



Group service recovery strategies effectiveness: The moderating effects of group size and relational distance[☆]



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ABSTRACT

The extant service recovery literature focuses on consumers' responses to individual failures. However, group service failures are in fact common, but they have received insufficient research attention. This study contributes to theory and practice by applying social impact theory to explain the social nature of group failures. Findings from two studies show that group size and relational distance substantially affect consumers' response to group service recovery strategies. Specifically, private economic recovery creates less consumer satisfaction as group size increases, whereas consumers with a distant social relationship are more satisfied with public recovery for both economic recovery and social recovery. However, consumers with close relationships are more satisfied with public economic recovery and private social recovery. Apart from offering practical insights, this study expands the theoretical understanding of service failures, suggesting that they occur in a complex social ecology instead of relatively simple dyadic interactions between service providers and consumers.

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1. Introduction

Group service failures are common in the marketplace, but they receive scant attention in the service literature. Continuous cost reduction pressures and technological advancements (including information and automation technologies) have encouraged firms to standardize their service offerings for a mass group of customers. However, when a service component fails, a large group of consumers suffers. Flight delays are a common example.

What can a firm do to recover if its service failure affects a group of consumers? The extant literature mainly focuses on resolutions for failures that involve just a single customer (Grégoire, Tripp, & Legoux, 2009; Hess, Ganesan, & Klein, 2003; Smith, Bolton, & Wagner, 1999). The literature includes limited discussion of the social nature of group failures. Social presences, regardless of whether they are interactive (Argo, Dahl, & Manchanda, 2005), influence how consumers react to recovery offers. Zhou, Huang, Tsang, and Zhou (2013) identified individual and group service recovery strategies. However, what they proposed are only general approaches; the complex social ecology of a group

further influences the effectiveness of recovery strategies. Building on social impact theory (SIT; Latané, 1981), this paper contributes by identifying two situational factors, group size and relational distance, that moderate consumer response to marketers' recovery efforts.

This research empirically tested hypotheses via two studies. Study 1 tests the effect of group size on consumers' satisfaction with group service recovery strategies. Results show that private economic recovery creates significantly less consumer satisfaction as group size increases. Study 2 verifies the impact of relational distance and confirmed that consumers who share a distant relationship are more satisfied with a public recovery strategy for both economic recovery and social recovery, while consumers sharing a close relationship are more satisfied with public economic recovery and private social recovery.

This paper contributes to the service recovery literature by highlighting the social nature of group failures. The study increases understanding of the complex social ecology of group failures. Because group service failures are increasingly common in today's marketplace, our findings should be highly relevant for academic researchers as well as practitioners.

2. Theoretical background and research framework

2.1. Individual and group service recovery strategies

The highly personal and interactive nature of service makes it vulnerable to failures (Chebat & Slusarczyk, 2005; Hess et al., 2003;

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Magnini & Karande, 2009). Service failures cause economic, physical, and/or psychological losses for consumers and lead to numerous adversarial consumer responses, including complaining, brand switching, negative word-of-mouth, and retaliation (Bitner, Booms, & Tetreault, 1990; Grégoire et al., 2009; Zhou, Tsang, Huang, & Zhou, 2014). How to make an effective recovery is a topic of great interest to marketing executives.

The extant studies focus on individual service recovery strategies and suggested that remedies can be provided through two major recovery dimensions: economic recovery and social recovery (Bitner et al., 1990). Examples of economic recovery include monetary compensation, partial refunds, and discounts for future purchases. Regardless of whether the failures cause economic loss or psychological suffering, economic recovery offers direct and quantifiable compensation and, thus, is commonly viewed as a basic recovery strategy (Boshoff, 1997; Smith et al., 1999). Social recovery includes explanation and apology that can comfort customers and compensate for their psychological distress (Hart, James, & Sasser, 1990; Michel, 2001); both economic recovery and social recovery positively contribute to recovery effectiveness.

In the extant literature, whether to offer economic and/or social recovery depends mainly on individual factors. For example, a consumer's encounter with failures of different natures (Hess et al., 2003; Kelley, Hoffman, & Davis, 1993; Smith & Bolton, 1998; Smith et al., 1999), how an individual consumer attributes a service failure (Hess et al., 2003; Swanson & Kelley, 2001), his/her preferences (Ringberg, Odekerken-Schröder, & Christensen, 2007), expectations (Andreassen, 1999; McCollough, Berry, & Yadav, 2000), and relationship with the firm (Grégoire et al., 2009; Hoffman & Kelley, 2000; Kwon & Jang, 2012).

Apart from what (economically or socially) to recover, an additional issue that group service recovery must consider is how a firm offers recovery. In a group failure, a firm has the option to recover each affected customer through individual means (private recovery) or to recover the whole group with mass means (public recovery). Generally speaking, consumers are more satisfied with public economic recovery and private social recovery (Zhou et al., 2013). However, a group exists in a complex ecology; does this general understanding apply to groups with specific characteristics, including various group sizes and participants with differing intimacy in the social relationship? Our research sheds light on this issue.

2.2. Social impact theory

Latané offers a general theory of social influence through social impact theory (SIT). Social impact, in Latané's conceptualization, means “changes in physiological states and subjective feelings, motives and emotions, cognitions and beliefs, and values and behavior, that occur in an individual, human or animal, as a result of the real, implied, or imagined presence or actions of other individuals.” (Latané, 1981, p. 343). Simply speaking, SIT explains how a source influences a target, but more importantly, as Latané argued, SIT is capable of integrating two historically separate research streams: social influence from the majority (e.g., group pressure, social validation) and social influence from the minority (e.g., opinion leadership) into one general theory (Latané & Wolf, 1981). Latané explained the application of SIT in various social-influence contexts, including conformity, diffusion of responsibility, and embarrassment. Other scholars (e.g., Argo et al., 2005) have applied SIT in consumer research, arguing that a non-interactive social presence is sufficient to create social impact.

SIT argues that social impacts are determined by three multiplicative social forces: (1) Strength of the source. Strength refers to “salience, power, importance, or intensity of a given source to the target” (Latané, 1981, p. 344). Latané used a relatively loose definition of this concept. Strength can be sourced from age, knowledge, power,

authority, and socioeconomic status and its influence is well documented in the literature related to conformity, celebrity endorsement, obedience, and opinion leadership, among others. (2) Immediacy. Immediacy refers to “closeness in space or time and absence of intervening barriers or filters” (Latané, 1981, p. 344). (3) Number of people present. “Number” simply means “how many people are there” (Latané, 1981, p. 344).

2.3. Social impact theory in group service recovery: group size and relational distance

We applied SIT and identified two social forces that differentiate individual recovery from group recovery: group size and relational distance. When Latané proposed his social forces in SIT, they were presented in a relatively abstract form. We refined his definition for a group recovery context: “Group size” refers to the number of affected consumers in a group service failure; “relational distance” is the level of intimacy among affected consumers in a service failure.

Group size may represent a major antecedent condition that enables or prevents successful outcomes of specific customer recovery strategies. Prior research has demonstrated that the greater the number of people present, the more significant the social influence on outcomes is (Griffitt & Veitch, 1971; Jackson & Latané, 1981; Langer & Saegert, 1977; Latané & Harkins, 1976). Research related to group service recovery has shown that consumers are more satisfied with public economic recovery and private social recovery (Zhou et al., 2013). Hence, we hypothesized that:

H1. Group size positively affects consumers' responses to recovery modes. Specifically, (a) public (private) economic recovery creates more (less) consumer satisfaction as group size increases and (b) public (private) social recovery creates less (more) consumer satisfaction as group size increases.

With respect to relational distance, consumers sharing distant relationships form a specific group due to incidental factors (i.e., group failure). Members in such groups have no intrinsic links. This kind of relationship is loose, resulting in instability in the group structure. Affected consumers sharing a close relationship have been more intrinsically linked. Compared to the loose structure, the intimate group structure exerts more significant social influence (Latané, 1981). For example, the more intimate one party is with another person, the less psychologically distant that person typically seems, and vice versa. Usually, people perceive psychologically distant events in terms of relatively abstract features. In contrast, psychologically close events are perceived in terms of detailed features (Trope, Liberman, & Wakslak, 2007).

According to relational distance theory, affected consumers sharing a distant relationship may pay more attention to the big picture of the recovery offer (what a firm offers) and assess whether or not the content can recover their loss. Customers in a failure group sharing a close relationship will, in addition to what is offered, pay attention to how they are recovered (recovery modes). Thus,

H2. Increases in relational distance positively affect consumers' responses to recovery modes. Specifically, only for affected consumers sharing a close relationship in a service failure group, (a) public (private) economic recovery creates more (less) consumer satisfaction and (b) public (private) social recovery creates less (more) consumer satisfaction.

3. Study 1: group size and recovery effectiveness

3.1. Design and participants

The objective of study 1 was to test H1, which hypothesized that group size positively affects consumers responses to recovery modes. Study 1 was a 2 (group size: small group, big group) × 2

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