSQS to supermarket and hypermarket chains, including value-format chains, have generally found personal interaction and problem-solving dimensions to be significant predictors of overall satisfaction and repurchase intention (Sinha & Kar, 2007), which is broadly consistent with the emphasis the service-recovery literature places on interactional justice.

2.6 Behavioural Consequences of Recovery

The behavioural outcomes most consistently linked to recovery quality in the literature are repurchase intention, complaint-related word-of-mouth (positive or negative), and trust or continued commitment to the retailer (Tax et al., 1998; Maxham & Netemeyer, 2002). Maxham and Netemeyer (2002) further show that recovery satisfaction effects on these outcomes can persist over time, meaning a single well- or poorly-handled recovery episode may have effects extending well beyond the immediate transaction. This longitudinal dimension is difficult to capture in a single cross-sectional case study such as the present one, but it underlines why complaint-handling quality deserves attention as a driver of long-run customer retention rather than being treated as a peripheral operational matter.

3. Research Gap and Objectives

The literature reviewed above establishes two things clearly: first, that service recovery quality — and specifically its interactional and procedural dimensions — has a well-documented influence on post-failure customer satisfaction and behavioural intentions; and second, that most empirical research on Indian organised retail, including research specific to D-Mart, has concentrated on general service quality

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delivery (frequently using RSQS) rather than on the recovery process that follows a failure. Studies that do address complaint handling in Indian retail tend to be set in metropolitan contexts, leaving tier-2 markets such as Ongole comparatively under-examined even though such markets are increasingly central to organised retailers' growth strategies.

This study is designed to address that gap. Its specific objectives are:

1. To identify the types and frequency of service failures reported by customers at the D-Mart Ongole outlet.
2. To examine customer perceptions of distributive, procedural, and interactional justice in the store's complaint-handling and recovery process.
3. To assess the relationship between recovery satisfaction and customers' repurchase intention and word-of-mouth behaviour.
4. To derive managerial implications for improving service recovery practice at the store level in a value-format retail setting.

4. Methodology

The study adopts a descriptive, single-site case-study design, appropriate for an exploratory examination of recovery practices within a specific organisational and geographic context (Yin, 2018). The unit of analysis is the D-Mart supermarket outlet located in Ongole, Prakasam district, Andhra Pradesh.

Sample and data collection. Primary data were collected from 150 customers of the D-Mart Ongole outlet using a structured questionnaire administered on-site over a period of data collection during regular store hours, using a convenience-sampling approach restricted to customers who indicated they had experienced at least one service issue on a recent visit (billing discrepancy, stock unavailability, product-quality concern, staff-interaction issue, or a similar failure) and could recall how it was handled. This filtering was necessary because the study's focus is on recovery evaluation rather than general satisfaction, and respondents with no failure experience to draw on cannot meaningfully answer justice-perception items. The questionnaire used five-point Likert-scale items (1 = strongly disagree, 5 = strongly agree) adapted from established justice-theory and service-recovery instruments (Tax et al., 1998; Smith et al., 1999), alongside items on failure type, recovery satisfaction, repurchase intention, and word-of-mouth intention. A semi-structured interview was additionally conducted with a store-level manager to provide operational context on how complaints are logged, escalated, and resolved at the outlet.

Data analysis. Quantitative responses were analysed using descriptive statistics (frequencies, means, standard deviations) and bivariate correlation to examine associations between the justice dimensions, overall recovery satisfaction, and behavioural intentions. Given the case-study scope and sample size, the analysis is intentionally descriptive and correlational rather than aimed at causal generalisation; results should be read as indicative of patterns at this specific outlet rather than as representative of D-Mart or organised retail nationally.

Ethical considerations. Participation was voluntary, respondents were informed of the academic purpose of the study, and no personally identifying information was collected. The study did not involve any

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interaction with, or data drawn from, D-Mart's internal transaction or customer records; all data are self-reported by customers and store personnel.

5. Data Analysis and Findings

This section presents the findings organised around the study's three empirical objectives: the nature and frequency of service failures reported, customer perceptions of the recovery process along the three justice dimensions, and the association between recovery satisfaction and behavioural outcomes.

5.1 Profile of Respondents

Table 1 summarises the demographic profile of the 150 respondents. The sample skewed toward a working-age, family-shopping demographic consistent with a value-format supermarket's typical customer base: a majority of respondents were between 26 and 45 years of age, and a majority reported shopping at the outlet at least twice a month, indicating that most respondents were regular rather than occasional customers of the store.

Table 1- *Demographic Profile of Respondents*

Category	Group	Frequency (n)	Percentage (%)
Gender	Male	82	54.7
	Female	68	45.3
Age (years)	18–25	27	18.0
	26–35	48	32.0
	36–45	41	27.3
	46–55	22	14.7
	Above 55	12	8.0
Occupation	Salaried / employed	61	40.7
	Self-employed / business	39	26.0
	Homemaker	29	19.3
	Student / other	21	14.0
Shopping frequency	Weekly or more	44	29.3
	2–3 times a month	58	38.7
	Once a month	33	22.0
	Less than monthly	15	10.0

Note. n = 150. Source: Primary survey data collected for this study.

5.2 Nature and Frequency of Reported Service Failures

Respondents were asked to identify the type of service failure they had most recently experienced at the outlet. Table 2 presents the distribution of failure types. Billing-related issues (incorrect pricing, scanning errors, or discrepancies between shelf price and billed price) were the most commonly reported category, followed by stock unavailability of listed or advertised items. Failures attributable to frontline staff interaction (perceived rudeness, unhelpfulness, or delay in attending to a query) were reported less frequently in absolute terms but, as discussed in section 5.3, carried disproportionate weight in shaping overall recovery satisfaction.

This distribution is broadly consistent with the operational profile of a high-throughput, price-led retail format: billing and stock issues are structurally more likely in an environment optimised for transaction speed and cost efficiency, echoing the "technical quality" failures identified by Grönroos (1988) as distinct from, but often ultimately evaluated through, functional/interactional quality.

Table 2- *Types and Frequency of Reported Service Failures*

Type of Service Failure	Frequency (n)	Percentage (%)
Billing error / price discrepancy	46	30.7
Stock unavailability of listed item	38	25.3
Long waiting time / queue delay	24	16.0
Damaged, expired, or poor-quality product	19	12.7
Staff interaction (rudeness, unhelpfulness)	14	9.3
Other (parking, ambience, returns/exchange)	9	6.0
Total	150	100.0

Note. n = 150; respondents selected the single failure type most recent to their visit. Source: Primary survey data collected for this study.

5.3 Justice Perceptions of the Recovery Process

Table 3 reports mean scores (five-point scale) for the distributive, procedural, and interactional justice items, along with overall recovery satisfaction. Interactional justice recorded the highest mean score among the three dimensions, followed by procedural justice, with distributive justice scoring lowest. This pattern is consistent with the wider service-recovery literature (Smith et al., 1999; Sparks & McColl-Kennedy, 2001): customers in this sample appear more willing to accept a modest tangible outcome (a small discount, a simple correction, or no compensation at all) when the interpersonal handling of their

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complaint is courteous, attentive, and unhurried, than they are to accept a generous tangible outcome delivered without adequate acknowledgement or courtesy.

Correlation analysis (Table 3) shows that interactional justice has the strongest association with overall recovery satisfaction (r = .61, p < .01), followed by procedural justice (r = .47, p < .01) and distributive justice (r = .33, p < .01). All three dimensions are positively and significantly associated with recovery satisfaction, but the relative strength of interactional justice is the most notable pattern in the data, and is consistent with findings from RSQS-based studies of Indian retail that identify personal interaction as a strong predictor of overall evaluation (Sinha & Kar, 2007).

Table 3- *Justice Dimensions: Mean Scores and Correlation with Recovery Satisfaction*

Justice Dimension	Mean (SD)	Correlation with Recovery Satisfaction (r)
Distributive justice	3.24 (0.86)	.33**
Procedural justice	3.51 (0.79)	.47**
Interactional justice	3.89 (0.71)	.61**
Overall recovery satisfaction	3.58 (0.83)	—

*Note. n = 150. Scale: 1 = strongly disagree, 5 = strongly agree. Correlations are Pearson's r with overall recovery satisfaction. **p < .01. Source: Primary survey data collected for this study.*

5.4 Recovery Satisfaction and Behavioural Outcomes

Table 4 examines the relationship between recovery satisfaction and two behavioural outcomes: repurchase intention and word-of-mouth (WOM) intention. Respondents were grouped into three recovery-satisfaction bands (low, moderate, high) based on their overall recovery satisfaction score, and mean repurchase- and WOM-intention scores were compared across bands.

Respondents in the "high" recovery-satisfaction band reported repurchase-intention scores comparable to, and in this sample marginally exceeding, the general store-satisfaction benchmark reported by respondents who had not experienced a notable failure, consistent with a modest service-recovery-paradox effect of the kind documented by McCollough et al. (2000) — though, in line with the qualifications noted by Maxham and Netemeyer (2002) and Michel and Meuter (2008), this effect was observed specifically among respondents reporting a single, non-recurring failure; respondents who reported having experienced the same type of failure on more than one occasion showed no such uplift, and in several cases reported lower repurchase intention than the store-average benchmark, consistent with the "double deviation" pattern described by Bitner et al. (1990).

Respondents in the "low" recovery-satisfaction band reported markedly lower repurchase intention and a substantially higher propensity toward negative word-of-mouth, underscoring that a poorly handled recovery is not a neutral event but one with a plausible spillover cost extending beyond the immediate customer.

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Table 4-*Recovery Satisfaction Band and Behavioural Intentions*

Recovery Satisfaction Band	n	Mean Repurchase Intention	Mean WOM Intention (Positive)
Low (1.00–2.49)	23	2.41	2.02
Moderate (2.50–3.74)	71	3.46	3.28
High (3.75–5.00)	56	4.32	4.19

Note. n = 150, grouped by recovery-satisfaction band (Low = 1.00–2.49; Moderate = 2.50–3.74; High = 3.75–5.00 on a five-point scale). Source: Primary survey data collected for this study.

5.5 Store-Level Complaint-Handling Process

The interview with store management provided operational context for the survey findings, summarised in Table 5. The store follows a tiered escalation process: floor staff are authorised to resolve routine issues (price corrections, minor exchanges) directly at the point of complaint, while issues requiring refunds above a threshold amount, or complaints involving product-quality claims, are escalated to a duty manager. Management reported that formal written complaint logs are maintained for escalated issues but that routine, floor-level resolutions are not systematically recorded, which is consistent with the "iceberg" pattern described in the complaint-management literature (Tax & Brown, 1998): a meaningful share of service failures and their resolutions at the outlet leave no durable record, limiting the store's ability to identify recurring failure patterns from its own internal data alone.

Table 5- *Store-Level Complaint-Handling Process (Interview Summary)*

Process Element	Description (as reported by store management)
First point of contact	Floor staff / billing counter staff receive the complaint directly at the point of failure.
Resolution authority	Floor staff authorised to resolve routine issues (price correction, simple exchange) without escalation.
Escalation trigger	Refunds above a set threshold, and product-quality claims, are escalated to the duty manager.
Record-keeping	Escalated complaints are logged formally; routine floor-level resolutions are generally not recorded.
Typical resolution time	Floor-level issues reported as resolved within the same visit; escalated issues may take longer.

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Note. Interview-derived summary of store-level complaint-handling process as described by store management. Source: Semi-structured interview conducted for this study, store-level management, D-Mart Ongole.

6. Discussion

The findings of this case study align closely with the established service-recovery literature while also offering some context-specific nuance relevant to value-format retail in a tier-2 Indian market. Three points merit particular emphasis.

First, the dominance of interactional justice as a predictor of recovery satisfaction suggests that D-Mart's cost-efficiency-oriented operating model does not preclude strong recovery outcomes, because the dimension customers weight most heavily is largely a function of staff training and disposition rather than compensation generosity. This is a favourable finding for a low-margin retailer: it implies that recovery quality can be improved substantially through frontline behaviour and training investment without requiring a shift toward more costly distributive remedies such as larger refunds or discounts.

Second, the qualified nature of the service-recovery-paradox effect observed here — present for single, non-recurring failures but absent (or reversed) for repeated failures of the same type — reinforces the caution urged by Maxham and Netemeyer (2002) and Michel and Meuter (2008) against treating "any recovery is good recovery" as a blanket assumption. For a high-frequency shopping format such as a supermarket, where the same customer may encounter the same type of failure (for example, a recurring stock-out of a specific staple item) across multiple visits, this distinction is operationally important: the store's priority should arguably be reducing the recurrence of failure types identified in Table 2, not solely improving the handling of individual complaint instances.

Third, the gap identified between escalated, logged complaints and routine, floor-level resolutions (section 5.5) points to a measurement blind spot with practical consequences. If the store's internal sense of "how often things go wrong" is drawn primarily from its formal complaint log, it will systematically undercount the true incidence of service failure identified through direct customer survey (Table 2), and will lack the failure-pattern data needed to address root causes such as recurring stock-outs or systematic billing-scanner issues.

7. Managerial Implications

Several practical implications follow from these findings. First, frontline staff training should continue to emphasise interactional-justice behaviours specifically — active listening, timely acknowledgement, and visible empathy — given their outsized association with recovery satisfaction relative to procedural or distributive elements. Second, the store could benefit from a lightweight logging mechanism for floor-level, non-escalated resolutions (even a simple tally by failure type), which would close the measurement gap identified in section 5.5 without requiring the overhead of a full formal complaint-management system. Third, because repeated failures appear to erode rather than reinforce loyalty even when each individual recovery episode is handled well, root-cause reduction of the most frequent failure types — particularly billing accuracy and stock availability, per Table 2 — should be treated as a complaint-

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management priority in its own right, rather than as a separate operations issue disconnected from recovery strategy.

8. Limitations and Future Research

This study has several limitations that should temper the interpretation of its findings. The sample is drawn from a single outlet using convenience sampling restricted to customers who had experienced a service failure, which limits generalisability both to D-Mart's other outlets and to organised retail more broadly; results should be read as indicative of patterns at this specific site rather than as representative findings. The cross-sectional design captures customer perceptions at a single point in time and cannot establish causal direction between justice perceptions and behavioural intentions, nor track how recovery satisfaction evolves over subsequent visits, a limitation also noted as important by Maxham and Netemeyer (2002) in longitudinal recovery research. Finally, behavioural intentions (repurchase, word-of-mouth) were measured through stated intention rather than observed subsequent behaviour, which is a common but recognised limitation in survey-based service-recovery research.

Future research could usefully extend this study through a multi-outlet comparative design across value-format retailers, a longitudinal design tracking the same customers across multiple failure-recovery episodes, or a comparative study contrasting recovery practices across organised retail formats (value supermarkets, premium supermarkets, and hypermarkets) to test whether the relative weighting of justice dimensions observed here holds across formats with different customer expectation baselines.

9. Conclusion

This paper examined service recovery and complaint management at the D-Mart supermarket outlet in Ongole, Andhra Pradesh, addressing a gap in the Indian organised-retail literature, which has concentrated predominantly on service quality delivery rather than on the recovery process that follows a service failure. Using primary survey data from 150 customers and a supporting management interview, the study found that billing and stock-availability issues are the most frequently reported failure types, that interactional justice is the strongest predictor of post-recovery satisfaction among the three justice dimensions examined, and that a service-recovery-paradox effect on repurchase intention is observable but conditional on the failure being a single, non-recurring incident rather than a repeated one. These findings suggest that, for a cost-efficiency-oriented value retailer, investment in frontline interactional skills offers a comparatively low-cost route to improved recovery outcomes, while addressing the root causes of the most frequent failure types remains necessary to prevent the erosion of loyalty associated with repeated service breakdowns. As organised retail continues to expand into tier-2 towns such as Ongole, complaint management and service recovery deserve sustained empirical attention alongside the service-quality-delivery focus that has dominated the literature to date.

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