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Understanding effects of co-creation on cognitive, affective and behavioral evaluations in service recovery: An ethnocultural analysis



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ABSTRACT

While cognitive, affective and behavioral consequences of service recovery have been extensively explored in the literature, the role of co-creation is mostly neglected. Most efforts dedicated to investigating co-recovery are limited to cognitive and behavioral factors. Furthermore, most of the recent studies explored co-recovery on western and eastern cultures, ignoring the role of ethnics in countries with different sub-cultures. This study aims to discover all possible factors on service recovery procedure, focusing specifically on effects of co-creation. Thus, a 2(distributive justice: high/low) × 2(interactional justice: high/low) × 2(procedural justice: high/low) × 2(co-creation: yes/no) × 2(ethnicity: Azerbaijani vs. Baluch) between-subjects factorial design experiment was performed. A sample of 977 Iranian mobile banking customers participated in the study. Results of Structural Equation Modeling (SEM) indicate that most cognitive, affective and behavioral factors were supported by predictors. In addition, Multi-group SEM reveal that co-creation increases effects of most positive nature variables except negative emotions which is conceptualized as negative nature factor. The results of cultural differences indicate that Azeri people are more intended to participate in co-creation programs, whereas Balochs are more loyal due to higher level of reuse intentions.

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1. Introduction

Bank A intended to promote its competitive advantage by implementing its strategic plan of customer interaction, new services development and solving problems caused by service failure in different regions of Iran. Thus, Amin and a number of other managers were appointed in charge of customer support, interaction and services departments in provinces. Amin was expected to develop innovative strategies and provide new services in interaction with customers. He realized that customer interaction in his region lags behind those of other regions. He also realized a big difference in the performance of different regions. He came to understand that incentive and interactive regulations of the central headquarters of the Bank provoked greater customer interaction in some regions, compared to others, though all regional

staffs were equally trained throughout the country. Furthermore, Amin reported that these regions had distinctive cultural-racial contexts. Thus, he concluded that incentive and interactive regulations of the central headquarters of the Bank should be developed based on the specific culture of the target region rather than the culture of central office administrators.

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The ever-increasing number of service businesses and the competition between companies to win and retain more customers add to the value of product quality. Nevertheless, managers know well that service delivery failure can significantly degrade corporate reputation and may lead to widespread negative word of mouth (NWOM), if not recovered appropriately (Blodgett et al., 1993). Studies indicate that the incidence of NWOM can influence up to 20 individuals (Zemke, 1993). Accordingly, great attempts have been made to find the most optimal strategy for failure recovery, reporting that a successful recovery consists of apology, compensation, explanation, and speed of response and inspires positive emotions among customers (del Río-Lanza et al., 2009). This, in turn, promotes levels of satisfaction (Schoefer, 2008), loyalty (Chebat and Slusarczyk, 2005), repurchase intention (DeWitt et al., 2008) and positive WOM (Maxham, 2001). These findings are mostly relevant to developed countries, and seem to contradict those found in other demographic and cultural contexts. For instance, Mostafa et al. (2015) reported that staff

courtesy and problem solving increases post-recovery evaluations among Egyptian consumers, but apology has no significant effect on them. Similarly, Nikbin et al. (2011), Ghalandari et al. (2012) showed that some dimensions of perceived justice have no significant effects on satisfaction and positive WOM among Iran Airline customers. In this regard, Vargo and Lusch (2004) proposed S-D logic, emphasizing on the role of customers in co-creation of values. Accordingly, co-creation was introduced into the literature of failure recovery, being renowned as co-recovery. Results of studies in this area confirmed that co-creation promotes post-recovery evaluations (Park and Ha, 2016; Roggeveen et al., 2012; Xu et al., 2014b). Nevertheless, Xu, Marshal et al. (2014) found that, in the process of co-recovery, post-recovery evaluations are perceived differently in western and eastern cultures.

Culture is a set of individual's learned values, norms and beliefs that form a certain set of behaviors and significantly affect the perception of services (Liu et al., 2001). It provides building blocks of one's mental planning and core values (Becker, 2000). In general, culture is perceived to represent a nation (Jeng and Kuo, 2012; Wong, 2004); however, it may stem from a host of resources including religion, racial and ethnic origins, and social class. Any of these subcultures may entail some codes of behavior and beliefs different from the dominant national culture and, consequently, affect one's perception of a failed service. Baker et al. (2008) demonstrated that blacks show severe reactions to failure. In the same vein, Mattila and Patterson (2004a) found that perceived justice and customer satisfaction in post-recovery behavior differ in the U.S and Malaysia as an Islamic country. Malaysians showed higher levels of satisfaction and perceived justice when the failure was not compensated, whereas Americans showed improved evaluations only when they were compensated for the failure. However, the majority of studies on cross-cultural differences in service recovery focus on a nation with an independent and integrated culture (Mueller et al., 2003; Ringberg et al., 2007), neglecting its potential subcultures. In fact, they mostly tend to be cross-national rather than cross-cultural. Moreover, spotlights of these studies are predominantly developed and emerging economies such as the U.S, Europe, Australia and Eastern Asia. Scientific databases reveal that quantitative studies on service failure have been performed in the Middle East, particularly in Iran as a

developing economy with considerable potential for rapid economic growth. Meanwhile, Hofstede (2015) shows that cultural indexes in Iran differ from all western and eastern countries investigated by far.

Therefore, the present study undertakes to address the following issues. First, it provides a comprehensive theoretical framework to examine post-recovery evaluations in Iran (see Fig. 1). Second, it examines consumers' emotional reactions to co-recovery since they highly influence post-recovery evaluations (2008) but have been ignored in the literature. Third, considering the fact that co-creation is not studied in Iran, the study explores effects of co-creation on post-recovery evaluations. Finally, results obtained from two ethnic groups with different cultural themes (Azeri and Baloch), along with their willingness to co-create in future, are analyzed.

2. Theoretical framework

2.1. Justice theory

The justice theory of Adams (1963) has been adopted as a powerful vehicle in predicting customer perceived emotions and behavioral intentions following a service failure. According to this theory, customers tend to evaluate the fairness with which complaints are handled from three different perspectives: distributive justice, procedural justice, and interactional justice (Blodgett et al., 1997; McColl-Kennedy and Sparks, 2003).

Distributive justice (Adams, 1965) is customers' perceived fairness of economic or social outcome after they complain about a service problem. Distributive justice in service recovery is measured by "justice", "fairness", "need", "value", and "reward" of outcomes (Chebat and Slusarczyk, 2005; Smith et al., 1999; Wirtz and Mattila, 2004). Procedural justice distinguishes policies and procedures used to resolve the complaint (Thibaut and Walker, 1975) and refers to "the perceived fairness of policies, procedures, and criteria used by decision makers to arrive at the outcome of a dispute or negotiation" (Blodgett et al., 1997, p. 189). The specific methods suggested for measuring procedural justice in service recovery are "timeliness", "promptness", "approach", "flexibility",

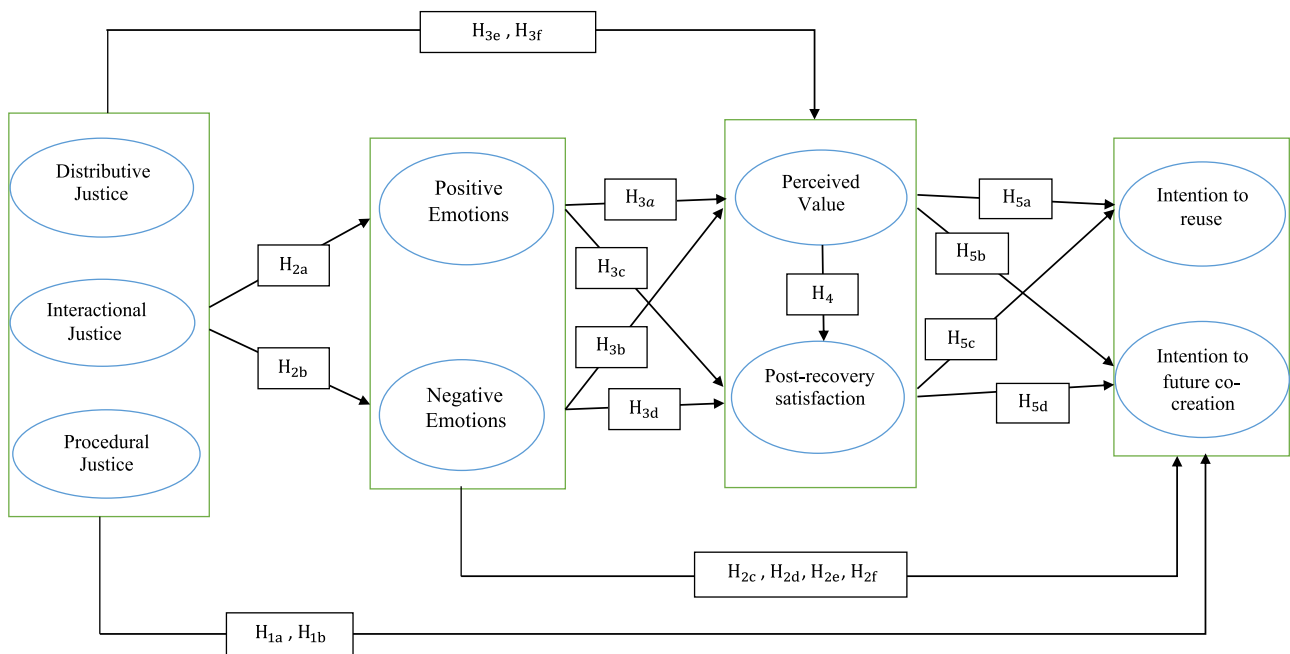


Fig. 1. Conceptual framework.

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