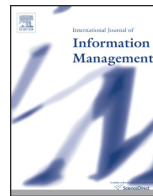




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Understanding the effects of a social media service failure apology: A comparative study of customers vs. potential customers

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ABSTRACT

Service failure apologies on social media are a new crisis communication outlet trend used by companies to apologise to affected customers quickly and offer solutions, ultimately to restore customers' trust and brand loyalty. This paper contributes to the nascent literature on companies' social media service failure apologies and fills a gap in the social commerce literature by recognising that due to the open and public nature of social media, these apologies may reach not just affected customers, but also unintended audiences such as potential customers among the general public, which could potentially damage a company's reputation and market share. An online survey administered to 241 customers and 271 non-customers of a famous mobile phone brand, which used YouTube to apologise to its customers for a service failure incident, is used to explore potential behavioural outcomes, after exposure to the apology. Findings confirm that both customers and non-customers of the service provider may become exposed to a social media service failure apology. The hypothesised model predicts behavioural intentions to remain a customer after exposure to the social media service apology better than behavioural intentions to become a customer, even though relationships hold for both groups. Theoretical and managerial implications are discussed.

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1. Introduction

Social interactions of Internet users, especially on social networking sites, have created a new stream in e-commerce, often referred to as social commerce (Hajli, 2013). Businesses can either adopt social media by integrating social commerce functions to their existing infrastructure or even create separate self-contained operations based on their social media presence. Such activities make it possible for businesses to interact and engage more actively with customers, which in turn can result in a better understanding of their needs and the development of stronger relationships (Hajli, 2014b). At the same time, social commerce empowers customers by offering a number of tools which they can use to generate relevant content and co-create value with businesses when interacting with them online (Fuller et al., 2009). The above can enhance and enrich the transacting process and result in tangible and sustainable benefits for businesses. In such a fast-paced environment, though, many things often go wrong and may result in negative consumer sen-

timent towards a business, which can propagate through online networks very quickly. Consequently, managers should not only consider how to create, develop and sustain online communities, but also how to respond to crisis situations when these occur.

Prior literature recognises the frequency of service failure incidents faced by the services industry (Chuang, Cheng, Chang, & Yang, 2012) and the need to apologise to affected customers in order to manage and maintain relationships (Dalziel, 2014). A service failure apology is a message communicated by a representative of a company to affected customers who experience a temporary service discontinuity. With this message, the company aims to address and restore equity by stating its wrong-doing, acknowledging that the customers did not receive the arranged benefits of the service they have paid for and apologising to affected customers (Boshoff & Leong 1998). Companies that recover quickly from a service failure incident tend to have higher levels of praise and recommendations of the service from those affected (Amine, 1998), which is why social media service failure apologies have recently become popular, due to their ability to reach large audiences in a short period of time (Manika, Papagiannidis, & Bourlakis, 2015; Dalziel, 2014).

This is a phenomenon that is likely to become more significant in the future given the growing importance and popularity of social media. Consequently, studying the underlying processes and channel idiosyncrasies has practical and theoretical interest. Mattila,

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Cho, and Ro (2011) note that customers prefer a technology-oriented communication channel when dealing with technological service failures (i.e. the recovery mode should be matched with the failure type). Crisis communication managers thus, have a choice between various technology-oriented communication channels, such as blogs, emails or social media among others, for disseminating a technological service failure apology. According to Kerkhof, Schultz, and Utz (2011) the choice of medium for communicating crisis response messages has a clear effect on consumers and they found that Twitter got a more positive response than blogs. This may be explained by the fact that Twitter enables rapid feedback, which is also a cornerstone of social commerce and relevant to this study. Prior research also shows that rich media, which contain videos, enable quick information flow and feedback (Nardi, 2005), which may be vital for a crisis communication's success and lead to different ways of information processing and rapid two-way communications. Therefore, we cannot assume that a service failure apology delivered via any technology-oriented communication channel will have the same attitudinal and behavioural effects on consumers. Thus, further investigation into the effects of communicating a social media service failure apology specifically is needed.

In addition to the above, technology-oriented communication channels such as mobile communications and emails would only reach customers affected by the service failure incident. However, audience-targeting techniques on social media are rather hard to control. A social media service failure apology may not just reach customers affected by the incident, but also customers who may not be affected by the service failure incident and even the general public, which includes non-customers/potential customers (note: these two terms will be used interchangeably from now on in this paper), who are part of a social media network. The general public is of interest to managers and should be nurtured for the benefit of a company's reputation (Shamma and Hassan, 2009). Companies have long recognised that maintaining existing customers is more profitable than acquiring new ones. However, the general public's perceptions of a service provider as a result of a service failure incident (and associated apology) should also be of interest. Service providers need to recognise that these apologies on social media may also affect the general public's perceptions of a company's reputation, with important behavioural implications, especially when it comes to sectors with high customer churn.

This paper aims to fill a gap in the literature by critically probing into existing and related work in the area of social commerce and specifically on service failure apologies. It does so by examining the attitudinal and behavioural outcomes of an apology on social media, while also exploring differences between customers and non-customers (i.e. the general public). Given that customers have a greater familiarity with the company/brand experiencing the service failure incident than the general public, customers may have more sophisticated knowledge structures (Low and Lamb, 2000; Grime, Diamantopoulos, & Smith, 2002); they thus process information from the apology differently (Manika and Gregory-Smith, 2014) and attach a different level of importance to corporate associations (Bravo, Montaner, & Pina, 2009). Therefore, attitudinal and behavioural outcomes after exposure to a social media service failure apology may have different associations (stronger or weaker) between them when examining customers versus non-customers after exposure to a social media service failure apology.

In addition, this paper contributes to the general service failure apology literature by looking at the effects of subjective knowledge about the service/brand before the apology, trustworthiness of the service/brand and attitudes towards the service/brand (independent of satisfaction) after the social media service failure apology and its effects on behavioural intentions. Elliott et al. (2009) note that the use of online videos, such as those embedded on social

media, leads to larger investments (the behaviour) than online text. Therefore, the link between knowledge and behaviour may be enhanced in the context of social media service failure apologies. Trust is also a cornerstone of e-commerce (Hajli, 2014a, 2014b; Hajli, Sims, Featherman, & Love, 2014; Hajli, Lin, Featherman, & Wang, 2014) and within the social media arena trust has been found to influence behavioural intentions (Han and Windsor, 2011; Lu, Zhao, & Wang, 2010; Shin, 2010), as interactions among the connected users increase trust (Swamynathan, Wilson, Boe, Almeroth, & Zhao, 2008). Consequently, trust is an important predictor of behavioural intentions in the context of social media service failure apologies, aside from the general antecedent of satisfaction. Attitude is a multi-dimensional construct, which does not only include a satisfaction dimension. Other attitudinal dimensions are investigated here (see measurement of attitudes). Further relevant literature on social commerce and social media, service failure apologies' attitudinal and behavioural outcomes is reviewed in the next section of this paper.

2. Literature review

2.1. Social commerce and social media research

Social commerce is defined in short as “commerce activities mediated by social media” (Curty & Zhang, 2011; p.1). A recent review of social media research by Ngai, Tao, and Moon (2015) illustrates the various theories, constructs and conceptual frameworks used to understand this new phenomenon and it underscores the importance of social media as a communication vehicle for consumers, businesses and their commerce activities. Within the context of e-commerce, social media users can be seen as consumers who serve as actual or potential customers for companies and managers (Chung and Austria, 2010), which is why they are considered as part of a company's marketing activities (Kim and Ko, 2012). Consumers use social media to not only communicate with brands (Hajli, Sims et al., 2014, Hajli, Lin et al., 2014), but also communicate with other social media users (Hajli and Lin, 2014; Chevalier and Mayzlin, 2006). “While consumers are concerned about the credibility of online information, they benefit from social support and are increasingly turning to social media as a source of information and support” (Hajli, Sims et al., 2014). As a result, social media have become a vital information and communication tool for consumers, managers, and companies.

Most research on social media has focused on (dis) satisfaction with the company/brand under normal operations. However, there is limited prior literature examining social media as a tool to disseminate a service failure apology quickly (Manika et al., 2015; Dalziel, 2014), which may result in more positive post-incident and apology attitudinal and behavioural outcomes (since rapid response to crisis is imperative in service failure incidents as per Amine, 1998). Domino's Pizza, JetBlue, BlackBerry and Netflix are examples of companies that have used social media apologies, offering an indication of the rising popularity of service failure apologies on social media and the need further research (Seward, 2011).

2.2. Outcomes of service failure apologies

Generally, the relationship between satisfaction and behavioural intention has been confirmed by numerous recent studies in the information management arena (Kuo and Wu, 2012; Udo, Bagchi, & Kirs, 2010). Perceived satisfaction and brand loyalty (i.e. the behavioural intention to remain a customer) after a service failure apology are two of the most commonly investigated outcomes of studies investigating companies' apologies

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