



# Adverse behavioral and relational consequences of service innovation failure<sup>☆</sup>



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## ABSTRACT

This study uses a scenario-based online survey to examine how service innovation failure may cause consumer avoidance behavior and impair the quality of the consumer–brand relationship. The results of structural equation modeling of 424 responses reveal that dysfunctional service behavior causes anti-consumption and dysfunctional customer behavior, which eventually lead to a poor-quality brand relationship. This study shows how unsuccessful service innovation may give rise to adverse behavioral and relational consequences among consumers and suggests that frontline employee training should focus on the efficient delivery of innovative service.

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## 1. Introduction

The quality of the consumer–brand relationship (hereafter, brand relationship quality, BRQ), in particular one that enhances referrals and repurchases, contributes greatly to the financial outcome of a brand. Conversely, inauspicious BRQ may diminish brand power and threaten a brand's financial growth (Reichheld, 2006). Inattention to circumstances unpropitious to BRQ may eventually hurt a brand.

Of all perils, consumer avoidance is most likely to harm BRQ (McCull-Kennedy, Patterson, Smith, & Brady, 2009). Potential downsides of BRQ and brand pitfalls that may cause adverse BRQ through consumer avoidance responses are of great concern; however, past research focuses largely on fostering favorable BRQ at the organizational level to promote favorable consumer behavior (e.g., He, Li, & Harris, 2012; King & Grace, 2012; Lopez & Sicilia, 2013; Mosley, 2007; Quinton, 2013; Sargeant, Hudson, & West, 2008). As such, the current study addresses this void in an attempt to unveil the adverse effects of brand failure on BRQ and the relevant intervening factors.

Brand failure arises for various reasons; among these, innovation failure notably devastates brand evaluations (Liao & Cheng, 2013, 2014). Innovation failure is detrimental not only to brand performance but also to BRQ (Grégoire & Fisher, 2006). Compared to other factors affecting brand failure, innovation failure is mostly an organizational

issue, possibly emerging at any stage during the innovation development and delivery process (Patrício, Fisk, & Cunha, 2008). Such a process is critical not only to the success of an innovation but also to consumer reactions and BRQ, especially during the rollout of the innovation. Consequently, this study examines the influence of organizational-level characteristics of innovation failure on consumer post-avoidance reactions and their inherent adverse impacts on BRQ.

The present study contributes to the literature in several ways. This study (1) increases research attention on the downside of BRQ and the related brand failure antecedents, important issues in need of theoretical and empirical scrutiny; (2) adopts an organizational perspective to account for the failure effects emerging from the innovation itself and the facilitators (i.e., employees); (3) sheds light on how an innovation failure might trigger consumer post-avoidance reactions and subsequently damage BRQ; and (4) provides insight into how firms can prevent undesirable behavioral and relational backlash among consumers.

## 2. Theoretical bases

### 2.1. Service sabotage framework

The conceptual premise underlying the proposed research model is based on the framework of service sabotage, which investigates the antecedents and consequences of deviant behavior by those providing services (Harris & Ogbonna, 2002). Organizational factors (a firm's culture and surveillance of the service-delivery process) are critical predictors of service behavior. Employee perceptions of the ineffectiveness of an organization may lead to dysfunctional service behavior, which may result in unfavorable service performance (Harris & Ogbonna, 2006). This study extends the concept of service sabotage to consumer post-avoidance behaviors and investigates the impact of various factors

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involved in organizational-level innovation failure, including dysfunctional service behavior, on consumer avoidance and consequential brand performance.

2.2. Organizational-level characteristics of service innovation failure

Consumers are most likely to avoid innovations that do not meet their functional and psychological needs (Ram & Sheth, 1989). An organization's inability to satisfy these needs may result in innovation failure, especially if consumers constantly encounter functional and psychological barriers during the use of innovations. Because services are produced and purchased simultaneously, consumers may continue to experience the barriers throughout the delivery process and consequently refrain from adopting the new service.

Employees provide a “moment of truth” in that their interactions with customers can redeem a service failure (Smith & Bolton, 2002) and build rapport with customers (Gremler & Gwinner, 2008). Because innovation often requires knowledge from consumers in relation to usage, employees' interactions with consumers during innovation delivery are essential to brand performance and strongly influence consumer reactions (i.e., approach or avoidance behaviors) (Harris & Ogbonna, 2002).

2.3. Post-failure consumer avoidance reaction

With a growing interest in the relationship between post-avoidance and BRQ (Fournier & Alvarez, 2013), previous studies focus on anti-consumption (Johnson, Matear, & Thomson, 2011). Anti-consumers often resist with passion, which makes their avoidance behaviors four times more persuasive than positive communication (Yüksel & Mirza, 2010). Widely publicized negative information can dramatically jeopardize BRQ (Fournier & Alvarez, 2013).

Bad innovation experiences during service encounters are likely to lead to anti-reactions (Berry et al., 2010; Daunt & Harris, 2012). Severe post-avoidance refers to more extreme reactions, such as dysfunctional customer behaviors considered disreputable to a brand in the exchange setting (Reynolds & Harris, 2009). Such behaviors include physical and verbal abuse toward a specific brand's employees, merchandise, financial assets, and other customers, resulting in so-called domino effects that damage BRQ (Fisk et al., 2010).

3. Research model and hypotheses development

Building from the preceding theoretical bases, this study proposes several characteristics of service innovation failure that constitute organizational-level determinants of consumer post-avoidance and

consequent adverse effects on BRQ. First, this study posits that functional and psychological barriers and dysfunctional service behavior are organizational factors that result in consumer post-avoidance and subsequent adverse effects on BRQ. Second, anti-consumption and dysfunctional customer behavior are consumer post-avoidance reactions that mediate the relationship between organizational-level innovation failure characteristics and adverse effects on BRQ. Fig. 1 presents the research model.

Innovations that fail to overcome functional barriers may result in consumer dissatisfaction (Oliver, 2010), which may cause anti-consumption reactions (Fisk et al., 2010; Huber, Vollhardt, Matthes, & Vogel, 2010). Dissatisfaction with defective products also gives rise to verbal complaints from consumers (Chelminski & Coulter, 2011). In particular, knowledge of the perceived risks of using an innovation engenders opposition to the innovation (Ganiere, Chern, Hahn, & Chiang, 2004).

When consumers find that a product's functional defects have been left unrepaired, they may attempt to punish the firm in response (Grégoire, Laufer, & Tripp, 2010). The desire for revenge drives dysfunctional customer behaviors, such as malicious negative word-of-mouth (Fisk et al., 2010; Grégoire & Fisher, 2008). The worst consumer rage is arguably physical expression, such as bodily harm to service employees (McColl-Kennedy et al., 2009).

Perception of functional barriers causes innovation resistance (e.g., Antioico & Kleijnen, 2010). Because the consumer-brand relationship cannot grow without consumer commitment (Morgan & Hunt, 1994), a failure to fend off such perceptions may shatter BRQ. Therefore:

- H1. Functional barriers to service innovation will lead to anti-consumption.
- H2. Functional barriers to service innovation will lead to dysfunctional customer behavior.
- H3. Functional barriers to service innovation will lead to adverse BRQ.

Kleijnen, Lee, and Wetzels (2009) identify two barriers related to consumers' psychological needs: tradition and perceived image. When an innovation involves cultural and social changes that require adjustments to established norms or traditions, greater deviations will invoke greater resistance to the innovation (Herbig & Day, 1989). Because an innovation's characteristics are sometimes unobservable, consumers may derive perceptions toward the innovation from stereotypes, rumors, or other indirect, non-experiential cues (Ram & Sheth, 1989). Stereotyped thinking is likely to impede the adoption of an innovation (Molesworth & Suortti, 2002). As such, innovations that contradict

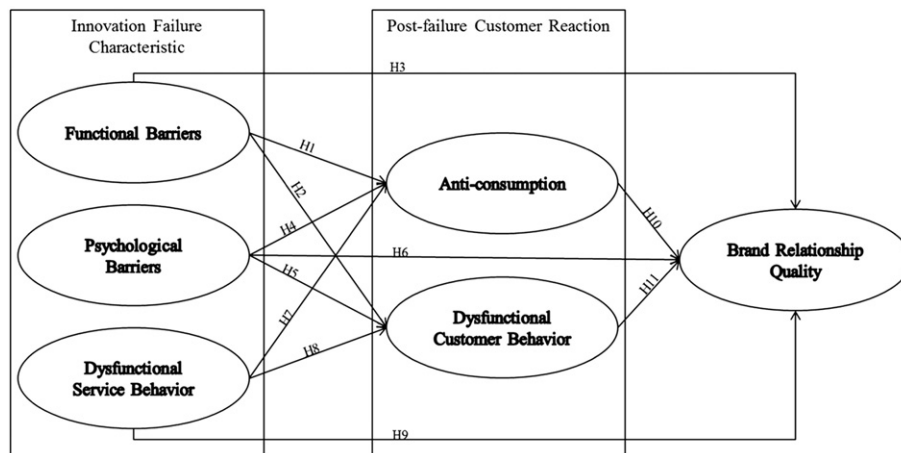


Fig. 1. Research framework.

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