



Please explain why it happened! How perceived justice and customer involvement affect post co-recovery evaluations: A study of Iranian online shoppers



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ABSTRACT

As online shopping is growing, the probability of service failure is increasing, too. Therefore, online retailers need to employ particular recovery strategies in online setting. Online shopping relies more on information and communication rather than traditional shopping. In addition, involving consumers in co-recovery procedure triggers them to perceive post-recovery satisfaction higher than usual, hence, resulting enhancement behavioral intentions (i.e. positive word-of-mouth, repurchase intention, loyalty, intention to future co-creation). While recent researches in online shopping did not examine the impact of informational justice and co-recovery, this study aims to investigate the influence of four justice dimensions (e.g. distributive, procedural, interactional and informational) by mediating role on involvement on post-recovery satisfaction. Thus, a scenario-based, between-subjects experiment was performed to reduce extreme memories and biases of the subject matter. A sample of 278 Iranian online shoppers from two shopping websites (i.e. Digikala and Bamilo) was employed to analyze data. Covariance-Based Structural Equation Modeling (CB-SEM) was employed to analyze data. First, the measurement model was performed to check validity and reliability of the constructs involved in the conceptual framework. Then, proposed hypotheses were tested using structural model. Results show that justice dimensions are positively associated with post-recovery satisfaction. Also, it is confirmed that involvement is mediator between justice dimensions and satisfaction, which means customers participation in recovery procedure is necessary in online post-recovery assessment. These findings also suggest that informational justice should be consider as a crucial factor in online shopping, particularly online recovery. Results suggest that managers should be generous to share information with customers and explain them what is the reason of failure, in detail. Finally, post-recovery satisfaction is positively related to behavioral intentions such as positive word of mouth, loyalty; repurchase intention and future co-creation tendency.

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1. Introduction

Online shopping is growing faster than any moment in history of commerce and attracting many consumers to choose shopping online instead of traditional shopping channels. This new type of shopping mode, also known as e-shopping, online shopping, network shopping, Internet shopping, or Web-based shopping, featuring in freeing consumers from having to personally visit physical stores, is anticipated to greatly change

people's everyday lives (Hsiao, 2009). Online shopping is changing the nature of consumer purchase behavior and it has many advantages over traditional delivery channels (Clemes et al., 2014). It is confirmed that online shopping experience is not the same as in-store shopping experience (Trevinal and Stenger, 2014). In this regard, online retailers should consider different aspects in service quality compared to traditional retailers that is called *e-service quality* (Bressolles et al., 2014; Doherty et al., 2015; Thaichon et al., 2014). Therefore, as service failure is inevitable for all providers, online shoppers encounter service failures as well as offline retailers. Holloway and Beatty (2003) showed that the reasons for online service failure are quite dissimilar to traditional service failures. While failures in the traditional retail context are often attributable to employee behavior, failures in online shopping are most commonly due to system design flaws, delivery glitches, or problematic products

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(Pizzutti and Fernandes, 2010). But, recent studies in online recovery indicate that complaint handling strategies are likely to be highly relevant in offline recoveries (e.g. Kuo et al., 2011; Lin et al., 2011; Wang et al., 2011). Hence, online recovery needs to include new factors in service recovery procedure which are specific to online shopping environment (Harris et al., 2006). Recent studies in offline recovery explored various factors that predict behavioral consequences of service recovery (e.g. Casidy and Shin, 2015; Grace, 2009; Lopes and da Silva, 2015; Roschk et al., 2013; Watson, 2012), however, these factors did not get many attentions in online recovery researches.

Service recovery studies on traditional retailing channels indicate that justice is one of the essential factors which forms consumer's perspective about recovery effectiveness (e.g. del Río-Lanza et al., 2009; Maxham and Netemeyer, 2002a; Sparks and McColl-Kennedy, 2001). These studies consider compensations as having influence on distributive justice (e.g. Hocutt et al., 2006), speed of recovery and follow-up as influencers of procedural justice (e.g. Mostafa et al., 2015) and apology, courtesy and explanation may impact consumer's sense of interactional justice (e.g. Wirtz and Matilla, 2004). Later, researchers noticed that giving an explanation to consumers can enhance customer's sense of informational justice (Bradley and Sparks, 2012; Mattila and Cranage, 2005). Furthermore, studies in traditional service recovery indicate that co-creating value with consumers can improve post-recovery evaluations considerably (Dong et al., 2008; Roggeveen et al., 2012). Therefore, sharing information and explaining the causes of occurred failure can lead consumers to participate in recovery procedure (Xu et al., 2014b). In similar vein, three dimensions of justice (distributive, procedural and interactional) were widely used as cognitive factors in online service recovery (e.g. Chang et al., 2012; Kuo and Wu, 2012), but informational justice is neglected surprisingly. It is interesting because of online shopping's nature.

In spite of traditional shopping, which human-interaction is more emphasized, online shopping is the basis of communication and exchanging information among e-retailer's website and consumers (Clemes et al., 2014). When online failure happens, consumers usually get confuse due to the lack of perceived control and appropriate explanation about the incident (Chang, 2008). Lee and Park (2010) state that lack of explanation and dishonest information provision are also the main reasons for decreasing the customer satisfaction level in the context of online failure. Online shopping recovery literature lacks on any researches that examine informational justice's impact of post-recovery evaluations.

Furthermore, co-creation is highly correlated with information sharing and communication in online sector (Füller et al., 2010). Several studies reveal that the Internet is one of the best ways of co-creating value using consumers' information and rich knowledge (e.g. Gebauer et al., 2013; Johannessen and Olsen, 2010; Zwass, 2010). Although several studies were examined the role of co-recovery and involving consumers in process of traditional service recovery (e.g. Dong et al., 2008; Roggeveen et al., 2012; Xu et al., 2014a), they fell short to investigate it in online shopping setting.

Therefore, the purposes of this study are threefold: 1), the impact of justice dimensions (i.e. distributive, procedural, interactional and informational) on post-recovery evaluations is empirically examined in online shopping environment. In this part, we hypothesize that justice dimensions have positive impact on post-recovery satisfaction, then, satisfaction considered as positive influencer of behavioral intentions. 2) The mediating role of involvement between justice dimensions and post-recovery satisfaction are investigated. Involving consumers in co-create value in recovery process is widely ignored in recent studies of online shopping. In recent studies of offline shopping recovery, the role of co-creation and involvement were examined by three dimensions

of justice (e.g. Roggeveen et al., 2012; Xu et al., 2014a); the current study tested informational justice to extends existence literature on online shopping recovery 3) this study is conducted in Iran for several reasons. First, Iran has the most Internet users in the middle-east with more than 47 million users (Internet World Stats, 2015). Iranian e-payments corporation (called *Shaparak*), which is official executive of Central Bank of Iran, reported that annual financial turnover of internet payments is more than 17.2 billion dollars in 2014 (Shaparak, 2016). The average rate of growing is about 10 percent each year. In addition, Iranian E-commerce Development Center reports that more than 9 thousand online shopping websites (ILNA, 2015). Simultaneously, online shopping is rapidly growing. For example, the most valuable startup in Iran is an online shopping website, Digikala, worth more than \$150m in 2013 (Economist, 2014); which raise to \$500m in 2015 (BBC, 2015). Another report by Iran's Internet Business Association (2015) indicate that the quantity of online shopping is growing more than 60 percent each year. Finally, Iranian governments tried to develop online transactions by providing latest mobile technology (4G) and wireless internet in urban and rural areas. Recently, some of these online retailers encountered severe failures related to delivery and payment in special shopping days like Black Friday (ITIRAN, 2015). Therefore, the context of this study, that is, Iran, is also a contribution, as most online service recovery studies to date have been conducted in Western and Eastern countries, rather than the Middle East.

The rest of this paper is organized as follows: first, we discuss the theoretical foundation and hypothesis development. Next, we present and discuss research design and procedure, the measures of latent constructs and method of data analysis in the methodology section. The research method is then presented, followed by the data analyses and model results. Finally, we conclude with managerial implications and suggestions for future researches.

2. Theoretical background and hypothesis development

Service quality is one of the main outcome of evaluation when customers are experiencing a specific service and it plays a key role in repurchasing the service or not (Ha and Jang, 2009; Solomon et al., 1985). Although customers always try to choose the best services with highest quality and they do not expect to encounter any problems, sometimes service quality is damaged by an unexpected or technical error in the service delivery process (Watson, 2012; Wirtz and Matilla, 2004). Even highly prestigious providers possibly make errors in service delivery (Hess et al., 2003) and consequently service failure occurs. Recent researches showed that service failure has some consequences such as dissatisfaction, poor perceived justice, negative word of mouth and, generally, it can has a negative impact on firm's overall image (Maxham, 2001). If a firm cannot handle the failure properly, customers may spread the story to others and advise them against the services provided by the firm (Söderlund and Rosengren, 2007). But most of the time, offline service providers choose an alternative to compensate the occurred failure. This is called as "service recovery" in marketing literature. Service recovery is an strategy that tries to rectify the failure (Gronroos, 1988; Kaltcheva et al., 2013) and clean the associated bad memories from customers mind. With regard to the effect of recovery in offline service industry, many researches have been carried out to analyze the effectiveness of service recovery strategies in different aspects such as satisfaction (Maxham and Netemeyer, 2002b), justice (McQuilken et al., 2013) and repurchase intention (Huang and Lin, 2011).

Reviewing service recovery literature indicates that almost all researches on traditional service failure handling perceived

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