

Service Recovery in Collaborative Consumption Settings

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Abstract

A rich body of literature suggests that customers who are victims of service failures are less likely to forgive and tend to switch to another provider. In this paper, we reveal that the type of service provider (collaborative vs. conventional) affects how consumers respond to service failures. In four studies, we show that customers are more likely to forgive and to repurchase after service failures when service providers are collaborative (vs. conventional). We propose a conceptual framework that portrays forgiveness as the underlying process in the relationship between the service provider type and repurchase intentions. Findings indicate that customer's forgiveness after failure towards a collaborative service provider is higher than to conventional providers, even when there is no service recovery attempt. In addition, tie-strength between customers and service providers moderates the effects of customer's forgiveness on repurchasing intentions.

Keywords: collaborative consumption, service provider type, customers' forgiveness

Track: Services Marketing

1. Introduction

With the rise of online mediating services such as Airbnb and Uber, services are increasingly being delivered by individuals rather than firms. Today, individuals can deliver several services to customers. This type of interaction is usually defined as collaborative consumption which refers to “*the peer-to-peer-based activity of obtaining, giving, or sharing access to goods and services, coordinated through community-based online services*” (Hamari, Sjöklint, & Ukkonen, 2015 p. 2049). Although companies strive to please customers service failures may inevitably occur. Therefore, exploring customer’s responses to service failure and recovery by a “*collaborative provider*” is worthwhile, as a single bad experience with a service provider may negatively reflect on customer’s repurchasing intentions towards the online platform (Benoit et al 2017).

Recent literature on collaborative consumption challenges our understanding of customer’s evaluations of the service encounter. Bridges & Vasquez (2016) indicated that the nature of the peer-to-peer (P2P) relationship seems to influence customer’s positive reviews. Further, Zervas, Proserpio, & Byerset (2015) argued that the reason behind the bias in customers’ review is due to the nature of the peer-to-peer relationship, arguing that most reviews on Airbnb are positive because of the sociological effects that influence people to be more diplomatic when reviewing other peers. These findings raised important questions, thus remain unanswered: Do customers have higher levels of repurchase intentions after a service failure towards a collaborative service provider compared to conventional ones? Are customers more forgiving towards collaborative service providers as they are dealing with individuals than companies? And finally, which factors are likely to influence customer’s level of forgiveness and repurchasing intentions?

Thus, this paper aims to address this gap, making three important contributions. First, the concept of service failure in collaborative consumption still in early phases, this research opportunity was identified by Benoit et al. (2017, p. 226). Second, it advances our understanding of customers’ forgiveness in peer-to-peer settings as the literature suggests that customers are more forgiving towards employees rather than firms (Yagil & Luria, 2015). Third, collaborative business are characterized by the personal interaction among peers, this unique type of the relationship is viewed as a part of the social benefits that customers gain when they choose collaborative models (Tussyadiah & Pesonen, 2016). Thus, we investigate the moderating role of tie strength and its effect on customer forgiveness and repurchase intentions.

2. Conceptual Framework and Hypotheses

2.1 *The service provider type on repurchasing intentions*

Our proposed model draws on key aspects that differentiate between collaborative (vs. conventional) service providers. Collaborative service providers are assets owners or renters (e.g., apartments) who utilize their resources to provide temporary services to other peers (Belk, 2014, 2010), thus, they may not be equal to conventional providers. In this way, we view collaborative service providers as ‘*unconventional provider*’ because the lack of resources, training, or customer service expertise (Li et al, 2015). Further, we also suggest that collaborative service providers have a higher sense of human presence, as the service is delivered by an individual who appears to have more personal touch and human presence compared to conventional service providers who represent a brand. Liang et al (2018) suggests that the human touch is stronger in collaborative service providers, as it appears to be more authentic which emphasizes human nature. Thus, the human presence, the personalized human contact, warmth, and sensitivity, higher level of involvement in the service delivery may positively influence customers’ attitude towards the service provider, because both peers interact with each other for a long period of time, share their personal lives with each other’s (Tussyadiah & Pesonen, 2016). **H₁**. *The impact of service recovery on repurchasing intentions in collaborative settings is higher compared to conventional consumption settings.*

2.2 *The mediating role of customer forgiveness*

Customers’ forgiveness is defined as “*customers’ internal act of relinquishing their anger and desire to seek revenge against a firm that has caused harm, as well as the enhancement of positive emotions and thoughts toward this firm*” (Joireman, Gregoire & Tripp, 2016, pp.76–77). There is an emerging literature that focuses on the connection between service failure and customer forgiveness (Tsarenko & Tojib, 2011). Although the literature provides insights on the impact of service failure on customer forgiveness, little is known on customers’ forgiveness towards different types of service providers (collaborative vs. conventional). Recent work indicates that forgiveness towards an employee may vary from attitudes toward a firm, as the level of tolerance towards the employee is influenced by the interpersonal aspect of the relationship (Yagil & Luria, 2016). This attitude is likely to be more visible in strong relationship contexts, as customers develop positive emotions toward the employee and to become more forgiving towards the service provider. However, the literature lacks an overview on the relationship between service provider type and customers’ forgiveness during service failure incidents, we argue that customer forgiveness depends on situational and contingent factors that facilitate the

consumer forgiveness and service recovery outcomes (Tsarenko & Tojib, 2011). In our conceptual framework, we posit that: **H₂** *Customer's forgiveness mediates the relationship between service provider and repurchasing intentions following a service recovery.*

2.3 The moderating role of ties strength with the service provider

Research indicated that that customers who are connected with strong ties to a service provider are less likely to complain after a service failure and complaining drives loyalty for strongly tied customers (Umashankar, Ward & Dahl, 2017). Further, DeWitt & Brady (2003) suggested that strong ties may make consumers more forgiving as strong ties with the service provider may prevent consumers from complaining to the firms (Mittal et al,2008). In collaborative consumption peers share their personal lives for a short period of time (Tussyadiah, 2016) such an opportunity of personal interaction has been identified as part of the authentic experience that Airbnb guests seek (Lalicic & Weismayer, 2017). For example, Tussyadiah (2015) suggested that collaborative services provide opportunities to enrich the social benefits as it allows peers to get closer to each other's for a period of time. Thus, we argue that the nature of tie strength with the collaborative service provider is unique and viewed as a part of the social benefits that collaborative customers seek in collaborative consumption (Tussyadiah & Pesonen, 2016). Therefore, we posit that: **H₃**. *Tie-strength moderates the effects of the service provider on (a) repurchase intentions and (b) customer forgiveness.*

3. STUDIES

3.1 Study 1: The "Collaborative Recovery" Effect

Participants and design: In study 1, we measure customers repurchasing intentions towards the service provider type after a service recovery. In this single-factor (service provider: collaborative vs. conventional) between-subjects design, we employ a scenario-based experiment. Two separate scenarios developed to match our settings. Eighty-three undergraduate students from a European University ($M_{age} = 18.8$, 57.8% female) were invited to participate in a lab experiment, participants were randomly assigned to either conventional service provider "Hotel" (n = 42) and collaborative services condition "Airbnb Host" (n = 41).

Procedure: Participants read a scenario in the context of a service recovery, the scenario was adapted from (DeWitt, Nguyen and Marshall, 2007) and customized to fit both conditions, where the word 'Hotel' was replaced by the word 'Host'. Participants were asked to imagine the following: "You recently made a reservation to stay at a hotel [Airbnb] room. Upon arriving at the room you found that room is not properly cleaned. The bed had not been

made and dirty towels were lying all over the floor. You returned to the hotel employee [host] that unapologetically state: 'Oops, we will clean the room immediately'. 30 minutes later you made your way to the clean room in the hotel [host apartment]". Participants were randomly assigned to only one of the two conditions. The two scenarios were equally distributed to the respondents, then respondents answered questions related to their repurchasing intentions. Manipulation checks of service provider (collaborative vs. conventional) worked as intended ($t_{(81)} = -3.059, p = 0.014$).

Measures: Participants rated their level of agreement on a scale from (1 = strongly disagree to 9= strongly disagree) with three statements of repurchasing intentions adapted from (Chen et al., 2018; Blodgett et al., 1997) by asking the respondents "I may still use the service provider", "I would probably use this service in the future", and "I would never use this service in the future" ($\alpha = .520$).

Findings: We performed *t*-test with the type of service provider as the independent variable and customer's repurchasing intentions towards the service provider who failed to deliver adequate services. The results show a significant main effect of the type of service provider on customer repurchasing intentions, ($t_{(80)} = -4.01, p < .001$).

3.2 Study 2: Mediation of Customer Forgiveness

Participants and design: To investigate these effects 104 US consumers who participated in this study (MTurk sample, $M_{age} = 32.9$ years, 46% female) in exchange for a nominal payment. Participants were randomly assigned to either the collaborative services ($n = 50$) and conventional services condition ($n = 54$), participants read the identical scenario of study 1.

Measures: We measured repurchasing intentions by adapting Chen et al. (2018) on three items scale from 1 ("strongly disagree") to 9 ("strongly agree") ($\alpha = .668$). Customer forgiveness was measured by adapting (Casidy & Shin, 2015) on nine items scale from 1 ("strongly disagree") to 9 ("strongly agree"): e.g., "I forgive this service provider", " $\alpha = .858$). Independent Sample *t*-test was performed with the type of service provider and customers repurchasing intentions. The results indicate a significant main effect between the type of service provider and customer repurchasing intentions ($F_{(1,102)} = .5.696, p < .05 = .000$).

Mediation Analysis. An evaluation was conducted to test whether customer forgiveness mediates the effects of service recovery on repurchasing intentions. In our analysis, Regression analysis was used to investigate the hypothesis that customer

forgiveness mediates the relationship between the service provider type and repurchase intentions. Results indicated that the service provider type was a significant predictor to customer forgiveness ($b = 1.197, SE = .34, p < .05$), and that forgiveness positivity was a significant predictor of repurchasing intentions ($b = .46, SE = .069, p < .05$). The indirect effect was tested using a bootstrap estimation approach with 5,000 samples, by following a method described by Hayes (2013). Hayes method allows for the estimation of total indirect effects with one or several potential mediators. Mediation analysis indicates a significant total effect of service recovery on repurchasing intentions ($total\ effect = 1.3667, SE=2910\ p < .01$). These results indicated the indirect effects was significant ($indirect\ effect = .5582, BootSE = .2261, BootLLCI = .1777, BootULCI=1.0551, p < 0.05$). Consequently, mediation analysis provides support for (H₂) that customers' forgiveness mediates the relationship between service provider type and repurchase intentions.

3.3 Study3: Moderating Role of Social Ties

Participants and design: We recruited 168 participants from Mturk who took part in a 2 (service provider type: collaborative vs. conventional) X 2 (tie strength: strong vs. weak) study in exchange for a nominal fee. Participants read the same scenario of study 1 & 2, then they were then assigned to one of the following conditions. The four conditions were adapted from Umashankar et al (2017). For instance, **strong ties:** *during your interaction with the hotel employee [host] you felt connected* vs. **weak ties:** *during your stay, you and the hotel employee [host] do not talk much and you find that you do not have many common interests.*

Measures: we use the same measures of study 1 & 2. To confirm that we successfully manipulated tie strength, we asked the participants to indicate the degree to which they perceived that a social tie had been created, the measures were strongly correlated ($\alpha = .994$).

Findings: We found a significant difference in participants' perceived tie strength to the service provider by condition ($M_{StrongTie} = 7.05, M_{WeakTie} = 3.61; t(166) = 13.0, p < .001$). We also examined whether the moderating effect of tie strength on the relationship between the service provider type and repurchasing intentions is mediated by customer forgiveness. Using the PROCESS mediation macro in SPSS (Hayes, 2013; Model 8; bootstrapped with 5,000 samples). Mediation analysis indicates a significant total effect of service provider type on repurchasing intentions ($total\ effect = .9693, p < .01$). The results of moderated mediation reveal that customer level of forgiveness is affected by the tie strength with the service provider (indirect effects = .1375, $BootSE=.0855, BootLLCI=.0029$, and $BootULCI = .3283, p < 0.05$), while in a weak ties condition there was no mediation effect on customers

forgiveness (*indirect effects* =.0085, *BootSE*=.0564, *BootLLCI*= -.1120, and *BootULCI* =.1263, $p < 0.05$) and forgiving traits as a covariate.

3.4 Study 4: Collaborative Recovery Across Service Categories

Participants and design: This study aims to examine whether customers react differently in both conditions to a service failure without a recovery, to investigate if customers' responses to the service failure vary across different service categories (e.g., public transportation, private transportation, food delivery and accommodation). This study uses a 2 (service provider type: collaborative vs. conventional) X 4 (service categories: public transport, private transport, food delivery, and hospitality accommodation) factorial experimental design. We conducted a 2 x 4 ANOVA with repurchasing intentions as the dependent variable. The only condition for the inclusion of respondents was that they must have had a service failure during the past six months. The respondents were asked to select one of the four categories and to describe the service failure and how they were treated by the service provider. Four-hundred respondents were recruited from Amazon Mturk in return for nominal payment. 34 participants were dropped from the analysis because they disclosed that they did not experience a service failure with the provider, reducing the sample size did not affect the study results. The final sample size consisted of 366 US consumes ($M_{Age} = 34$ years, 44.8% Female). Participants were randomly assigned to either the collaborative services ($n = 166$) and conventional services condition ($n = 200$), then asked to select one of the four service categories: e.g., public transportation [Carpooling], private transportation Taxi [Uber], restaurant food delivery [Uber eats], and hotel [Airbnb] accommodation. We asked for consumers who had a dissatisfactory service experience during the past 6 months.

Findings. The results show significant main effects of service provider type ($F_{(1,358)} = 7.699, p < 0.01$, Partial $\eta^2 = .013$) and service categories ($F_{(3,358)} = 3.74, p < 0.001$, Partial $\eta^2 = .027$) Specifically, participants indicated higher repurchasing intentions towards collaborative service categories (vs. conventional categories) accommodation ($M_{collaborative} = 5.73, M_{conventional} = 3.83$), food delivery ($M_{collaborative} = 5.06, M_{conventional} = 4.59$) and private transportation ($M_{collaborative} = 6.11, M_{conventional} = 5.01$). Conversely, the respondents showed lower repurchasing intentions towards collaborative public transportation category ($M_{collaborative} = 5.41, M_{conventional} = 6.10$).

Mediation Analysis. Study 4 further investigates the mediation effect of customer forgiveness on the relationship between service provider type and repurchasing intentions. Following an A bootstrap analysis described by (Hayes 2013) we conducted a mediation

analysis (Hayes 2013, model 4, $n = 5,000$) that uncovered a positive, significant indirect effect of the suggested mediation pathway ($b=.62$, $SE=.03$; 95% confidence interval. Specifically, (1) service provider type had an effect on customer forgiveness ($b = .52$, $SE = .24$, $p < .05$) (2) customer forgiveness had a positive effect on repurchasing intentions ($b = .62$, $SE = .034$, $p < .01$). These results indicated the indirect effects was significant (*Indirect effect*=.3262 *BootSE*=.1569 *BootLLCI*=.0158 and *BootULCI*=.6387 $p < 0.05$)

Conclusion

Our work accordingly contributes to several streams of literature. First, across four studies, we demonstrate that it is not only the service recovery efforts that influence customers repurchasing intentions, but the service provider type has an influence on customers repurchasing intentions, as participants in both conditions collaborative (vs. conventional) reported higher intentions towards the collaborative service provider. This implies that customers' perceptions of the service provider type influence their behaviour. A possible explanation for this would be the human and the personal nature of the collaborative consumption, as it tends to influence customer's emotional and behavioural responses, influencing them to be more emotionally and behaviourally forgiving. Past work suggests that customers' triggers more positive emotional responses when they perceive the service encounters to be more personal and authentic rather than non-personal encounter (Thurau et al., 2006; Price, Arnould and Deibler, 1995). Recent research supports this argument by emphasizing on the effect of perceived authentic experience that collaborative consumption provide (Lalicic and Weismayar, 2017; Laing et al., 2017). Consequently, the human presence, the personalized human contact, warmth, and sensitivity, higher level of involvement in the service delivery may positively influences customers attitude towards the provider (Tussyadiah & Pesonen, 2016). Second, this research advances our understanding of consumer forgiveness. While a recent research suggests that a service recovery may influence customers' forgiveness, but reconciliation customer/provider is not always guaranteed (Tsarenko, Strizhakova & Otnes 2018). Our findings are consistent with Tsarenko & Tojib, (2015) indicating that the damaged relationship between the service provider and customers can be restored through a process of forgiveness and subsequently enhances customers repurchasing intentions, as customers forgiveness actually allows these damaged relationships to be rebuilt. Furthermore, we found that the service provider type tends to influence customer forgiveness. Thus, we contribute to this body of knowledge by showing that the service provider type can also alleviate customer forgiveness and consequently

increases repurchasing intentions after a service failure. Third, we found that tie strength with the service provider can enhance customers' forgiveness and subsequently increase their repurchasing intentions during service failure incidents. Interestingly, this effect is manifested in collaborative consumption settings, whereas, for weakly tied customers, ties have no effect on forgiveness, and therefore fail to positively influence customers' repurchasing intentions. Even though it is known that strong ties can be developed among close individuals like family and friend (Walster, Berscheid, & Walster 1973).

This study provides insights to both collaborative service providers and service managers. As this research shows that repurchasing intentions are higher towards collaborative service providers, conventional businesses need to find a novel way to humanize their services, by enriching the human touch of the service provider, or by using symbols and slogans that develop immediate ties with customers and create deep connections. The current studies further show that the use of service provider type increases consumers' repurchase intentions, the human characteristic of the collaborative service provider seems to be more desired and more influential on consumer emotional and behavioral decisions. Further, understanding customer's forgiveness as a key mediator provides insights for both service providers; service providers should find quick ways to encourage and facilitate consumers' forgiveness during service failure incidents, rather than by providing an apology, compensation, problem solving or explanation in order to accelerate customer's forgiveness. Although a service failure damages the relationship with the service providers, however service providers in both settings, need to consider the opportunity of converting a service failure into higher future repurchasing intentions, by developing ties with customers.

Finally, we provide some insights for future studies regarding service recovery in collaborative consumption. The current research employed scenarios in studies 1-3; however, the validity of the findings can be enhanced by using multiple scenarios on other settings and recall studies (as in study 4). The tie manipulation in the third study could be enhanced by conducting a field experiment, which we believe will be even more powerful in manipulating social ties. Future research should investigate in depth the effect of the service provider on other desirable outcomes, such as customer satisfaction, loyalty, WOM and value co-creation.

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