Recovery of online service: Perceived justice and transaction frequency

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ABSTRACT

Recovery of online service is an issue in need of study. The current study empirically examines (1) the relationships among perceived justice, satisfaction with recovery of online service and repurchase intention of online service/failure encounters; and (2) the moderating effects of transaction frequency on these relationships. The current study collects 187 self-administered questionnaires to gather customers' perceptions of actual online service/failure encounters. Research findings demonstrate that distributive justice, interactional justice and procedural justice can positively lead to satisfaction with recovery of online service and repurchase intention toward online service. These results further show that customers with low transaction frequency tend to focus more on interactional justice to establish their satisfaction with recovery of online service. On the other hand, customers with high transaction frequency focus more on procedural justice.

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1. Introduction

Service recovery is a topic of enduring interest in service marketing literature. Service recovery refers to the responses and activities conducted by service providers in dealing with service failures and handling customer complaints (Grönroos, 1988; Kelley & Davis, 1994). Customers' responses to service failures are often negative (Keaveney, 1995; Maxham & Netemeyer, 2002; Singh, 1990; Smith & Bolton, 2002), and when failures happen, customers expect effective recovery efforts that meet their expectations (Bitner, Booms, & Tetreault, 1990; Maxham & Netemeyer, 2002).

Previous studies in service recovery literature focused on the context of interpersonal service (e.g., Smith, Bolton, & Wagner, 1999; Tax, Brown, & Chandrashekaran, 1998) and found that perceived justice (distributive, interactional and procedural justices) positively affects customer satisfaction with service recovery (Palmer, Beggs, & Keown-McMullan, 2000; Smith et al., 1999; Tax et al., 1998). Based on these findings, justice perceptions are considered as the guidance for service recovery in the context of interpersonal service.

In addition to interpersonal service, several studies consider the recovery of online service as an issue in need of study. For example, how to prevent disconfirmation and discontinuous usage is also an important issue for online service (Kang, Hong, & Lee, 2009). Holloway and Beatty (2003) provided a typology of online service failures. Forbes, Kelley, and Hoffman (2005) summarized online service failures and recovery strategies based on a critical incident technique. Holloway, Wang, and Parish (2005) showed that distributive justice positively affects satisfaction with recovery of online service (SROS)[1].

In addition to distributive justice, the influences of interactional and procedural justices are also important (Chebat & Slusarczyk, 2005). Therefore, the research purposes of the current study are twofold: (1) the influences of three justice dimensions (i.e., distributive, interactional and procedural justices) on service recovery outcomes are empirically examined in the context of online service. Based upon justice theory, the current study hypothesizes that three justice dimensions (i.e., distributive, interactional and procedural justices) are the positive drivers of SROS. (2) The moderating effects of transaction frequency are empirically tested. Transaction frequency is an important driver of consumer attitudes and behaviors (Bettman & Park, 1980; Montoya-Weiss, Voss, & Grewal, 2003; Sheth & Parvatiyar, 1995). Previous study has examined the moderating effect of transaction frequency on the relationship between distributive justice and SROS (e.g., Holloway et al., 2005); the current study extends this inquiry and examines its moderating effects on the relationships between interactional justice, procedural justice and SROS.

In sum, this study seeks to contribute to the literature of online service recovery by testing the main effects of three dimensions of perceived justice (i.e., distributive, interactional and procedural

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[1] SROR is used as an abbreviation in this article to represent satisfaction with recovery of online service.

justices) on SROS and the moderating effects of transaction frequency. In the next section, the current study presents the theoretical foundation and hypothesis development. Then the current study presents research design, sampling process and the measures of latent constructs in the methodology section. Finally, after demonstrating the results of the analysis, the current study discusses the findings and implications in the last section.

2. Literature review, theory foundation and hypothesis development

2.1. Literature review of online service recovery studies

In this section, literatures of online service recovery studies are reviewed and are summarized in Appendix A. To our best knowledge, online service recovery is a newly emerged topic in service recovery literature and has not established extensive research streams yet. Therefore, this literature review section focused on the relevant studies that provide us a more understanding about online service recovery. Four studies are reviewed. First, among the first attempts, Forbes et al. (2005) conducted critical incident technique and investigated 377 respondents' thoughts. In their study, different types of service failure of online retailing were found. They also found that recovery strategies for online service are not the same as strategies in traditional retail environment. Based on these results, online service recovery is an important research issues academically and managerially.

Second, Holloway et al. (2005) conducted survey-based questionnaire and collected 421 respondents' opinions. They found perceived distributive fairness is a desirable criterion for executing online service recovery (i.e., perceived distributive fairness positively influences post-recovery satisfaction). Furthermore, the influence of perceived distributive fairness on post-recovery satisfaction is stronger in the condition of consumers with lower cumulative online purchasing experience. In short, their study showed that perceived distributive fairness is an aspect of executing online service recovery, and cumulative online purchasing experience is a moderating variable.

Third, Harris, Grewal, Mohr, and Bernhardt (2006) conducted a scenario-based experiment and collected data from 162 adults in the southeastern of United States. They found that service remedy level has effects on satisfaction and post purchase intentions. In addition, on/off-line media is a moderator on this relationship. In offline media, the influence of the service remedy level on satisfaction and post purchase intentions is stronger. Based on this study, on/off-line environment is an important factor when considering the conduction of service recovery. Forth, Chang (2008) conducted an experiment, and collected 165 students' and 107 adults' opinions. Chang (2008) showed that when considering online service recovery, providing choice of recovery options can positively lead to satisfaction with recovery, and overall satisfaction with the service provider.

Collectively, literatures of online service recovery studies suggest that different types of service failure are encountered by consumers in online service settings. Different remedy strategies and the level of choice options are needed to be considered when executing online service recovery. Furthermore, although different remedy strategies are suggested to be considered, perceived distributive justice is found to be an effective evaluation criterion by consumers when they make judgments about the satisfaction with service recovery, and purchasing experience is a potential moderating variable when studying online service recovery. Therefore, built upon previous studies in online service recovery literature, the current research contributes to the literature by testing the effects all three dimensions of justices in one research model

and the moderating effects of transaction frequency. Theory foundation and rationales of hypotheses are discussed in the next section.

2.2. Justice theories and recovery of online service

Justice theories explain individuals' responses to conflict situations (Gilliland, 1993; Lind & Tyler, 1988). Since the nature of service failure and recovery is a conflict situation, justice theories represent a theoretical foundation in the research stream of service recovery (e.g., Blodgett, Hill, & Tax, 1997; Smith et al., 1999; Tax et al., 1998). Essentially, three dimensions underlie justice theories (i.e., distributive, interactional and procedural justices) (Brockner & Wiesenfeld, 1996). The first dimension is distributive justice; the second dimension focuses on interactional justice; the third dimension is procedural justice (Bies & Shapiro, 1987; Brockner & Wiesenfeld, 1996; Thibaut & Walker, 1975). In the context of service failure and recovery, distributive justice refers to the extent to which customers evaluate the fairness of service recovery outcomes (Smith et al., 1999); interactional justice refers to the degree to which customers evaluate the fairness of the service representatives' manners in the service recovery process, (Smith et al., 1999); procedural justice refers to the fairness of service recovery procedures and policies (Smith et al., 1999).

Traditionally, the service marketing literature demonstrates that the three justice dimensions (i.e., distributive, interactional and procedural justices) have positive effects on satisfaction with recovery of interpersonal service encounters (e.g., Smith et al., 1999; Tax et al., 1998). Recently, as Holloway et al. (2005) points out "...the literature has only begun to address the rule of service recovery management in this (online) environment (p.55)...;" researchers start to study the recovery of online service. For instance, Holloway and Beatty (2003) provides an initial investigation of online service failures and concludes with a recovery opportunity for online service; Forbes et al. (2005) studies the typologies of e-commerce retail failures and the corresponding recovery strategies; Holloway et al. (2005) further examines the effects of distributive justice on post-recovery satisfaction and the moderating role of cumulative online purchasing experience; Robertson and Shaw (2006) presents a conceptual framework of consumer voice behavior in a self-service technology context; Harris et al. (2006) demonstrates that the effect of recovery remedies on satisfaction is stronger in offline media than in online settings. Chang (2008) studies the relationship between choice, perceived control and satisfaction in the context of online service recovery. The studies cited above collectively imply the needs of a clearer understanding of the recovery of online service.

Among the few studies in this research stream, there is a lack of research of the effects of interactional and procedural justices on SROS. Since the particular influences of the three justice dimensions (i.e., distributive, interactional and procedural justices) on SROS are unique and different from each other (Chebat & Slusarczyk, 2005), the current study seeks to contribute to the existing literature by examining the main effects of distributive justice, interactional justice and procedural justice on SROS. Fig. 1 presents the research framework. By drawing on justice theories, the current study logically expects that three justice dimensions (i.e., distributive, interactional and procedural justices) have positive influences on SROS, and consequently, that SROS has a positive influence on repurchase intention. The current study considers SROS as a mediator since previous studies demonstrate that satisfaction with service recovery can mediate the influences of justice perceptions on post-complaint evaluations (e.g., Tax et al., 1998). In addition, the current study further expects that transaction frequency has moderating effects on these relationships.