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Asymmetric effects of customer emotions on satisfaction and loyalty in a utilitarian service context

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ABSTRACT

This paper investigates the relative effects of customer positive versus negative emotions on satisfaction and loyalty in a utilitarian service setting. In-depth interviews with 20 call-center customers identify emotions and appraisals related to the customer service experience. Regression analysis of subsequent quantitative survey results from 1440 customers of a call-center shows that positive emotions influence satisfaction more strongly than negative emotions. In contrast, negative emotions influence recommendation intentions more strongly than positive emotions in line with prospect theory. However, for 'higher risk' repatronage the prospect of losses from switching reduces the effect of negative emotions resulting in a symmetric effect of positive and negative emotions on repatronage intentions.

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1. Introduction

Ensuring customer satisfaction and loyalty in the service industry is paramount for long-term corporate profits and success (Rust & Chung, 2006; White, 2010). The role of emotions, particularly of delight, in customer satisfaction and loyalty in hedonic services such as holidays or culinary experiences (Arnould & Price, 1993; Collier & Barnes, 2015; Hosany & Prayag, 2013), is a significant stream of research because customers approach these experiences with expectations of pleasure or excitement. In contrast, emotions have not figured much in studies of utilitarian service settings such as banking, health services or call-centers, where customers go to achieve routine or mundane tasks. Utilitarian services tend to focus on cognitive predictors of satisfaction and loyalty, like service quality (Rust & Oliver, 1994), or operational metrics such as waiting time, number of calls handled or problem resolution rate (Aksin, Armony, & Mehrotra, 2007). A general assumption in the services literature and in industry is that effective and efficient service performance leads to consumer satisfaction and loyalty. However, it is now undeniable that emotions 'powerfully, predictably, and pervasively influence decision-making' (Lerner, Li, Valdesolo, & Kassam, 2015, p. 802). We can therefore expect emotions to influence customer outcomes in any setting. This study sets out to look into the relationship

between emotions and their influence on satisfaction and loyalty in utilitarian service environments.

Why should we think that emotions have a role to play in service situations where customers use the service almost entirely for pragmatic reasons? In call-center settings, despite a lack of empirical evidence, the importance of customer emotions is implicit through references to customer 'irritants', 'anxiety', 'frustration' (Bennington, Cummane, & Conn, 2000; Peevers, McInnes, Morton, Matthews, & Jack, 2009) or even 'agony' (Whiting & Donthu, 2006). Some authors have suggested that emotions – particularly delight – are irrelevant (Dixon, Freeman, & Toman, 2010; Herington & Weaven, 2007; Loureiro & Roschk, 2014) in utilitarian contexts such as banking, mortgage or energy services. However, when we move away from the well-studied emotion of 'delight', some work indicates that other emotions can be important for customer outcomes such as satisfaction and loyalty in utilitarian service settings like cell-phone or telecommunications services or hospitals (Del Río-Lanza, Vázquez-Casielles, & Díaz-Martín, 2009; Dubé & Morgan, 1998; Haj-Salem & Chebat, 2014). The dearth of research in the area of emotions in call-centers may have arisen because the industry tends to use operational metrics such as waiting time or abandonment rates as adequate measures of service performance (Aksin et al., 2007), despite evidence that they do not predict important customer outcomes such as satisfaction (Feinberg, Hokama, Kadam, & Kim, 2002; Feinberg, Kim, Hokama, de Ruyter, & Keen, 2000).

Emotions therefore appear to play some role in services designed to fulfill largely utilitarian needs (Del Río-Lanza et al., 2009; Dubé & Morgan, 1998; Haj-Salem & Chebat, 2014). However, the nature of

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those emotions may differ from those observed and studied in service environments designed to fulfill and exceed hedonic needs and expectations. This article addresses the issue of identifying context-specific emotions in a call-center setting, where customers generally wish to achieve utilitarian-focused goals such as solving problems with their service, or opening or managing their accounts. We further look into how those emotions impact satisfaction and loyalty. In particular, through identifying emotions as independent positive or negative dimensions, we are able to examine potential asymmetries in the effects of negative or positive emotions on satisfaction and loyalty.

Positive asymmetry, where consumers attribute higher weight to positive than negative emotions in their decisions, occurs when the customer experiences 'delight', a positive, aroused emotion felt when a product or service exceeds expectations in a surprising and pleasant way (Falk, Hammerschmidt, & Schepers, 2010; Rust & Oliver, 2000). Positive asymmetry means that the presence of the 'delightful' attribute increases satisfaction and loyalty more than its absence decreases them. Oliver, Rust, and Varki (1997) questioned whether the asymmetry seen for hedonic services also exists in more 'mundane' services. If so, then such services should seek to enhance positive emotions; if not, then delighting the customer becomes unnecessary to ensure satisfaction and loyalty. This study indeed finds positive asymmetries for utilitarian services, but for different, lower arousal emotions than delight.

In contrast, negative asymmetries in the performance-satisfaction and performance-repeat purchase link also exist (Mittal, Ross, & Baldasare, 1998), explained through prospect theory (Kahneman & Tversky, 1979). Here, a decrease in performance has a larger negative effect than the positive effect of the same amount of increase in performance. To our knowledge, the relative effects of *emotions* rather than performance have not been the object of much empirical work. Yet if negative asymmetries for emotions exist in utilitarian services, then ensuring that negative emotions do not occur becomes of prime importance, perhaps more so than generating positive emotions. This paper finds that prospect theory is relevant and applicable to the domain of emotions, in that negative emotions have stronger effects than positive emotions on loyalty.

We further separate the loyalty construct into the dimensions of recommendation intentions and repatronage intentions since some authors (El-Manstrly & Harrison, 2013; Söderlund, 2006) suggest that the antecedents of these two outcomes can differ in their effects. As such, emotions could differ in their effects on repatronage versus recommendation. We thus explore the relative effects of emotions on these outcomes and discover that negative emotions have a stronger effect than positive emotions on recommendation but not on repatronage intentions.

In this paper, in-depth interviews with call-center customers reveal that emotions and appraisals are evoked in tandem, the whole representing positive and negative emotional states related to the customer service experience. A quantitative survey of a large sample of call-center customers then tests the relationship between positive and negative emotions, satisfaction and recommendation and repatronage intentions.

2. Conceptual foundation and hypotheses

2.1. Emotions

Emotions are important in the customer service experience and in determining customer outcomes (e.g. Babin, Darden, & Babin, 1998; Homburg, Koschate, & Hoyer, 2006; Watson & Spence, 2007; White, 2010). This paper follows the view of emotions that classifies them along the dimensions of pleasantness, sometimes termed valence (e.g. Babin et al., 1998; Izard, 1977; Lazarus, 1991), differentiating positive emotions from negative emotions.

We further conceptualize emotions not simply as pure emotions such as anger or happiness, but based on a mix of cognitive appraisals

and emotions. A recent review of emotions in organizations (Elfenbein, 2007) provides an overview of the psychology literature in this domain and attempts to move away from the difficulty of defining whether a) a stimulus causes an emotion with subsequent cognitive attention to the stimulus, or b) the cognitive appraisal of a stimulus causes the emotion. Elfenbein (2007) suggests that cognition (appraisal) and emotion occur together in response to a stimulus.

Finally, in line with Elfenbein (2007) and Barrett, Mesquita, Ochsner, and Gross (2007) we consider that an individual registers and feels emotions subjectively, and those emotions are context-specific. Barrett et al. (2007) suggest that to capture the emotions of a person, one should ask them to relate their experience in their own words. We do not assume that cognitive appraisal causes the emotion, nor that emotions alert the individual to focus attention on event. Instead, emotions and cognitive appraisals interact in a dynamic process, which individuals subjectively report as a mixture of appraisal and emotions, expressed semantically, in a specific context. Thus, respondents in this study use appraisal words such as "powerless" or "discouraged" as well as emotions like 'happy' or 'frustrated', all of which are included in the conceptualization and measurement of emotions in this work.

2.2. The emotions satisfaction link in utilitarian service settings

Many consumer studies in the area of hedonic experiences advance the idea that there is a link between emotions and satisfaction (see Bonnefoy-Claudet & Ghantous, 2013; Hosany & Prayag, 2013; Pullman & Gross, 2004). In this stream of literature, the emotions investigated are mostly positive, although some studies look at negative or neutral emotions as well, either as an indicator of a negative hedonic experience (e.g. Hosany & Prayag, 2013) or included as reverse indicators of positive emotions (Koenig-Lewis & Palmer, 2008). As one would expect, the emotions-satisfaction relationship is valence-congruent and positive emotions relate positively and negative emotions negatively with satisfaction (Del Río-Lanza et al., 2009; Liljander & Strandvik, 1997). Within this literature, Hirschman and Holbrook (1982) define hedonic consumption as the consumer behavior linked to multisensory, fantasy and emotive aspects of an individual's experience with a product. The consumption elicits emotional arousal around the product consumed, and 'in some instances emotional desires dominate utilitarian motives in the choice of products' (Hirschman & Holbrook, 1982, p. 94). The positive asymmetric effect of delight on satisfaction is well-established in hedonic settings (Falk et al., 2010; Oliver et al., 1997; Rust & Oliver, 2000).

On the other hand, utilitarian motives for consumption revolve around functional needs such as achieving a task, e.g. getting the grocery shopping done, or consuming a product or service which is necessary for the household or solving a problem with a product or service (Voss, Spangerberg, & Grohmann, 2003). Many consumption experiences like shopping or staying at a hotel can include both hedonic and utilitarian aspects (Babin, Darden, & Griffin, 1994; Jones, Reynolds, & Arnold, 2006). However, some services such as a call-center are principally utilitarian in that customers use them for almost purely functional purposes. In general, services of this type fulfill utilitarian values more strongly than hedonic values (Chiu, Hsieh, Li, & Lee, 2005). For example, customers who contact a telecommunications call-center do so to activate an account, solve a technical problem with their internet or telephone connection, to manage their account or to complain, and have no expectations of a multisensory, fantasy or (positive) emotive experience. It is in this sense that we use the term 'utilitarian service'. Oliver et al. (1997) and Finn (2005) refer to this as a 'mundane' service.

The question arises, therefore, as to whether the positive asymmetry seen in hedonic services (Falk et al., 2010), through surprising the customer in unexpected ways and triggering delight (Oliver et al., 1997) also occurs in utilitarian services. Some empirical studies attempting to find a link between delight and satisfaction in more utilitarian services such as online banking (Herington & Weaven, 2007) or e-retail (Loureiro & Roschk, 2014) or call-centers (Dixon et al., 2010), find

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