

Compensation insurances deteriorate the effectiveness of a compensation in service recovery

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Abstract

This research investigates how compensation insurances influence the effectiveness of compensation to restore customer post-recovery loyalty. Findings from four scenario-based experiments first show that compensation insurance undermines the efficacy of compensation in restoring customer loyalty. Second, we test the moderating role of blame attributions and found that the negative consequences of compensation insurance are salient when the company is responsible for the service failure. Third, we unveil the two parallel psychological processes explaining the effects of compensation insurance. Precisely, compensation insurance diminishes customer gratitude while fostering their entitlement, which both impact customer perceived justice and loyalty intentions.

Track: Service Marketing & Service Innovation