



Can a CEO's YouTube apology following a service failure win customers' hearts?



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ABSTRACT

This study examines how CEO YouTube apologies affect satisfaction with the company after an apology. A self-administered online Internet survey was developed and pre-tested in order to examine a proposed theoretical model, which identifies consumer and message related factors that might affect satisfaction with the company after an apology. A total of 278 USA consumer panel members completed the survey, and a structural equation modelling approach was used to analyse associations among constructs. Results suggest that incident familiarity before exposure to the YouTube apology, involvement with the apology, perceived persuasiveness of the apology, and attitude towards the CEO after the apology are all significantly associated with satisfaction with the company after the apology. This study provides timely and essential insights regarding the effects of a CEO YouTube service failure apology on customer satisfaction, and highlights many interesting future research directions.

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1. Introduction

Social media employ web-based and mobile technologies to create highly interactive platforms via which individuals and communities can share, co-create, discuss, and modify user-generated content [1]. Not surprisingly, social media have commanded a growing interest from managers and marketing practitioners, who have found a two-way communication platform, which they can use to develop and manage customer relationships. In this paper we are interested in examining the use of social media as a crisis communication channel, via which companies can reach customers during times of service failure [2]. For the purpose of this paper we define a crisis as a “specific, unexpected, and non-routine event or series of events that create high levels of uncertainty and

threaten or are perceived to threaten an organisation's high-priority goals” [3] [p. 233]. Service failures may result in relationship discontinuities which, in order to be addressed and for equity to be restored, require the company to state its wrong-doing and apologise to the affected customers, effectively acknowledging that they did not receive the arranged benefit [4].

Our research objective is to study the effect of a corporate apology on social media for service failure on customers' satisfaction with the company after the apology. Apologies have been found to be highly effective during times of service failure, as they increase customers' satisfaction [5–7] (for a review of the literature relevant to crisis communication, the role of apologies, and service recovery see [8,9]). However, the focus of prior studies has been the investigation of apologies within a traditional media context. Today there is a growing trend in crisis communication and customer relationship management practices to employ social media (see for example [10,11]) with the objective being to reach as many customers as possible promptly and ideally for free. Despite this growing phenomenon, there is a scarcity of

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empirical research in the service failure literature examining the effect of posting an apology on social media platforms. This presents a key research gap, which we will address in this paper. Additionally, companies could rely on various appropriate representatives, including customers, to promote the message (apology) to relevant target audiences [12]. In this work we examine the implications of featuring a company's chief executive officer (CEO) in the apology message. It is normally anticipated that CEOs will play a key role in firms' communications and social networking, by employing various social media activities and other online technologies [13]. Prior research suggests that apologies impact on impressions of the CEO and CEOs are often used in crisis communication situations to increase stakeholders' confidence that the company is taking appropriate action [14–16]. However, to the best of our knowledge, no other study has examined the impact of a CEO apology on social media for service failure on customers' satisfaction with the company after the apology. This is the second research gap that we will attempt to fill in this paper.

2. Literature review

In today's fast-paced environment, organisations need to constantly innovate to remain competitive. In particular when it comes to online services this implies that the notion of "finalised" services is becoming obsolete. This perpetual innovation process creates a major challenge for organisations, as not only do they need to continue innovating in order to remain competitive, but at the same time they need to keep their systems fully-operational and accessible to users. Given that many services feature millions of users across the globe, even the smallest discontinuities can result in serious challenges for the practitioners. Understanding how to mitigate such discontinuities in service provision is expected to become a more pressing issue for all organisations, as it is not a matter of whether discontinuities will take place, but when. Just as innovations require a communication channel, time and a social system for diffusion [17], service discontinuities can diffuse in a similar manner. Online communication channels such as social media have minimised the time needed for discontinuities to propagate among the members of a social network, but equally offer the means to address negative sentiment in a timely manner. In the next section, a review of the relevant literature is provided that supports the development of the hypothesised relationships and our conceptual model.

2.1. Familiarity with incident & prior exposure to apology

According to Boshoff and Leong [4], service failures result in relationship discontinuities that, in order to be addressed and equity restored, require the company to state its wrongdoing and apologise to the affected customers by effectively acknowledging that they did not receive the arranged benefit. Hart et al. [18] vividly clarify this by comparing companies with gymnasts that are able to regain their balance instantly after a slipup and continue their routine: "such grace is earned by focusing on the goal of customer satisfaction, adopting a customer-focused attitude and cultivating the special skills necessary to recover" (p.149). An apology can be offered as part of an overall complaint-handling approach to create satisfied

and loyal customers [19]. More specifically, the humility of an apology, the assertiveness of a justification, and the acceptance of responsibility can result in favourable outcomes for the company as it can improve customer satisfaction and ensure their continued brand and company loyalty [20]. The more empathic and intense the apology given, the more satisfied respondents are, while a late apology may decrease satisfaction ratings [21]. For an apology to be effectively communicated, in a way that increases customer satisfaction, companies first have to ensure that affected customers are exposed to the apology message itself and have the necessary motivation and ability or involvement to process the apology/message. Message involvement refers to the extent to which consumers pay conscious attention to a message they have been exposed to [22]. According to Berlyne's [23] two-factor theory, message repetition can increase the chances of exposure among customers, as well as reduce negative responses and increase positive responses towards a message. This implies that multiple exposures to the CEO YouTube apology can potentially have positive outcomes. However, as the repetition of a message continues, the message tends to lose its effectiveness due to wear out effects (i.e., lack of stimulation/involvement, as the consumer/audience gets more familiar with the message content) [24]. Familiarity with the service failure incident also has an impact on message involvement [25], as messages can be seen as sources of information. Based on the discussion above we formulate the following hypotheses:

H1. Familiarity with the service failure incident is positively related to involvement with the service failure apology.

H2. The more familiar customers are with the service failure incident, the more likely it is that they have been exposed to the apology prior to this study.

H3. Customers who have been exposed to the apology prior to this study will be less involved with the apology (message) than those who have not been exposed.

2.2. Attitude towards the spokesperson & persuasion of apology

A key implementation part of any crisis communications response strategy is deciding who will represent the organisation. Spokespersons are typically organisational leaders (e.g. CEOs), who, by being visible at a time of crisis, "would demonstrate the importance the organisation places on the crisis and dispel any notion that the organisation might renege [on] its responsibility to stakeholders" (Ulmer et al. [26] as cited by Lucero et al. [27]). From the customer's point of view, attitudes towards the spokesperson are based on source trustworthiness, which attenuates the quality of an argument if the source is not perceived to be reliable, sincere, and honest [28], and source likability, which in turn has been found to be a significant determinant of persuasion in broadcast media [29]. Consequently, attitudes towards the spokesperson may affect the persuasiveness of the apology, as it impacts on the effectiveness of messages [28]. In addition, prior literature suggests that source likability is higher when the message is transmitted by video or audio, rather than in written form [29], which is relevant to our study. Both constructs, i.e. the attitude towards the spokesperson and persuasion of the apology, have

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