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Effect of service recovery on customers' perceived justice, satisfaction, and word-of-mouth intentions on online shopping websites

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ABSTRACT

As consumers become better informed and more demanding about their purchase of services, service provider's failure to satisfy all consumers during delivery of service is unavoidable. Consequently, to alleviate consumer dissatisfaction that results from service failure has become important. However, empirical consensus has been lacking on the effects of various service recovery activities. Thus, this study examines the impact of different types of service recovery on customers' perceptions of justice, post-recovery satisfaction, and word-of-mouth (WOM) intentions. The results indicated that consumers' perceptions of distributive and interactional justice differ by the types of service recovery and supported significant relationships among perceptions of justice, satisfaction, and WOM intentions. The results implied that consumers respond differently to different types of service recovery and that consumers particularly favor apology among types of service recovery.

1. Introduction

In today's online markets, consumers are better informed, more demanding, and more knowledgeable about products and services (Miller et al., 2000); thus, service providers cannot avoid failing to satisfy consumers' ever-increasing demands during service delivery. As such, it is impossible for service providers to completely avoid service failure, which refers to service mishaps that result in customer dissatisfaction. Since unsatisfied customers often switch brands, engage in negative word-of-mouth (WOM), and collapse loyalty (Miller et al., 2000), it is important to resolve customer dissatisfaction. Thus, increasing research and business attention is being given to service recovery as a significant marketing strategy to retain customers and maintain a relationship with customers (Maxham, 2001; Maxham and Netemeyer, 2002; McCollough et al., 2000). Service recovery is defined as the effort of a service provider to resolve a problem caused by a service failure and restore customer satisfaction (Lovelock and Wirtz, 2007).

In particular, determining the most effective type of service recovery for a given service failure is an important issue. Previous service recovery studies have categorized recovery types into psychological recovery and tangible recovery. Psychological recovery provides customers who have experienced a service failure with an apology and empathy, while tangible recovery offers physical compensation for

customers' real damages, such as coupons, discounts, and free products (Bell, 1992; Zemke, 1994). Although psychological recovery is an inexpensive and effective alternative for a company, Clark et al. (1992) asserted that consumers prefer tangible recovery that provides a physical value. Despite the importance of investigating the differences between the types of recovery, research relating to this issue has rarely been conducted. Determining the relative effects of different types of service recovery on consumer satisfaction will provide significant strategic help for marketers seeking to find more effective and cost-efficient recovery types for their target consumers in the online market. As a cost-efficient recovery activity, apology would represent a more decisive activity for consumer satisfaction than compensation; in turn, marketers may save their investment without developing any tangible or monetary compensation for their consumers. Thus, this study had focused on the relative effects of the different types of service recovery (i.e., apology, compensation, and both apology and compensation) on customer's evaluation process and their behavioral intentions.

Most prior studies of service recovery have examined perceived justice in the relationship between service recovery and satisfaction as a part of consumers' evaluation process (DeWitt et al., 2008; Gelbrich and Roschk, 2011; Homburg and Fürst, 2005; Maxham and Netemeyer, 2002; Smith et al., 1999; Voorhees and Brady, 2005). Perceived justice refers to how an individual consumer evaluates the fairness of a company's activities and is generally broken into three

categories: distributive, procedural, and interactional justice (Furby, 1986; Homburg and Fürst, 2005; Smith et al., 1999). Prior studies have supported the direct effect of perceived justice on a customer's post-recovery satisfaction (Chang and Chang, 2010; Ha and Jang, 2009; Kau and Loh, 2006; Maxham, 2001; Maxham and Netemeyer, 2002; Schoefer, 2008; Smith et al., 1999; Tax et al., 1998; Wirtz and Mattila, 2004) as well as the mediating role of perceived justice between service recovery activities and post-recovery satisfaction (Gelbrich and Roschk, 2011; Homburg and Fürst, 2005; Smith et al., 1999). However, there has been mixed results on the relative effects of different types of service recovery on perceived justice (Davidow, 2003; Hui and Au, 2001; Levesque and McDougall, 2000; McCollough et al., 2000; Smith et al., 1999; Varela-Neira et al., 2010), as well as the relative effect of each dimension of justice on post-recovery satisfaction and behavior (Levesque and McDougall, 2000). Therefore, this study focused to specifically investigate the relative effectiveness of types of service recovery on perceived justice and post-recovery satisfaction to add empirical evidence to bridge the gap in the existing literature on this issue.

Furthermore, previous studies have primarily focused on the typology and effects of service failure and recovery on customers' responses in the off-line service industry; few studies have investigated the online shopping context (Kuo and Wu, 2012). However, service failure is likely to be more unavoidable and influential on consumer behavior in an online shopping environment in accordance with the characteristics of the online shopping environment. Despite the importance of studying service failure and recovery in the context of online shopping, the subject has received relatively little attention; the few studies on it have focused on the evaluation process, and their results have not yet reached a consensus. For instance, Kuo and Wu (2012) have studied consumers' evaluation of service recovery in the online shopping context, but that research focused on consumer responses rather than comparing the effects of each type of service recovery on consumers' evaluating process. In addition, the mixed results on the relative effects of different dimensions of perceived justice still appear in this study. Online consumers are more informed, demanding, knowledgeable, and capable of comparing many alternatives than offline consumers (Miller et al., 2000; Shankar et al., 2003); therefore, researchers need to further study the relative effects of different types of service recovery and the dimensions of justice to better understand various consumer attributes and expectations and develop more effective service-recovery strategies to meet each consumer's expectations in the online market. Thus, this study focuses on an online shopping environment to examine how service recovery affects consumer behavior in that environment by comparing different types of service recovery.

This study intended to examine the impact of different types of service recovery on customers' perceived justice, post-recovery satisfaction, and WOM intentions in the online shopping context. Academically, we intend to bridge the gap in the existing literature regarding the relative effects of different types of service recovery and each different dimension of justice on consumers' evaluation processes of service recovery. From a managerial perspective, the study represents a strategic framework that marketers may use to develop the most effective and cost-efficient types of service recovery that would best fit the target customers and help maintain customer relationships, particularly in the online shopping context.

2. Theoretical framework

2.1. Justice theory

Since service recovery research has focused on the concept of justice from the social exchange perspective, justice theory has primarily been applied to the research of service recovery as a theoretical framework (Schoefer, 2008; Wirtz and Mattila, 2004). Consumers generally expect

gains equivalent to their costs—an outcome they consider to be justice (McColl-Kennedy and Sparks, 2003). If consumers perceive that they have paid more in costs than they gained for the product or service, they feel that they are being treated unfairly (Kuo and Wu, 2012), which is referred to as a service failure. Thus, justice is a significant concept used to explain a service failure and recovery; it consequently affects consumer satisfaction.

Consumers generally evaluate justice related to service recovery in three dimensions—distributive justice, procedural justice, and interactional justice—all of which are based on the service recovery consumers receive from a company and how they receive it (Chebat and Slusarczyk, 2005; Collier and Bienstock, 2006). Distributive justice refers to the service recovery consumers receive from the company, and procedural justice relates to how they receive it—particularly the recovery process (Kuo and Wu, 2012; McColl-Kennedy and Sparks, 2003). Through the procedural components, consumers tend to evaluate the flexibility, efficiency, and transparency of the recovery process (Wirtz and Mattila, 2004). Interactional justice is defined as fairness during the process of interaction and communication between the consumer and the company in solving the problems resulting from the service failure (Chebat and Slusarczyk, 2005; McColl-Kennedy and Sparks, 2003).

According to the existing service-related literature, consumers' perception of justice significantly influences their post-purchase behavior. Ha and Jang (2009) found that perception of justice positively influences consumers' purchase intentions. Maxham and Netemeyer (2003) suggested that the perception of procedural justice motivates positive WOM intentions and higher interactional justice induces consumers to repurchase. In addition, interactional justice is a determinant of consumer trust for the service provider and consumer satisfaction (Tax et al., 1998). In particular, most researchers support the significant effect of perceived justice on post-recovery satisfaction (Chang and Chang, 2010; Ha and Jang, 2009; Kau and Loh, 2006; Maxham, 2001; Maxham and Netemeyer, 2002; Schoefer, 2008; Smith et al., 1999; Tax et al., 1998; Wirtz and Mattila, 2004). However, regarding the relative effect of each dimension of justice, no consensus has been reached (Levesque and McDougall, 2000). Some studies indicate that distributive justice is the most decisive predictor of satisfaction (Homburg and Fürst, 2005; Patterson et al., 2006; Smith et al., 1999) while others suggest that interactional or procedural justice are the most significant factors in consumer satisfaction (Maxham and Netemeyer, 2002; Tax et al., 1998; Voorhees and Brady, 2005).

The three dimensions of justice definitely represent important determinants for consumer post-purchase behavior and thus we need to add more empirical evidence to bridge the gaps in prior studies and enhance the understanding it. McCollough et al. (2000) asserted that consumers assign more importance to both interactional and distributive justice due to the inherent difficulty in comparison to procedural justice. Thus, this study used typical examples of interactional and distributive justice, such as apologies and compensation, as stimuli.

3. Literature review

3.1. Service failure and recovery

Maxham (2001) identified a service failure as a mistake or problem that consumers experience while shopping or communicating with companies. Bitner et al. (1990) divided service failures into three groups: service delivery failures, failures related to customer needs and requests, and failures related to unprompted and unsolicited employee actions. More to the point, service failure leads to customer dissatisfaction and collapsing relationships with customers. Thus, service recovery has been a critical and effective business strategy to win back dissatisfied customers and maintain relationships with them (Maxham, 2001). Service recovery refers to the service providers' response and