



# The effects of response strategies and severity of failure on consumer attribution with regard to negative word-of-mouth



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## ARTICLE INFO

### Article history:

Received 27 January 2014

Received in revised form 3 January 2015

Accepted 18 January 2015

Available online 4 February 2015

### Keywords:

Attribution theory

Response strategies

Severity of failure

Organizational reputation

Negative word-of-mouth (NWOM)

## ABSTRACT

The negative word-of-mouth (NWOM) contained in comments posted on online forums can have significant effects on consumer purchase decisions. Despite this, the related corporate response strategies and their effects have not been investigated in depth. For this reason, this study examined the effects of different response strategies and the severity of failure on customer attribution in relation to NWOM. It also examined the relationships among customer attribution, organizational reputation, and NWOM. The results indicate that response strategies and severity of failure affect customer attribution, and that these have negative relationships with organizational reputation and positive relationships with NWOM. Severity of failure is likewise found to be an element influencing customer attribution in addition to response strategies, and the negative relationship between customer attribution and organizational reputation is verified. This study suggests that managers in service industries can adopt accommodative strategies and attempt to prevent severe failures so as to improve customer perceptions of organizational reputation, thereby reducing their desire to engage in NWOM.

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## 1. Introduction

Online forums, blogs, official websites, and the bulletin board system (BBS) have become popular online platforms by which consumers exchange information, and thus spread word-of-mouth (WOM). Of these, online forums are widely used by consumers to learn the opinions or experiences of others, and provide a relatively easy way for people to obtain information [21], thus sharing what is known as electronic word-of-mouth (e-WOM). InsightXplorer [25] reported that approximately 90% of people think e-WOM is important to them, and it can thus be seen as a viable marketing strategy by which to attract new customers and to retain existing ones. Moreover, a number of researchers have recognized the growing importance of e-WOM in the e-business environment (e.g., [54]).

WOM consists of positive (PWOM) and negative word-of-mouth (NWOM), and this study is primarily concerned with the latter as it has received much less attention in the literature. In addition, Wangenheim [44] noted that customers are more sensitive to negative information than positive information when they are evaluating a company. Similarly, Chang and Wu [5] pointed out that negative information has a greater and diagnostic effect on consumer purchase decisions than is the case with positive information. Xia [53] claimed that NWOM can have a very strong effect, with, for instance, a video of a Comcast technician sleeping on a customer's couch having been

viewed more than 1 million times since it was posted online 2006, damaging the company's reputation for customer service. However, Qiu et al. [37] noted that the authenticity of online reviews may often be doubtful, thus making the issue of credibility a critical determinant as to whether or not the review will be accepted or rejected by readers. In addition, company response strategies have become another critical issue determining whether customers accept or reject NWOM. This is because a suitable and honest response strategy can gain customer trust and help repair a damaged reputation [53]. Response strategies are often based on studies of crisis management in order to enhance customer evaluations and organizational reputation [28]. Lee and Song [31] tested the effects of response strategies on consumer attributions and evaluations of companies in a study of online complaint behavior. Following on from this line of study, the question arises as to whether will consumers accept NWOM from an online forum after learning about the experiences of others with company response strategies?

The literature on NWOM has mainly focused on two issues: motivations and reasons for customer engagement in NWOM (e.g., [21,45,51]), describing the process by which a person becomes a complainer (e.g., [15,17]). The studies referred to above are all concerned with investigating the antecedents of NWOM from an individual perspective, which starts with customer cognitions and feelings (see Appendix A). However, Gregoire et al. [18] and Hennig-Thurau et al. [21] mentioned that there have been few studies that examine the influence of the interaction between consumers and companies on NWOM. Therefore, this study is designed to investigate the role of response strategies in NWOM.

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Prior studies linking response strategies and NWOM have been few in number because such strategies are mostly studied in a service recovery context, rather than in the domain of NWOM, and they are often applied to every customer reaction [55]. Therefore, this study attempts to contribute to the NWOM literature by studying the influence of response strategies on NWOM. On the other hand, while customers may be unlikely to go through a terrible consumption experience, it is very easy for them to read other customers' complaints on the Internet, and thus the behavioral intentions of people who read online reviews should be studied. Moreover, based on Lee and Song [31], this study goes further toward understanding whether the response strategies contained in complaint messages will affect customer attribution and NWOM. Based on studying this gap in current research, we hope to provide practitioners with a greater understanding with regard to choosing the right response strategies to reduce customer willingness to engage in NWOM. This work has a number of differences compared to Lee and Song [31], as explained below:

- (1) This study incorporates severity of failure into the research model, and thus examines its influence. The severity of a failure is often mentioned in complaint messages, and is also an important factor influencing customer evaluations and their related emotions. Other factors are also considered when customers make a judgment about a complaint message, such as the quality of past service performance and the credibility of the complainers. However, this study does not focus on a specific service or product, and no specific company is mentioned either. The respondents thus cannot judge an incident from the past performance of a company they are familiar with, but can instead only see a complaint message in our study, so it is hard for them to judge whether the complainer is credible or not.
- (2) Second, Lee and Song [31] examined the influence of response strategies on attributions of failure and organizational reputation. The hypothesis of the current study is that the relationship between customer attribution and organizational reputation is based on attribution perceptions. Attribution theory is thus used to examine the relationship between a problem or failure and the subsequent outcomes, based on factors such as emotions, attitudes and behavior [48]. Therefore, this study aims to verify the relationship between attribution and organizational reputation.
- (3) Lee and Song [31] only tested the effect of response strategies on customer attribution toward companies, and focused on the attribution of locus, which is just a part of attribution theory. In contrast, this study incorporates more constructs of attribution perceptions into its research model.

## 2. Theoretical background and hypothesis development

### 2.1. Negative word-of-mouth

Spreading negative WOM is an active customer reaction to inform others about a dissatisfactory experience; as such, it is not directed toward the company, but instead toward other individuals either within the buying firm or third-party recipients [12]. Lim and Chung [33] mentioned that NWOM is more effective in communicating information about credence attributes, because it is more congruent with regard to credence belief communication. In making a comparison with positive WOM (PWOM), Luo [34] pointed out that this contains favorable experiences with particular products, and buying recommendations for these are beneficial from the company perspective, while NWOM reports disappointing experiences about certain products, and thus can be harmful to companies.

Wangenheim [44] indicated that unhappy customers might spread NWOM about firms or products, and thus keep potential new customers

from patronizing firms or increase the defection rates of current customers. According to Lim and Chung [33], negative information is commonly believed to have a greater influence on decision makers, to be more credible and diagnostic, and to have stronger effects on consumer brand evaluations than PWOM. In a statistical report highlighted by the consulting company Oxford Metrica, it was found that companies now have an 82% chance of facing a corporate disaster within any five-year period, compared to only 20% two decades ago. This is all as a result of the Internet and social media, which allow bad news to spread rapidly [53].

Prior studies have researched the motivational factors related to engaging in NWOM. For instance, Ward and Ostrom [45] referred to betrayal as a mechanism explaining the motivation underlying online NWOM. As for the goals of NWOM, different specific negative emotions will entail different specific goals related to engaging in NWOM [51]. Gregoire and Fisher [17] provided a model to explain why a loyal customer would take extreme actions to hurt a firm, and they found that customer-perceived betrayal was an important element that triggers NWOM. Gregoire et al. [18] developed a comprehensive model of customer revenge, and showed that customer desire for this to be a key driver of NWOM. Accordingly, the research outlined above describes various features of NWOM. However, most of these studies have looked at NWOM from an individual perspective, and thus neglected the interactions that may occur with companies. This is the reason why this study is an attempt to examine the relationship between response strategies and NWOM.

### 2.2. Response strategies

Response strategies are how a company responds to the complaints made by dissatisfied customers about a service or product failure, and various strategies have been examined in different studies. Marcus and Goodman [35] classified response strategies into either accommodative or defensive strategies. However, Lee and Song [31] proposed three response strategies against NWOM: accommodative, no-action and defensive strategies. Accommodative strategies refer to corporate acknowledgment and acceptance of the existence of problems, as well as the action to be taken, including apologies, compensation and/or recovery actions [31,35]. No-action strategies refer to company attempts to keep away from problems by remaining silent, making meaningless comments or engaging in futile or short-sighted reactions [28]. Defensive strategies are developed through methods such as insisting there is no problem, claiming that the company has no responsibility for a problem, accusing the complainer, and even shifting the blame to others [31,35].

This study focuses on accommodative and defensive strategies. According to Lee and Song [31], defensive- and no-action strategies obtained similar means ( $M = 1.75$  and  $1.87$ , respectively) in a company evaluation, which reveals that non-action is similar to a defensive strategy. Another study [29] also pointed out that non-action to a complaint is the least effective strategy for preventing negative attitudes toward an organization. Therefore, we exclude the no-action strategy and consider it to be a kind of defensive strategy in this work.

Different response strategies will affect consumer evaluations of a firm. Lee [28] suggested that crisis responses will induce judgments related to impressions, sympathy and trust in a company. Recently, in online complaint behavior research, Lee and Song [31] pointed out that accommodative strategies are positively related to the reputation of a firm, while defensive strategies have a negative relationship with it. Lee and Cranage [29] proposed that organizational response strategies have a moderating effect on the relationship between NWOM consensus and external causal attribution and attitudinal change. Nevertheless, to date no studies have examined the relationship between response strategies and NWOM, and it is this gap in the literature that the current work addresses.

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