Effects of service failure on consumer responses across failure types: A moderating role of intimacy

Seongun Jeon [a], Jonathan S. Kim [b,*]

[a] Business School, Seoul National University, 1, Gwanak-ro, Gwanak-gu, 151-916 Seoul, Republic of Korea
[b] Business School, Hanyang University, #412, 17 Haengdang-dong, Seongdong-gu, Seoul, Republic of Korea

ARTICLE INFO

ABSTRACT

This paper investigates a moderating role of intimacy in two service failure types (outcome and process failure), considering two consumer responses: buffering and betrayal effect. Study 1 employs a 3 (failure type: no vs. outcome vs. process) × 2 (intimacy level: high vs. low) experimental design. Findings show that in case involving outcome failure, a high intimacy group has higher service evaluations (satisfaction, re-patronage intention, and positive word-of-mouth intention) than a low intimacy group, substantiating the existence of buffering effect. In case involving process failure, however, service evaluations are not different depending on the level of intimacy, invalidating the existence of betrayal effect. Study 2 analyzes the effects of intimacy (high vs. low) on service evaluations in the setting of process failure and following failed recovery. The results reveal that betrayal effect is indeed present in times of double deviation, process failure and following failed recovery. Consequently, this research offers service providers practical insights on how to utilize intimacy based on the classification of service failure types.

© 2016 Australian and New Zealand Marketing Academy. Published by Elsevier Ltd. All rights reserved.

CHINESE ABSTRACT

本文探讨了在两类服务失误 (结果失误和过程失误) 中亲近关系起到的调节作用，考虑两种消费者的反应：缓和效应和背叛效应。研究1采用3 (失误类型：无失误 vs. 结果失误 vs. 过程失误) × 2 (亲近关系：高 vs. 低) 的实验设计。实验结果表明，结果失误的情况下，高亲近度组对服务评价 (满意度、再次光顾的意愿和推荐口碑的意愿) 比低亲近度组更高，证实了缓冲效应的存在。然而，在过程失误的情况下，亲近程度对服务评价并没有太大影响，表明不存在背叛效应。研究2分析了在先后经历了过程失误和修复失败后，亲近程度 (高 vs. 低) 对服务评价的影响。结果表明，背叛效应在经历了双次失误 (过程失误和修复失败) 后确实存在。因此这项研究向服务提供商提供了实用的信息，让他们了解如何根据服务失误类型利用亲近关系改善评价。

© 2016 Australian and New Zealand Marketing Academy. Published by Elsevier Ltd. All rights reserved.

1. Introduction

"You don't bring me flowers, you don't send me flowers, you don't sing me love songs, you hardly talk to me anymore …"

This is how a popular love song by Barbara Streisand and Neil Diamond begins. As Barbara and Neil sing, what was so natural in the past counts no more when the relationship is taken for granted. It even applies to the business landscape where service providers often fall in the trap of neglecting regular customers (Blount, 2010). Unfortunately, service providers often forget a well-publicized principle that an increasing customer retention rates by 5% increases profits by 25% to 95% (Frederick and Sasser, 1990).

The underlying cause of such an unfortunate event lies in service providers' excessive reliance on intimacy. Service providers tend to maintain a high level of intimacy with their customers hoping that small mistakes can be understood. However, they get in the habit of asking for tolerance regardless of how customers actually feel. Intimacy is literally the double-edged sword. Consumers can either understand the service failure or feel hugely disappointed about it when they are intimate with their service providers (Jeon et al., 2013; Park, 2007). The former is buffering effect, mitigating feelings thanks to the high level of intimacy (Park, 2007); whereas the latter is betrayal effect, magnifying feelings due to the high level of intimacy (Holloway et al., 2009; Jeon et al., 2013). Such effects can explain conflicting consumer responses after service failure but have not been studied in depth yet. Specifically, previous research has failed to uncover in which circumstances the two different consumer responses, buffering and betrayal effect, would occur.

Table 1
Initial classification of service failure types.

Group 1.	Group 2.	Group 3.
Employee response to service delivery system failures	Employee response to customer needs and requests	Unprompted and unsolicited employee actions
1A. Response to unavailable service	2A. Response to "special needs" customers	3A. Attention paid to customer
1B. Response to unreasonably slow service	2B. Response to customer preference	3B. Truly out-of-the-ordinary employee behavior
1C. Response to other core service failures	2C. Response to admitted customer error	3C. Employee behaviors in the context of cultural norms
–	2D. Response to potentially disruptive others	3D. Gestalt evaluation
–	–	3E. Exemplary performance under adverse circumstances

('–': non-exist).
Source: Bitner et al. (1990).

It is thus important to specify service failure types and apply them to the research on the influence of intimacy. Using the categorization from the prior research, we aim to empirically analyze how consumers maintaining different levels of intimacy respond to two types of service failure: outcome and process failure (Smith et al., 1999). Given that when a customer has a high level of intimacy with a certain service provider, the influence of outcome failure that frequently occurs in normal transactions would be mitigated while the impact of process failure that is accompanied by negative emotions would be magnified. Consequently, this research is expected to offer service providers practical insights on when to relax or worry while making use of intimacy based on the classification of service failure types.

2. Theoretical background

2.1. Intimacy

Intimacy is one of the most important factors that significantly influence consumer responses but has rarely been explored in the field of marketing. So far, intimacy was defined to be the disclosure of information shared only within that specific relationship (Hansen, 2003). More recently, Brock and Zhou (2012) focused on high levels of closeness and mutual understanding between customers and suppliers to define intimacy. However, we will adopt following definition from prior research:

Intimacy is a customer's willingness to share personal information and emotion as well as expectations for future transactions based on a long-term relationship with a service provider.

Jeon et al. (2013)

This paper will further focus on social and process/psychological intimacy among five types: no intimacy, social intimacy, physical intimacy, process/psychological intimacy, and sexual intimacy (Beetles and Harris, 2009) for its particular service setting, the hair industry.

Previous research has shown that intimacy works as a critical moderator when customers experience service failure. Jeon et al. (2013) found that customers were more likely to be disappointed with service failure once they maintain a high level of intimacy with their service providers. Accordingly, service providers were asked to prevent service failure from the beginning as close customers were most satisfied in the absence of service failure. In reality, however, it is almost impossible to prevent the entire service failure as service is meant to be out-of-control for its characteristics (Parasuraman et al., 1985; Wolak et al., 1998) and its external factors (e.g., weather or customer's ever-changing emotion) being out of control (Tax et al., 1998). Meanwhile, albeit not exactly studied in terms of intimacy, Park (2007) revealed that customers were more thoughtful in handling service failure based on the rapport accumulated through close relationships. That is, service providers could focus on building great rapport with their customers to protect themselves from the detrimental

effect of service failure. It is still unlikely that customers would forgive service failure regardless of its kind and severity. Therefore, we should ultimately approach the research on the influence of intimacy by specifying service failure types. We will subdivide the service failure types into outcome and process failure, in which the high level of intimacy between customers and service providers would result in different consumer responses.

2.2. Service failure types

Research on service failure types has consistently existed since 1990s. Initially, general types of service failure were analyzed from a customer perspective across hotel, airline, and restaurant industry based on the three groups: employee response to service delivery system failures, employee response to customer needs and requests, and unprompted and unsolicited employee actions. (Bitner et al., 1990) (see Table 1). Following research on service failure (Forbes et al., 2005; Hoffman et al., 1995, 2003; Kelley et al., 1993) was carried out adopting the initial classification scheme by Bitner et al. (1990).

Subsequently, classification schemes of retail failures were developed into 11 types (Kelley et al., 1993), and typologies of service failures in the restaurant industry were identified into 15 types (Hoffman et al., 1995). Then, previous service failure types were grouped into outcome and process failure. Outcome failure is the situation when service providers consequently fail to provide the service that customers want, while process failure means the incident when service providers are flawed in the process of providing service (Smith et al., 1999). More recently, typologies of servicescape failures (Hoffman et al., 2003) and e-commerce/e-tail service failures (Forbes et al., 2005) were also identified. The entire finding is reorganized in Table 2. The standard of categorization combines overlapping failure types such as 'employee attention failure' and 'inappropriate behaviors' into a single category, 'employee attitude/behavior problem'.

As shown in Table 2, previous failure types were hardly generalized as they varied depending on the type of service industry until the development of outcome and process failure. The example of outcome failure is the financial loss such as '3A. Mischarged' as a result of employee pricing error (Hoffman et al., 1995; Kelley et al., 1993) or '1C. System pricing' failure due to incorrect pricing information contained in the scanner pricing system (Kelley et al., 1993) and website error (Forbes et al., 2005). Another example of outcome failure is the loss in goods as in the case of '3E. Wrong order', delivery of wrong product or packaging of an incorrect fast food item (Hoffman et al., 1995). This type also includes '3F. Lost order', the customer's order being misplaced and never fulfilled (Hoffman et al., 1995). On the other hand, process failure is typically accompanied by the loss in symbolic resources such as self-esteem or status. The example of process failure is 'inattentive service' that is representative in two different service settings, restaurants and hotels (Smith et al., 1999). Another example of process failure is '2A. Special order/request' in which service providers fail to cope with customers' special demands (Forbes et al., 2005; Hoffman et al., 1995, 2003;