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Is high recovery more effective than expected recovery in addressing service failure? — A moral judgment perspective

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ABSTRACT

In the context of two distinctive consumer categories and two different product settings, this research examines the effects of recovery on recovery performance as a function of consumer moral judgment of service failure. The findings of two studies reveal that consumers' response to recovery anchors on the magnitude of recovery but these responses are adjusted according to consumers' moral judgment of service failure. Specifically, consumers react more positively toward expected recovery than high recovery and these effects are pronounced when consumers are low in moral judgment of service failure. In contrast, when consumers are high in moral judgment of service failure, although high recovery (compared with expected recovery) lessens the likelihood of negative word of mouth this effect does not transfer to repurchase tendency. Product involvement does not provide alternative explanations for the findings. The findings of this research have important and meaningful implications for business providers.

1. Introduction

Service failure has detrimental effects on both businesses and consumers. When service failure occurs, businesses usually adopt service recovery, the process by which a business attempts to rectify undesirable situations (Kelley & Davis, 1994). Service recovery can minimize the negative effects (Strizhakova, Tsarenko, & Ruth, 2012) and might even bring a valuable return in the form of increased customer satisfaction and retention (Smith & Karwan, 2010).

An important element of service recovery is compensation, hence this research addresses the key question of how much should a business compensate consumers for a service failure in order to maximize recovery performance? Existing evidence is inconsistent. Some studies report that high recovery is more effective in amending consumer dissatisfaction and emotion resulting from service failure (Bradley & Sparks, 2012; Choi & Choi, 2014; Maxham, 2001). Others find that overcompensating can be counterproductive, with Boshoff (2012) reporting that overcompensation produces lower satisfaction than a more moderate recovery and Noone (2012) revealing that low and high recovery cash offers induce similar perceptions of fairness. These contradictory and inconclusive findings suggest that more nuanced influences are at play. Thus, research revealing boundary conditions of recovery magnitude effects is worthwhile not only for theory development but also to provide practical insights as inconsistent findings are unhelpful in attempting to predict consumer response to recovery.

Therefore, the purpose of this research is to enhance understanding and aid theory development relating to the impact of recovery magnitude (in the form of compensation) on consumer satisfaction and resultant behavioral actions. One particularly novel aspect of the research is the incorporation of consumers' moral judgment of service failure as an important moderator of the impact of recovery magnitude on downstream outcomes. The extant literature investigating the effectiveness of recovery has focused mainly on the comparison standard, such as magnitude of recovery (Bradley & Sparks, 2012; Hocutt, Bowers, & Donavan, 2006; Smith, Bolton, & Wagner, 1999), severity of service failure (Kim & Ulgado, 2012), and/or context of service failure (Harris, Grewal, Mohr, & Bernhardt, 2006). What remains largely unknown is the influence of the relative moral standpoint of the consumer on the effects of the comparison dimension and, in particular, the interaction between consumers' moral judgment of service failure and recovery magnitude. This knowledge gap is surprising as not all consumers make the same moral judgment of service failure (Lee & Park, 2010) and individuals' subsequent reasoning and actions are governed by moral standards (Haidt, Koller, & Dias, 1993; Waldmann & Dieterich, 2007).

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The research reported here makes several key contributions. First, incorporating an innovative angle, a consumer's moral standpoint in particular, this paper extends existing understanding of service recovery by focusing on the effects of moral judgment of service failure on recovery performance. The lens of moral judgment is important because consumers naturally make a moral judgment concerning poor service (Reeder, Kumar, & Hesson-McInnis, 2002) and are more likely to act on their moral judgments than strong but non-moral attitudes (Skitka, Bauman, & Lytle, 2009; Skitka, Bauman, & Sargis, 2005).

Secondly, to investigate recovery performance, this research uses multiple behavioral outcome variables, including consumer satisfaction with recovery, negative word-of-mouth (WOM), and post-recovery repurchase intention, thus providing an unusually comprehensive assessment of the impact of service recovery. The research hypotheses are tested using two different products and samples from two distinct target populations, lending rigor to the research design and enhancing generalizability of the research findings.

Thirdly, the research conceptualizes service recovery with reference to expectations rather than the absolute magnitude of the recovery. The predominant approach in existing studies is to focus on the absolute amount of service recovery in the form of compensation offered and to arbitrarily categorize the amount as high, medium, or low, etc. The current research adopts an approach theoretically grounded in the seminal expectancy-disconfirmation theory (Oliver, 1980) and uses expected recovery as a reference point from which to judge the level of service recovery employed.

2. Theoretical background and hypotheses development

2.1. Expectancy-disconfirmation theory, expected recovery, and high recovery

The current research uses expectations-confirmation to classify the magnitude of recovery. Expectancy-disconfirmation theory suggests that satisfaction is a function of a combination of expectations and disconfirmation (Oliver, 1980; Susarla, Barua, & Whinston, 2003) which, in turn, determines behavior (Oliver, 1980). This research extends the logic of expectancy-disconfirmation theory to explain and predict consumers' reactions to recovery. Following the seminal work by Oliver (1980), the core constructs incorporated here are consumers' ***expected*** recovery and ***high*** recovery. As with Zeithaml, Berry, and Parasuraman (1993), this research defines expected recovery as the anticipated compensation that a business is likely to offer to rectify a service failure, which is perceived as adequate under certain circumstances. High recovery refers to a range of recovery offers that exceed consumers' anticipation, which results in positive disconfirmation.

Expectancy-disconfirmation theory is the most widely applied framework in explaining satisfaction and behavior and has been used in many fields, including information systems (Venkatesh & Goyal, 2010), consumer behavior (Phillips & Baumgartner, 2002), and service quality (Kettinger & Lee, 2005). Numerous studies to-date suggest that individuals are satisfied when outcomes meet expectations (simple confirmation) or exceed initial expectations (positive disconfirmation) and dissatisfied in the case of negative disconfirmation (Churchill & Surprenant, 1982). For the current research, recovery that meets consumers' anticipation will likely result in simple confirmation and, consequently, satisfied consumers; whereas high recovery exceeding expectation will lead to positive disconfirmation and, consequently, better satisfied or delighted consumers, and more positive behavior. Thus, compared with expected recovery:

H1a. : High recovery will lead to increased satisfaction.

H1b. : High recovery will reduce negative WOM tendency.

H1c. : High recovery will enhance repurchase intention.

2.2. Moral judgments and associated strategies

Moral judgments are evaluations resulting from psychological questions about the morality of minor or major infractions (Turiel, 1983), which tend to be triggered by actions entailing some harm that affects not only the actor but others as well. Moral judgment is guided by internalized beliefs and values (Hume, 1888) and differs from justice, a concept referring to a principle that one should receive no less/more than one deserves (Lerner, 2003). Moral judgment also differs from attributions, which are attempts to explain why an event has occurred (Heider, 1958).

When making moral judgments, individuals may focus on outcomes (consequentialism), acting according to moral rules (deontology; Kagan, 1998) or evaluation of the actions, control, and motivations of others (an attribution approach; Heider, 1958; Bartels, Bauman, Cushman, Pizarron, & McGraw, 2015). Empirical findings reveal that individuals tend to discount moral judgment and associated blame when an agent does not intend to cause the infraction (Young, Nichols, & Saxe, 2010) and does not act with control over their behavior (Shaver, 1985). Given each moral judgment strategy takes a different philosophical approach to explain what is right or wrong (Reidenbach & Robin, 1988) different judgment strategies may result in divergent moral judgments. For instance, with regard to the horse meat scandal in Europe (Reilly, 2013), some consumers might believe that using horsemeat as a substitute for beef in beef burgers is not a major concern as horsemeat is edible and causes no physical harm to people (consequentialism), thus, morally acceptable; some may believe blending horsemeat with beef is cheating (deontology), thus, utterly wrong; whereas others may judge it morally wrong only if they are able to identify a responsible agent and believe that the behavior is intentional and controllable (attribution).

2.3. Moral judgments and service recovery

Moral judgment is a common feature of everyday life and provides strong guidance to individuals' evaluation and actions (Bartels et al., 2015). Research findings suggest that moral judgments are better predictors of behavior than strong but non-moral attitudes (Skitka et al., 2005; Skitka et al., 2009). Based on these empirical findings, it is rational to propose that consumers' reactions to recovery are likely influenced by their moral judgment of service failure. Prior research has, however, largely overlooked the impact of moral judgment and has instead focused on a number of factors, which affect recovery performance. These factors include: social comparison (Bonifield & Cole, 2008), service failure type and recovery characteristics (Gelbrich, Gäthke, & Grégoire, 2015; Maxham & Netemeyer, 2002; Surachartkumtonkun, Patterson, & McColl-Kennedy, 2013), affective commitment (Evanschitzky, Brock, & Blut, 2011), and culture and causal explanation (Schoefer & Diamantopoulos, 2009). Notably, some attention has also been given to justice/fairness of recovery (Siu, Zhang, & Yau, 2013; Tax, Brown, & Chandrashekaran, 1998) and perceived betrayal (Grégoire & Fisher, 2008).

To the best of our knowledge, few studies acknowledge differences in consumers' moral standpoint toward service failure (He & Harris, 2014), an omission the research reported here seeks to rectify. Understanding the effects of consumers' moral judgment of service failure, the original cause of recovery effort, on recovery performance is crucially important because moral judgments are most likely to determine consumers' subsequent reasoning and actions (Bartels et al., 2015). The premise of this research, thus, is that consumers' moral standpoint influences evaluations of recovery justice/fairness and recovery performance (the latter being the focus of the current research).

How will moral judgment of service failure affect consumers' responses to expected versus high recovery? Little research exists in this particular domain but broader literature, such as moral judgment and decision-making literature and well-established ethics literature, sheds