



The effects of harm directions and service recovery strategies on customer forgiveness and negative word-of-mouth intentions



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ABSTRACT

This study aims to investigate the direction of harm and the role of service recovery strategies on customer positive (i.e., forgiveness) and negative (i.e., word-of-mouth) intentions. We found that customer intentions are stronger among those who are directly affected by the service failure than indirectly affected customers. Further, we assess the role of service recovery in customer intentions after the service failure. The study findings contribute to the development of theory on the “other customers” effect by comparing the consequences of service failure directed at the focal customer and other customers and provide solutions to practitioners to reduce this damaging effect.

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1. Introduction

Many service encounters occur in public places in the presence of other customers. Therefore, it is common for service failures to be witnessed by other customers, especially in high-traffic locations such as retail stores, hotels, airports, and restaurants. The idea that other customers are a significant part of a focal customer's service experience traces back to the early services literature. For example, [Belk \(1975\)](#) viewed other customers as social surroundings in his concept of situational dimensions, and [Gronroos \(1978, p. 596\)](#) acknowledged that other customers “are part of the service itself”. In addition, the Servuction model postulated by [Langeard et al. \(1981\)](#) explicitly labeled other customers who may be present in the visible area as “Customer B”. Recent empirical studies have also found that the presence and action of other customers can affect the focal customer's attitude and behavioral intention relating to the service experience ([Huang and Wang, 2014](#); [Wu et al., 2014](#)). While there has been extensive research on the effect of service failure and recovery on the focal customer ([Mattila and Cranage, 2005](#); [Smith et al., 1999](#); [Wirtz and Mattila, 2004](#)), there are very few studies of how customers react to service failures and recovery strategies given to other customers ([Zhang et al., 2010](#)). From the service provider's perspective, the relevant

question therefore is whether the effect of service recovery strategies on consumer attitude and intention is identical across direct-harm (focal customers) and indirect-harm (other customers) situations. Furthermore, how service recovery strategies can be designed to induce positive and reduce negative responses among direct-harm and indirect-harm situations should be investigated.

In this paper, we consider two types of harm directions (direct harm and indirect harm) as well as four types of service recovery strategies: none, apology, compensation, and apology and compensation (hybrid). The objective of this study is twofold. First, we aim to investigate whether significant differences exist between consumers who are directly affected and indirectly affected by service failure in terms of their positive (i.e., forgiveness) and negative (i.e., NWOM) intentions within each recovery strategy treatment. Second, we examine whether the effect of the direction of harm on consumer forgiveness and NWOM is moderated by service recovery strategies. The study hypotheses are tested using a scenario-based experiment in a service context.

2. Theoretical framework and literature review

2.1. Directions of harm

Prior studies in the psychology literature have demonstrated that witnessing unfair treatment of others may trigger certain emotional, behavioral, and attitudinal reactions even when the

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witnesses are not directly affected by the treatment (Colquitt, 2004; Van den Bos and Allan, 2001). A number of earlier studies have implicitly or explicitly integrated other customers into their service encounter frameworks (e.g., Belk, 1975; Gronroos, 1978; Langeard et al., 1981). However, none of these studies specifically focused on the influence of other customers' service failure observed by the focal customer. In service settings, studies on the role of "other customers" have largely focused on the impact of other customers' misbehavior (Grove and Fisk, 1997; Huang, 2010; Huang et al., 2010) or the presence of other customers themselves as part of the physical service environment such as in crowding situations (Tombs and McColl-Kennedy, 2003) and their effects on the customer service experience. To the best of our knowledge, only one study has attempted to investigate how customers respond to service failures that affect other customers. Based on *third-party justice theory* (Skarlicki et al., 1998) and *deontic principles of fairness*, Cropanzano et al. (2003) and Mattila et al. (2014) argue that witnessing other customers receiving unfair treatment results in a negative evaluation of fairness which ultimately affects the focal customer's own service evaluation. Mattila et al. (2014) also found that focal customers who witnessed other customers receiving unfair treatment experienced negative emotions, provided lower fairness scores, and indicated lower levels of re-patronage intentions, even though the focal customers received fair treatment themselves.

The deontic principles of fairness theory suggests that people respond to misconduct not because of their own self-interest but because of their moral obligations to do what is right (Cropanzano et al., 2003). Mistreatment can infringe on norms of moral conduct, resulting in negative emotions that drive third parties to seek retribution toward offenders for their wrongdoings. Third parties might experience strong emotions and revenge intentions even in situations when they are not closely identified with victims or are unharmed by the wrongdoings (Turillo et al., 2002). For example, in two experimental studies involving student respondents, Van den Bos and Allan (2001) found that the unfair treatment experienced by others is as powerful a consideration in the perception of justice as if the participants themselves experienced the unfair treatment.

2.2. Service recovery strategies

Effective service recovery strategies have been identified as a key element to retain customers following service failure incidents (Stauss and Friege, 1999). The actions taken by service providers to respond to service failures could drive positive customer behavior such as re-patronage intention (Smith and Bolton, 2002; Wirtz and Mattila, 2004) and WOM (Maxham, 2001), but could also lead to customer retaliatory behavior such as patronage reduction and NWOM (Grégoire and Fisher, 2006; Strizhakova et al., 2012).

The existing body of literature on consumer reactions to service failure and recovery strategies has been dominated by the application of *justice theories*, introduced in the late 1990s by multiple scholars (e.g., Clemmer and Schneider, 1996; Smith et al., 1999; Sparks and McColl-Kennedy, 1998; Tax et al., 1998). The central tenet of the theory is that customers evaluate the fairness of a service recovery based on three elements of justice: distributive, procedural, and interactional fairness (McColl-Kennedy and Sparks, 2003). Distributive fairness refers to the perceived outcome following a service failure, procedural fairness refers to the process involved in making the recovery effort, and interactional fairness refers to the way the service failure is handled by the service provider (Wirtz and Mattila, 2004). Past studies have linked apologies and compensation with consumers' perceived distributive and interactional fairness (Mattila and Cranage, 2005; Smith et al., 1999; Wirtz and Mattila, 2004). In addition, a combination of apology and compensation is also positively linked with procedural fairness (Mattila, 2001a).

In line with previous studies (Mattila, 2001b; Roschk and Gelbrich, 2014), this study integrates apology, compensation, and apology and compensation (hybrid) recovery strategies in the scenario to reflect elements of distributive, procedural, and interactional fairness. Past studies have found that the absence of apology and compensation is significantly linked with consumer grudge (Bunker and Ball, 2008), revenge intentions, and retaliatory behavior which includes patronage reduction and NWOM (Bambauer-Sachse and Rabeson, 2015; Grégoire and Fisher, 2006; Grégoire et al., 2009, 2010). However, despite the numerous studies on the utilization of apologies and compensation, there is very little examination of the effects of apologies and compensation on consumer forgiveness intentions (Joireman et al., 2013). The present study contributes to the body of literature by examining the effects of service recovery strategies on consumer forgiveness intentions.

2.3. Forgiveness: consumer positive reactions to service failure

A service failure occurs when the delivery of a service offering does not meet the customer's expectations (Sivakumar et al., 2014). While past studies have comprehensively examined customer coping methods following service failure incidents (Bose and Ye, 2015; Duhaček, 2005; Gelbrich, 2010; Sengupta et al., 2015), consumer forgiveness as a coping strategy has been overlooked in service settings (Tsarenko and Tojib, 2011). Forgiveness is a well-developed notion grounded in Judeo-Christian tradition, where it is used to refer to the removal of reprisal for transgressions (Richardson, 1962). To forgive can be defined as to "no longer feel angry about or wish to punish" something or someone (Oxford Dictionaries, 2014).

Forgiveness as a research subject has received significant attention mainly within the literature of psychology (Thompson et al., 2005; Worthington and Wade, 1999) and philosophy (Derrida, 2000; Hughes, 1995; North, 1987). Recently, however, the concept of forgiveness has received increasing interest within the marketing literature (Beverland et al., 2009; Tsarenko and Tojib, 2012; Xie and Peng, 2009; Zourrig et al., 2015), with particular attention to how consumers use forgiveness as a coping mechanism following corporate wrongdoings or product failures. Despite these recent developments, there are extant gaps in the literature on the influence of service recovery strategies on consumer forgiveness (Grégoire et al., 2009; Strizhakova et al., 2012). In particular, there is a call for research to "offer a more complete examination of the forgiveness construct by examining its positive constituents... [since] it is important to understand what leads customers to seek reconciliation or forgive after service failure episodes." (Grégoire et al., 2009, p. 29). Moreover, to the best of our knowledge, no studies have examined the effect of harm directions (i.e., direct vs. indirect) on forgiveness. Some important questions thus remain unanswered. Are customers more likely to forgive service providers if the failure does not directly affect them? Which type of service recovery is effective in influencing customer forgiveness following service failure? The present study aims to fill this research gap by addressing these questions.

2.4. Consumer negative reactions to service failure: NWOM

WOM communication involves consumers sharing their evaluation following their service experience. For example, failure incidents such as overbooking are common problems within the airline and accommodation sectors. In a three-month period between July and September 2014, 117,976 customers were denied boarding in the U.S. due to airline overbooking practices (U.S. Department of Transportation, 2014). The overbooking issue within the airline sector has been found to trigger NWOM among affected customers (Noone and Lee, 2011; Wangenheim and Bayón, 2007). Past studies have linked NWOM with fewer purchases

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