The Effect of Interactional Fairness on Online Customers' Trust after Recovery

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Abstract:

The limited online service recovery research has produced contradictory recovery expectations without examining the effect of interactional justice on attitudinal outcomes. The aim of this research is to explore online customers' circumstantial recovery expectations in terms of interactional and outcome justice, and subsequent assessment of the effect of interactional fairness on customers' attitudes. 20 semi-structured interviews and an experimental study revealed that a lower value coupon, provided with a personalized message generates a higher trust. Moreover, a lower value coupon generates more satisfaction when sent with a personalized message compared to a high value coupon accompanied by a non-personalized response. Online firms would be better off by devising personalized responses to convey their concern and empathy instead of merely providing higher value coupons since our results suggest that online customers value interactional fairness more than the distributive justice.

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 its 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 which is why its position in the nomological network remains unclear (Gelbrich & Roschk, 2011). 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 by enhancing the distributive and interactional justice perceptions because customers expect to get their tangible loss refunded in a manner that reflects firm's concern (Orsingher, Valentini, and De Angelis, 2010). The different nature of customer-firm interaction and service failures, across offline and online mediums, prompts a need for enhancing our understanding of the online customer's recovery expectations (Holloway & Beatty, 2003), especially when the existing online service recovery research has assessed only the effects of outcome fairness on post-recovery attitudes and behaviors.

The lack of human interaction online dictates that the firms' responses should convey respect, empathy, concern and sincerity. Compensating alone is not enough because despite evaluating compensation and procedures as fair, customers still might feel unfairly treated because of interactional factors (Kau & Loh, 2006). Furthermore, it is yet to be examined in the online recovery context that how interactional fairness supplements the tangible compensation.

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 a solution, in a manner that best meets their expectations, firm's trustworthiness would increase and enhance the likelihood of the relationship continuation. Therefore, the objective of this research is twofold, first: to explore online customers' circumstantial recovery expectations in terms of interactional and outcome

fairness (Study 1), and second: to validate the role of expected service recovery in shaping online customers' trust (Study 2).

2. Literature Review

2.1 Online service recovery

Recovery measures are extremely important for online service quality perceptions 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 failures are quite different from the factors typically at the root of traditional service failures, such as delivery, product quality, payment, security and privacy issues (Holloway & Beatty, 2003). Moreover, unlike the traditional setup, online transactions lack face-to face interactions. Therefore, the traditional recovery measures cannot be applied with absolute certainty. The limited research on the online service recovery has focused on the evaluation process (Holloway & Beatty, 2003; Collier & Bienstock, 2006) and the specific recovery measures studied (e.g. coupon: Harris, Grewal, Mohr, and Bernhardt, 2006; apology & coupon: Jung & Seock, 2017) not only lack unanimity but also did not assess the effect of interactional fairness of the solution on post-recovery attitudes and behaviors.

2.2 Distributive and interactional justice

Distributive justice, in the form of compensation, has been shown to have the strongest effect on satisfaction because customers expect a fair redress (Orsingher et al., 2010). However, interactional justice has the most effect on cumulative satisfaction (Gelbrich & Roschk, 2011) and despite evaluating compensation and procedures as fair, customers still might feel unfairly treated because of interactional factors (Kau & Loh, 2006). Distributive and procedural justice may have been shown to enhance scores for service quality, satisfaction and loyalty but trust perceptions are improved only through interactional justice (De Ruyter & Wetzels, 2000).

2.3 Online trust

Customers' trust and commitment towards a website depends on their perception of its dependability, how it meets their assumptions on integrity and delivers as per their expectations

(Mukherjee & Nath, 2007). The customers are likely to perceive an organization as untrustworthy if their complaint receives a poor response (DeWitt et al., 2008). The distinctive characteristics of online transaction and it requiring customer's sensitive personal and financial information have made trust a core factor. Trust should not just be considered as an outcome of a one-time process but as an iterative and evolving process itself (Kim, 2014). If the companies can provide customers what they expect in terms of the recovery, their post-recovery would lead to relationship retention. Notably, trust perceptions are improved only through interactional fairness of the solution (De Ruyter & Wetzels, 2000).

3. Study 1

An exploratory research design was undertaken to explore online customers' circumstantial recovery expectations in terms of interactional and outcome fairness. Phenomenological research philosophy provided an understanding of the situations that shape recovery expectations. Twenty in-depth, semi-structured, purposively sampled interviews were conducted to address the research objective. The data was analyzed using a traditional inductive qualitative approach where grounded theory was employed to analyze respondents' terms, codes and categories.

Aggregate dimension	Second order themes	First order codes
Recovery expectations	**Situational determinants**	- 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 - Complete refund & postage - Replacement with a discount or gift
	Personalization & promptness	- A message which is not a universal template that seems copied and pasted - Respond straightaway and offer a solution

Figure 1. Respondents' data structure

The respondents, who shared their experience of receiving a wrong product, emphasized upon being provided a complete refund if the product cannot be replaced. Moreover, if an

urgently required product is delivered late, not only a full refund is expected but also the company to bear the postage for the product's return. However, if the product is not required urgently, a coupon that equates the delay is expected to compensate for the late delivery because it reflects firm's concern and an acknowledgment of the inconvenience caused (Gelbrich & Roschk, 2011).

The respondents stated their expectation of the recovery communication's personalization and how it complements the tangible solution offer. In line with Ozuem, Patel, Howell, and Lancaster (2017), respondents stated that generic apologies, copied and pasted universal templates and lack of empathy makes them feel just like any other customer. It is important to mention that despite suggesting a need for interactional justice, manner of communicating the recovery alone would not compensate for the failure but will lower the expected tangible compensation value. Thereby, emphasizing the complimentary role of personalized communication in enhancing the perception of receiving equitable service recovery. The respondents also expressed how the promptness of recovery effort makes the company appear fair and respectful towards them. The swiftness of recovery actions could help develop a unique understanding between consumer and company, thus improving the relationship and interaction between them (Ozuem et al., 2017).

4. Study 2

The existing research on online service recovery has not yet tested the effect of interactional fairness on complainants' attitudes, which is branded an important dimension of electronic service recovery framework by Collier & Bienstock (2006) and shown to have the greatest effect on cumulative satisfaction (Gelbrich & Roschk, 2011). Though our qualitative study's respondents expressed a desire of receiving prompt response but since procedural fairness has been shown to have the least effect on satisfaction, (Gelbrich & Roschk, 2011; Orsingher et al., 2010), we focus on assessing only the effect of interactional justice in this study. Especially because of its role in improving trust perceptions (De Ruyter & Wetzels, 2000). Keeping in view the qualitative study's respondents' expectation of a personalized response to their complaints, this study will validate the role of personalized communication in generating an expectation of a lower value tangible compensation.

4.1 Hypotheses

Electronic retailers must contemplate when and how to respond to customers' complaints along with determining some form of compensation for the service failure (Collier & Bienstock, 2006). The physical separation of the customer and the retailer dictates that the online interactions would not be the same as offline, where emotions are visible. Therefore, the firms need to devise messages that convey courtesy, respect, concern and empathy. The interactional fairness is not only expected but also improves trust perceptions. Therefore, we propose the following hypothesis:

H1: Personalization of the message will have a positive effect on trust after recovery.

The positive relationship between interactional justice and satisfaction with complaint handling is supported across traditional service recovery studies. The manner in which managers and employees communicate with customers to resolve conflicts affects customer satisfaction (Maxham & Netemeyer, 2002). Hence, we put forth the following hypothesis:

H2: Personalization of the message will have a positive effect on satisfaction.

It is expected that the fulfillment of complainants' recovery expectations will positively influence their satisfaction with the recovery. So, we wish to test the following hypothesis:

H3: Trust after recovery will have a positive effect on satisfaction.

4.2 Methodology

In order to test the hypotheses, a between subjects experimental study, based on a delayed book delivery scenario was undertaken. The experimental design was 2 (response to complaint: personalized, non-personalized) x 2 (coupon: 20%, 50%). Coupon was proposed as tangible compensation because majority of the qualitative study's respondents wanted a coupon for a delayed delivery and it also benefits the organization by generating repurchase intention. The respondents were first asked to state an online bookstore from where they will consider to buy a book for their personal collection. This allowed us to establish that the respondents were familiar with the brand and have a certain level of trust in it. The respondents answered questions that measured their trust before buying (T1) and then read the service failure and answered 1 question each for failure severity and perception of delay. Each respondent then randomly received 1 of the 4 recovery manipulations and answered questions that measured their satisfaction with service recovery and trust after recovery (T2).

The questionnaire was distributed through surveymonkey and a total of 188 complete responses were received. A rigorous screening process, based on responses to the attention check questions, identification of mahalanobis distance based multivariate outliers and response pattern checks, led to a usable sample of 108. The respondents had a mean age of 23.8 years (S.D. = 5.04) and 50% were female. The results of one-sample t-tests show that the respondents considered the scenario to be realistic (M = 5.36, S.D. = 1.37, t = 40.66, p < 0.001) and were able to imagine themselves in the situation described in the scenario (M = 5.62, S.D. = 1.27, t = 45.88, p < 0.001). A one-way analysis of variance revealed that the trust after recovery was significantly different across the personalized 20% (M = 5.49, N = 27), personalized 50% (M = 5.20, N = 27), non-personalized 20% (M = 4.84, N = 27) and non-personalized 50% (M = 4.65, N = 27) conditions, F (3, 104) = 2.92, p = 0.04 (Figure 2).
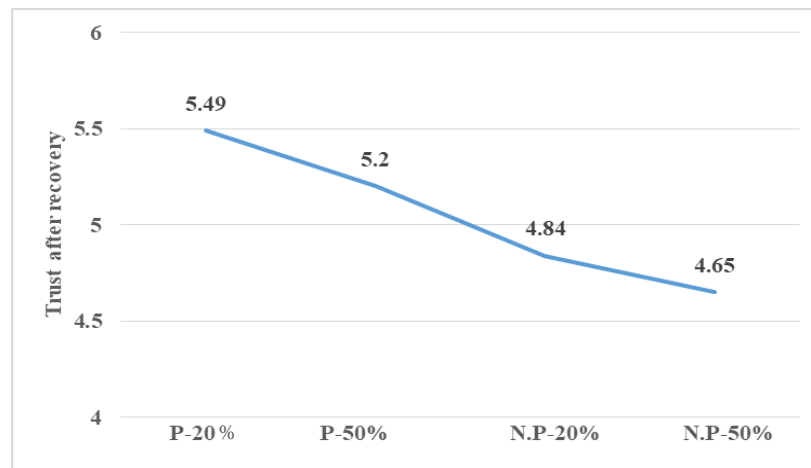

Figure 2. Trust after recovery per condition

Trust was operationalized through 6 items adapted from Garbarino & Johnson (1999), Chaudhuri & Holbrook (2001) and Sirdeshmukh et al. (2002) and satisfaction through 4 items adapted from Maxham & Netemeyer (2002). KMO and Bartlett's test confirm the adequacy of sample and the scales are reliable (T1: α = 0.813, T2: α = 0.929, satisfaction: α = 0.918). We controlled for the compensation, failure severity and initial trust (T1). One sample t-test showed that the failure severity mean = 4.71 (S.D. = 1.41, t = 34.79) is significantly above the midpoint (p < 0.001). A confirmatory factor analysis (CFA) showed an acceptable fit with the data, including x²/df = 2.04, CFI = 0.95, RMR = 0.09, GFI = 0.88, AGFI = 0.84 and RMSEA = 0.07. The CR values ranged from 0.82 to 0.93.

4.3 Analysis and discussion

In order to test the hypotheses, we estimated the mediation model template 4 of Hayes' PROCESS macro with 5,000 bootstrapped samples. Personalization was the independent variable, satisfaction was the dependent variable and trust after recovery (T2) was the mediator.

	Effect	Standardized effect	s.e.	t (103)	p
Personalization	0.47	0.40	0.19	2.51	0.01
Compensation	-0.18	-0.08	0.19	-0.96	0.34 ns
Initial trust	0.65	0.47	0.11	5.78	<0.001
Failure severity	-0.16	-0.19	0.07	-2.34	0.02

Table 1. Effects on T2; $R^2 = 0.35$

	Effect	Standardized effect	s.e.	t (102)	p
Personalization	0.14	0.11	0.18	0.78	0.44 ns
Trust after recovery	0.85	0.77	0.09	9.19	<0.001
Compensation	0.46	0.18	0.18	2.64	0.01
Initial trust	-0.37	-0.24	0.12	-3.01	0.003
Failure severity	-0.08	-0.09	0.06	-1.24	0.22 ns

Table 2. Effects on satisfaction; $R^2 = 0.54$

The significant positive effect of personalization on trust after recovery, shown in Table 1, lends support to hypothesis 1. Table 2 reports the non-significant effect of personalization on satisfaction, thereby leading to the rejection of hypothesis 2. However, the strong positive effect of trust after recovery (standardized effect = 0.77) on satisfaction lends support to hypothesis 3.
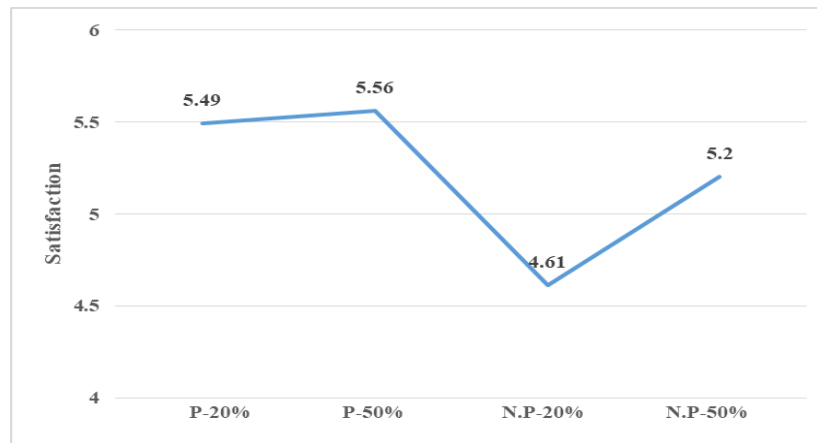

Figure 3. Satisfaction per condition

Figure 3 shows that when the firm's response is personalized, satisfaction is higher and importantly, a lower value coupon can generate more satisfaction if sent along with a personalized message. The non-significant direct effect of personalization on satisfaction and the significant indirect effect of personalization on satisfaction through trust after recovery supports full mediation. The standardized indirect effect of personalization on satisfaction through trust after recovery is 0.31, which is greater than the standardized effect of compensation on satisfaction (0.18).We can conclude that fulfillment of the complainants' recovery expectation of

a personalized response generates a higher satisfaction, hence signifying the importance of personalized response to address online failures.

5.   Conclusion

The overall aim of this research was to explore online customers' circumstantial recovery expectations in terms of interactional and outcome fairness and subsequent assessment of the effect of interactional fairness on customers' attitudes. As noted earlier, the online service recovery research has not yet examined the effect of interactional justice on attitudinal outcomes. Therefore, when the qualitative study's respondents revealed their expectation of a personalized response, an experimental study was devised to validate the role of personalized communication in lowering online customers' tangible recovery expectation.

It was discovered that a lower value coupon (20%), when sent along with a personalized message generates a higher trust after recovery, compared to a high value coupon (50%) (Figure 2), signifying the importance of sending a personalized response. Furthermore, when the response is not personalized, the lower value coupon still generates more trust after recovery, indicating that a higher tangible compensation was not expected in the first place and may well be deemed discourteous and an attempt of bribe, though it warrants further investigation.

Moreover, a lower value coupon generates more satisfaction when sent along with a personalized message, compared to a high value coupon accompanied by a non-personalized response (Figure 3). The online firms would be better off by devising courteous and polite personalized responses to complaints such that it makes up for the lack of human interaction and conveys their concern, honesty, effort and empathy.

The fulfillment of complainants' expectation of a personalized response not only leads to a higher trust after recovery but in turn generates a satisfaction that is more than when just the tangible compensation is offered. This highlights that the interactional justice is more important than the distributive justice in case of online service failures.

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