

An Exploration of Customers' Online Service Recovery Expectations

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Cite as:

Tahir Zonaib , Goudarzi Kiane (2019), An Exploration of Customers' Online Service Recovery Expectations. *Proceedings of the European Marketing Academy*, 48th, (9026)

Paper presented at the 48th Annual EMAC Conference, Hamburg, May 24-27, 2019.



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Abstract:

The widespread acceptance and usage of internet as a shopping medium should have led to a sizable examination of online customers' post-failure expectations. Yet, the limited online service recovery research has produced contradictory recovery expectations. The unique characteristics of e-commerce have elevated the role of trust in selecting an online service provider. If the customers' aren't satisfied, the trust with which they entered the relationship, will decline. Although customers exhibit trust even when the service fails, by expecting the company to address the failure. The purpose of this article is to explore the online customers' recovery expectations for various situations, unique to online service delivery. 20 in-depth, semi-structured interviews revealed circumstantial recovery expectations and also the factors that generate differing offline and online recovery expectations. A deeper understanding of recovery expectations will help minimize the trust deficit by responding to the failures as per customers' expectations.

Keywords: online service recovery, trust, compensation

Track: Services Marketing

1. Introduction

Service recovery plays an important role in the formation of overall electronic service quality perception in customers' minds (Collier & Bienstock, 2006). Managers need to place an emphasis on service recovery efforts with online transactions because a failed recovery attempt can further intensify dissatisfaction. However, the limited research on the online service recovery has focused on the evaluation process and there is a lack of unanimity in the recovery measures studied (Jung & Seock, 2017).

Trust has received limited attention in the traditional service recovery literature (Gelbrich & Roschk, 2011) but the unique characteristics of online business environment have enhanced the role of trust in selecting a service provider (Kim, 2014), making it more viable to assess its restoration after a failure. The offline recovery literature emphasizes the importance of addressing a service failure with compensation because customers expect to get their tangible loss refunded (Orsingher, Valentini, and De Angelis, 2010). However, despite recognizing the relevance of offline service recovery research to online, the differing nature of offline and online service failures prompts a need for enhancing our understanding of the online customer's recovery expectations (Holloway & Beatty, 2003). Service failures lead to a decline in the initial trust (Wang & Huff, 2007), though, customers not only enter a relationship with trust but they also exhibit trust in case of a failure by expecting a resolution (DeWitt, Nguyen, and Marshall, 2008). In view of Kim's (2014) dynamic trust model, if the companies can provide customers the compensation that best meets their expectation of a failure resolution, then as per confirmation / expectation paradigm, their satisfaction with the compensation would increase the firms' trustworthiness and enhance the likelihood of the relationship continuation.

Therefore, the objectives of this research are to explore online customers' circumstantial recovery expectations, and identification of the factors that generate differing offline and online recovery expectations.

2. Literature Review

2.1 Online service recovery

Recovery measures are extremely important with online service quality because dissatisfied customers cannot only switch (Collier & Bienstock, 2006) but also engage in negative word-of-mouth (Jung & Seock, 2017). The circumstances surrounding the online failure are quite different from the factors typically at the root of traditional service failures, such as delivery issues, product quality, payment, security and privacy (Holloway & Beatty, 2003). Therefore, the traditional recovery measures cannot be applied with absolute certainty. The limited online service recovery research provides a contradictory account of customers' recovery expectations, and that too without considering situational factors. Holloway & Beatty (2003) provided compelling evidence that the online customers feel they deserve more in the recovery effort. However, their findings were negated by Harris, Mohr, and Bernhardt (2006), who employed Folkes' (1988) attribution theory to suggest that the online customers will be more satisfied with a lower remedy level as compared to offline customers. Jung & Seock (2017) proposed that an apology alone may resolve service failures without tangible compensation. Although, a well-defined and a proper mention of a particular service failure in their study might have produced different results.

2.2 Compensation

Equity and justice theories have been used by the academicians to explain the effectiveness of the service recovery efforts (Grewal, Roggeveen, and Tsiros, 2008). Distributive justice, in the form of compensation, has been shown to have the strongest average correlation with recovery satisfaction because customers expect a fair redress (Orsingher et al., 2010; Gelbrich & Roschk, 2011). Both, immediate and delayed, compensation types have been advocated to have a positive effect on attitudes and behaviors (Bambauer-Sachse & Rabeson, 2015; Gelbrich, Gathke, and Gregoire, 2014; Sparks & McColl-Kennedy, 2001). The researchers have also studied the whole continuum, from low compensation (20% discount; Wirtz & Mattila, 2004) to high overcompensation (replacement of the meal plus 100% discount; Hess, Ganesan, and Klein, 2003).

The extant traditional service recovery literature provides a contextual account of compensation's effectiveness, which, although be considered a guideline for online recovery, cannot be applied to online failures with total conviction because of different failure types. The limited online recovery research, though contradictory, at least indicates that online customers have different recovery expectations, compared to their offline counterparts (Harris et al., 2006). However, it does not take into account the varying situations or factors that may shape online customers' recovery preferences and expectations.

2.3 Trust

The customers are likely to perceive an organization as untrustworthy if their complaint receives a poor response (DeWitt et al., 2008). Despite appreciating the role of service recovery efforts in rebuilding trust, this causality has not been explored much. Orsingher et al.'s (2010) and Gelbrich & Roschk's (2011) meta-analytic frameworks did not include trust for being addressed in a few studies and its unclear position in the nomological network.

Internet purchasing involves more uncertainty and risk than traditional shopping, making trust an even more important factor. The distinctive characteristics of online transactions have created psychological barriers such as the physical separation of the buyer and the seller, goods and money not being exchanged simultaneously, and the risk that the consumer may not get the products that fit the on-screen description. Furthermore, online transaction requires customer's sensitive personal and financial information which, unless the customer has a certain level of trust in the seller, would not be provided (Kim, 2014). These unique features make trust a core issue which has been defined as "reliance on a specific firm with respect to the firm's business activities in the electronic medium generally, and specifically on its website" (Kim & Peterson, 2017).

Trust should not just be considered as an outcome of a one-time process but as an iterative and evolving process itself. The confirmation of the triangular relationships among initial trust, satisfaction, and post-trust in Kim's (2014) study proves that trust changes over time with the variations in the level of trust. Online customers not only exhibit trust before their first purchase but also after a service failure, by expecting a failure resolution (DeWitt et al., 2008). In view of

Kim's (2014) dynamic trust model, the post-trust level of the customer would be low after the failure as their expectations were not met. But this post-trust would become pre-trust for the next interaction, which in this case, as per DeWitt et al. (2008), would be expectation of a fair service failure resolution. If the companies can provide customers what they expect in terms of the recovery, then as per confirmation / expectation paradigm, they will be satisfied and the post-trust at this stage would lead to relationship retention.

3. Research Methodology

An exploratory research design was undertaken to address the lack of unanimity towards appropriate actions in online service recovery (Saunders, Lewis, and Thornhill, 2000). Phenomenological research philosophy, termed social constructionism by Easterby-Smith, Thorpe, and Jackson (2008), provided an understanding of the situations that shape recovery expectations. Twenty in-depth, semi-structured interviews were conducted to address the research objectives. Purposive sampling was selected as non-probability sampling technique to generate sample relevant to the research topic (Bryman & Bell, 2008). Diversity of the sample was ensured to allow for a deeper understanding of the perceptions. The respondents had university education, belonged to 10 nationalities, comprised of 11 females, and had an average age of 30.9 years.

Questions were open and probing, aimed at respondents talking about various services from their own point of view and experience (Saunders et al., 2000). The data was analyzed using a traditional inductive qualitative approach. Grounded theory was employed to analyze respondents' terms, codes and categories (Strauss & Corbin, 1998). The respondent centric first order codes (e.g. "replace the wrong product or a full refund", "coupon should equate the delay in delivery") were grouped to generate researcher centric second order themes (e.g. "situational determinants"), which led to the formation of aggregate dimensions (e.g. "recovery expectations") of the emergent data (Bryman & Bell, 2008).

4. Results

4.1 Data structure

Aggregate dimensions	Second order themes	First order codes
Recovery Expectations	Trade off inclination	<ul style="list-style-type: none"> • I may like that (coupon), it's better than not getting anything • I would even take a 30% refund because it allows me to use it where I want • Since the coupon comes with certain terms and conditions, I would prefer a cash refund • Coupon should have more value than the refund
	Situational determinants	<ul style="list-style-type: none"> • Replace the wrong product or a full refund • Coupon should equate the delay in delivery • If a replacement is being provided with postage refunded, they value me as a customer • Urgency or importance of product / service <ul style="list-style-type: none"> ○ Complete refund & postage ○ Replacement with a discount or gift
Differing online & offline recovery expectations	Expected Personalization & Promptness	<ul style="list-style-type: none"> • A message which is not already made, not a universal template which seems copied and pasted • Respond straightaway to the complaint and offer a solution • More the delay in responding to the complaint, more will be expected
	Process	<ul style="list-style-type: none"> • It takes a lot of time to send back the product and receive the replacement in online shopping • They will receive my message I don't know when, they will respond I don't know when
	Physical excursion	<ul style="list-style-type: none"> • Online, I will accept less because I spend less energy, less time • Offline, I would have to go physically, burn fuel and sort out time from my schedule
	Human interactivational element	<ul style="list-style-type: none"> • Offline, company would have made a better effort in terms of refunding me • On the internet I would have no chance of my money back but for the shop, I can go and ask • I expect less at store because I consider that they are already doing something listening to my complaint

Table 1. The respondents' data, structured as first order codes, second order themes and aggregate dimensions.

4.2 Discussion

The respondents demonstrated a tradeoff inclination by stating a preference for a coupon if its value is more than the refund. On the contrary, some of them showed a preference for refund, citing coupon's inherent usage conditions (Gelbrich et al., 2014). The study also identified situations that shape customers' recovery expectations. If a wrong product is delivered, the customers often have to bear the postage to send it back before receiving a replacement or a compensation. This was reported to be even more irksome than receiving the wrong product in the first place. In such a situation, the customers expect the company to bear the postage, even if they are providing a replacement. Respondents stated that they expect to receive a coupon for late delivery, though, its value should equate the delay, that is, more the delay, more the value of the coupon. If an urgent or important product is delivered late or is not the one that was ordered, a complete refund of the price paid and postage is expected. On the contrary, a replacement with a discount or a gift is expected.

The respondents placed an emphasis on the promptness of a compensation offer and although, they appeared keen on personalized communication (Ozuem, Patel, Howell, and Lancaster, 2017), it should be noted that personalization is not considered an ultimate solution or a substitute for tangible compensation. The inherent online service delivery and recovery process entails factors, such as waiting for company's response after a complaint. This process leads to higher recovery expectations, as stated by some of the respondents. On the other hand, few respondents seemed content with low recovery because they did not extend a lot of effort to acquire the service, thereby negating Holloway & Beatty (2003) but augmenting the findings of Harris et al. (2006) by suggesting lack of physical effort as the premise behind low recovery expectation, contrary to their failure attribution. The lack of human interactional element online creates doubts in customers' minds regarding company's recovery efforts, while offline they are more optimistic to receive a recovery.

5. Implications

The tradeoff inclination of the respondents suggests that if the customers are offered both, a refund and a relatively high value coupon, they are likely to choose a coupon because of prospective higher gains (Bambauer-Sachse & Rabeson, 2015). This practice will not only ensue

in less financial burden but also promote repurchase (Sparks & McColl-Kennedy, 2001), providing companies with a chance to suppress the earlier negative experience through improved service the next time around.

Delivery of the wrong product is followed by companies asking the customer to return the product before sending a replacement. This is an annoying process for the customers and often the postage costs more than the price paid initially for the product. This prompts them to not send back the product and culminating the relation altogether. However, reimbursing the postage is shown to have a positive effect on customers' attitudes and gives the impression that the company is owning its mistake. Compensating a late delivery with a coupon is highly appreciated by the customer, provided that the value of the coupon reflects company's acknowledgement of the delay.

The prompt response to the customers' complaints and rapid replacement can lower their tangible compensation expectations. The companies should train and equip the staff to respond swiftly and provide a solution without delays or passing complaints from one employee to the other, a common practice caused by outsourced complaint centers. Furthermore, utilizing a variety of communication options, such as emails, phone calls, virtual agents or social media can lower the lack of human interactional element, and moreover, augment customers' belief of receiving a solution.

Some of the customers do not anticipate a remedy against their complaints because of lower human interaction online compared to the traditional setting, resulting in customer defection. On the other hand, the delay in company's response due to the lack of human interaction proportionately generates higher recovery expectations. Therefore, the more interactive the communication mode, the higher the perception of interaction and the lower the recovery expectation, because it is perceived as a step in the right direction. Customers want their loss to be refunded (Orsingher et al., 2010) and a mere apology would not rectify the mistake. They want to know what is happening and when they will receive the solution or compensation. Multiple communication channels should provide assurances and keep them calm till the solution is delivered. All in all, fulfillment of customers' recovery expectations will diminish trust deficit and enhance the likelihood of subsequent future transactions.

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