

Online Service Recovery Co Creation: Examining the Role of Source of Service Purchase



ISBN: 978-1-943295-14-2

Manu C

*Cochin University of Science and Technology, Kerala, India
(manualiasmc@gmail.com)*

Sreejesh S

*Indian Institute of Management Kozhikode
(sreejesh@iimk.ac.in)*

Studies have examined the effect of different recovery interventions in alleviating the dissatisfaction caused due to failure in service delivery. Recently, co creating service recovery has become an area of interest among researchers and studies have revealed the important benefits of co creating service recovery. This research offers an exact understanding of how customer participation in service recovery process influence service outcomes in an online context and how it is conditioned by the source of service purchase. The authors feel that exploring this area is of great significance because of the need for designing strategies to manage customer's service failure related issues and thereby fostering positive customer outcomes.

1. Introduction

Imagine a situation where you are getting ready for a leisure trip for a week to enjoy a seemingly attractive location with your family. However, just a day before your trip, you receive a message from the hotel which says that the booking which you made a month before has been cancelled. The message also indicated about the alternative options concerning the rebooking of the service by interacting with the customer service executive of the service provider through an online chat. Accordingly, during the interaction, the customer service executive detailed various options available and asked you to participate in the selection of a new service option by giving your preferences and reading the past customer experiences. In this context, will the option to participate in the service design and selection process, develop favourable service attitude than if you had not participated? Does the source of booking (direct vs. third party) influence your service attitude? This research offers an exact understanding of how customer participation in online service recovery process influences customer outcomes and how it is conditioned by the source of booking. The authors feel that understanding in this area is desperate and timely because of the increasing demand for designing policies and practices to manage customer's service failure related issues and thereby to generate favourable customer outcomes.

Service failures occur when the perceptions of a customer regarding the service delivery falls below their expectations or "zone of tolerance" (Zeithamal, Berry, and Parasuram, 1993). When these failure issues occur, customers expect effective service recovery measures from the side of the firm. Service recovery refers to those activities in which a company engages in order to address a customer complaint regarding a perceived service failure (Gronroos, 1988). Several service recovery measures have been proposed by researchers such as offering compensation, apologizing, showing empathy and offering explanations (Gelbrich & Roschk, 2011). Recently, various researchers have examined the effectiveness of recovery interventions in alleviating the negative impacts of service failures in an online context (Abney, Pelletier, Ford, & Horky, 2017; Jung & Seock, 2017; Sreejesh, Anusree, & Ponnampal, 2019; Zhao, Liu, Bi, & Law, 2014) and illustrated that effective recovery interventions are important in developing customer outcomes such as positive word of mouth, repurchase intentions and loyalty.

Prior research in service recovery suggests that it is important to look at the customer expectations and frame the recovery strategies accordingly, by participating the customer in the recovery process, so that the expectations of the customers are met and enhances satisfaction (Gohary, Hamzulu, & Alizadeh, 2016; Hazée, Van Vaerenbergh, & Armiroto, 2017; Xu, Marshall, Edvardsson, & Tronvoll, 2014). Dong, Evans, & Zou, (2008) explored the role of customers as active participants in recovering from a service failure and demonstrated that such participation amplifies customer satisfaction. Service recovery co-creation occurs when the customers shape the service recovery outcomes, which leads to enhanced satisfaction with the service recovery process and increased repurchase intentions (Roggeveen, Tsiros, & Grewal, 2012). Although studies have explored the effectiveness of a co-created service recovery intervention in an offline hospitality context (e.g., Roggeveen et al., 2012; Xu et al., 2013; hazee et al., 2018), there is a lack of research exploring the role of customer participation in service recovery in an online context. This research tries to fill this gap by exploring effectiveness of co-created service recovery in engendering positive customer outcomes like service attitude and recommendation intention, particularly in an online context. In addition to exploring the effectiveness of co creation in online service recovery, this research also explores the conditioning effect of source of booking on such an intervention. Thus, in this study we propose that the service provider's recovery efforts in the form of participative and non-participative service recovery interventions work differently for different sources of service booking. This study is the first that empirically demonstrate that how different booking sources influence the effect of a co-created service recovery intervention, in an online context. The research offers practical suggestions on whether all firms benefit equally from co creating a service recovery process and under what conditions the effect of a co-created service recovery will differ.

Theoretical background

Customer Participation in Service Recovery

Although service failure and recovery has been investigated over years, customer participation received the attention of researchers only in the recent years. Dong et al., (2008) was the first to explore co created service recovery and demonstrated the positive effects of such an intervention, in a self-service context. Dong et al., (2008) defined customer participation in service recovery as “the degree to which customer is involved in taking actions to respond to a service failure.” They concluded that when customers’ co-create a service recovery process, they become more satisfied. Roggeveen, Tsiros, & Grewal, (2012) further explored the effectiveness of a co-created recovery in an airline booking context and exhibited that co creation positively affects post recovery satisfaction. Roggeveen et al., (2012) coined the term customer co creation of service recovery and defined co created service recovery as “customers’ ability to shape or personalize the content of the service recovery through joint collaboration with the service provider”. In similar vein, Park & Ha, (2016) explored the role of customer participation in service recovery and empirically demonstrated that a successful co created service recovery generates not only utilitarian but also hedonic value. Park & Ha, (2016) further suggests that when customers view the co recovery process following a service failure as satisfactory and enjoyable, they are more likely to consider that they received what they deserved and have been treated fairly. Previous research on co created service recovery has used the equity theory to explain the mechanism through which service recovery co creation enhances customer outcomes. Co-created service recovery intervention leads to enhanced satisfaction with service recovery and repurchase intentions through distributive, procedural and interactive justice (Hazée et al., 2017). Customers feel more responsibility and a greater sense of control when they become a part of the service recovery process (Xu et al., 2014). As self-serving bias suggest, a customer views the service encounter as more just and fair, when he is responsible for it and also tend to take more merit for successful outcomes (Bendapudi & Leone, 2003). Co creating a service recovery process also leads to the customer perception that he received the most favourable outcome, which further leads to satisfaction with the recovery process and repurchase intentions (Hazée et al., 2017). Thus, customer participation in service recovery can be influential in customer perceptions of equity, outcome favorability, satisfaction with recovery process and repurchase intentions. Hence, we posit that:

H1: When customers experience a service cancellation in an online context, the type of service recovery intervention differently influences the customer’s service evaluation, such that: Customer’s service attitude and recommendation intention will be higher (lower) for a participatory service recovery intervention (non-participatory).

Source of Service Booking

Nowadays, travelers are more conscious about the opportunities that internet provides and hence, more demanding (Buhalis and Law, 2008). Prior research is of the view that travelers spend time online, for locating accurate information and check different information providers prior to choosing the suitable tourism product and making their reservations online (Inversini and Buhalis, 2009. Vermeluen and Seegers, 2009). Third party firms, commonly known as online travel agents (OTA) play a major role in online tourism distribution (Inversini & Masiero, 2014). These third party firms have become more robust than hotels with regard to online readiness (Morosan and Jeong, 2008). Owing to this, hotels are mostly in an unfavourable position and have started to sell a major portion of their rooms through third parties at heavy discounts (Carroll and Sigauw, 2003). Huang Yin, Goh, & Law, (2019) is of the view that third parties enjoy dominant control over the distribution channels in hotel industry which threatens the agent-principal relationship between the hotels and these third parties and in order to compete with these third parties, hotels have strengthened their presence in online premises through direct sales. Although reservations made by authorized agencies are legally just as secure as bookings made directly, travelers are skeptic in their minds in using a third party middleman (McCartney, 2015).

Drawing upon attribution theory, at times of service failures, the customers attribute the failure to the service provider involved in the delivery of the service (Zeithaml, Bitner, & Gremler, 2013). When a customer books a hotel directly through its website, he expects the hotel to have better control over the service delivery. Therefore, when a service failure occurs from the part of the direct source, the customer attributes cause of failure upon the direct seller. On the other hand, third party service providers are only intermediaries in the service delivery process and when a service encounter fails, the failure attribution is shared between the firms involved, namely, the actual service provider and the intermediary/third party. Prior literature indicates that failure attribution impacts customer’s behavioral and affective outcomes and has demonstrated that it has significant negative effects on customer satisfaction (Bitner, Booms, & Mohr, 1994; Tsiros, Mittal, & Ross, 2004). Further, according to the expectation disconfirmation theory, negative disconfirmation of customer expectations can lead to dissatisfaction (Oliver, 1980). The expectation of a successful service delivery is higher when a customer books a hotel directly through a hotel website, as a direct source has more control over the service delivery than a third party source. Therefore, when a service delivery fails, there occurs a negative disconfirmation of the expected performance. Hence, we posit that:

H2: When customers experience a service cancellation in an online context, the source of service booking differently influences the customer’s service evaluation, such that: Customer’s service attitude and recommendation intention will be lower (higher) for direct service provider (third party service provider)

Darke, Ashworth, & Main (2009) demonstrated that negative expectation disconfirmation can lead to distrust and carry over effects. When individuals perceive an advanced warning about the trustworthiness of a party, or when the prior expectations about them have been violated, it leads to suspicion (Fein, 1996). Therefore, when a direct service provider fails in his initial service delivery, it results in distrust and suspicion as the customer higher expectations for a direct service

provider in terms of successful service delivery. We expect that the customer will maintain this distrust and suspicions over the subsequent actions of the service provider. Hence, we propose:

H3: Customer participation as an online service recovery intervention will create different post recovery outcomes when it is initiated by varying sources, such that a participatory (vs. non participatory) service recovery intervention initiated by third party source (vs. direct booking source) will create more favorable (vs. less favorable) service attitude and recommendation intention.

2. Research Methodology

Subjects and Design

The study proposes a 2 (service recovery intervention: participatory vs. non participatory) X 2 (source of booking: direct vs. third party) between subjects experimental design. The dependent variables of the study are (a) service attitude and (b) recommendation intention. Post graduate students from an Indian university will constitute the participants for the study. These participants represent a well-educated population with a practical knowledge in online purchase. A random selection will be done from a list of students and they will be invited to a lab, where they will be given questionnaires containing the detailed scenarios and follow up questions for measuring their outcomes of service attitude and recommendation intention.

Stimuli Development and Pretesting

Pretest one will be conducted for selecting the service category and will be carried out as two different stages. In stage one, a focus group interview of ten individuals will be conducted to identify the most familiar service categories purchased online. In the second stage, thirty individuals will be asked to rank their most familiar service categories purchased online. Pretest two will be conducted for generating the experimental scenarios. Individuals who are frequent travelers were approached and they were provided with instructions for developing the scenarios. These scenario descriptions were then given to a panel of industrial experts for validation. These scenarios will be checked for realism.

Participants will be asked to imagine a situation where they are planning a trip to a destination which is completely new to them and search for a hotel online either through 'ABC group of hotels, which owns chains of hotels or through a third party website, 'GO HOLIDAY.com'. Just one day before the trip, they received an email from the service provider, which says "We are sorry to inform that the room you booked will not be available on the date you booked, due to technical failures. We regret for the inconvenience caused". In a participatory recovery intervention the participants will be given an option to involve in booking an alternative room whereas the firm itself will provide an alternative booking of its choice in case of a non-participatory recovery intervention.

3. Measurement

Independent Variables

The study manipulates two independent variables. They are service recovery intervention and source of booking.

Dependent Variables

Service attitude and recommendation intention are the dependent variables of the study. Both the variables have been measured using a 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree), Attitude towards the hotel will be measured using the scale adapted from (Batra & Stayman, 1990), which includes statements like "My attitude toward this hotel is positive/negative", "I think this hotel is good/bad", "I believe this is a high/low-quality hotel". Recommendation intention was adapted from (Hosany & Prayag, 2013) which included statements like "I would say positive things about this hotel" and "I would recommend this hotel to my friends/family"

4. Conclusion

Effective recovery interventions are crucial in alleviating the negative consequences of a failed service delivery and in developing positive customer outcomes. Recently, researchers have demonstrated the effectiveness of co creating a service recovery. In similar vein, this study explores the effect of a participatory service recovery intervention, particularly in an online context. Precisely, in this study we demonstrated that in an online context, the service provider's co created recovery efforts will be conditioned by different sources of service booking. This study suggests that although co created service recovery is favourable for the firms, all firms might not be able to reap the benefits equally. The effectiveness of such recovery interventions will be further conditioned by various factors like source of booking which we tested in this study. Thus, managers should keep in mind that a co-created recovery intervention must be considered above a non co created recovery given the possible effect of additional conditioning factors like source of booking.

5. References

1. Abney, A. K., Pelletier, M. J., Ford, T. R. S., & Horkey, A. B. (2017). # I Hate Your Brand: adaptive service recovery strategies on Twitter. *Journal of Services Marketing*, 31(3), 281-294.
2. Batra, R., & Stayman, D. M. (1990). The role of mood in advertising effectiveness. *Journal of Consumer research*, 17(2), 203-214.

3. Bendapudi, N., & Leone, R. P. (2003). Psychological Implications of Customer Participation in Co-Production. *Journal of Marketing*, 67(1), 14–28.
4. Cherry Huang Yina, E. G. (2019). Developing inter-organizational relationships with online travel agencies (OTAs). *Journal of Travel & Tourism Marketing*, 36(4), 428-442.
5. Darke, P. R., Ashworth, L., & Main, K. J. (2009). Great expectations and broken promises: misleading claims, product failure, expectancy disconfirmation and consumer distrust. *Journal of the Academy of Marketing Science*, 38(3), 347-362.
6. Dong, B., Evans, K. R., & Zou, S. (2008). The effects of customer participation in co-created service recovery. *Journal of the Academy of Marketing Science*, 36(1), 123–137.
7. Fein, S. (1996). Effects of suspicion on attributional thinking and the correspondence bias. *Journal of Personality and Social Psychology*, 70(6), 1164.
8. Gohary, A., Hamzeli, B., & Alizadeh, H. (2016). Please explain why it happened ! How perceived justice and customer involvement affect post co-recovery evaluations : A study of Iranian online shoppers. *Journal of Retailing and Consumer Services*, 31, 127–142.
9. Hazée, S., Van Vaerenbergh, Y., & Armirotto, V. (2017). Co-creating service recovery after service failure: The role of brand equity. *Journal of Business Research*, 74, 101–109.
10. Hosany, S., & Prayag, G. (2013). Patterns of tourists' emotional responses, satisfaction, and intention to recommend. *Journal of Business Research*, 66(6), 730-737.
11. Huang Yin, C., Goh, E., & Law, R. (2019). Developing inter-organizational relationships with online travel agencies (OTAs) and the hotel industry. *Journal of Travel and Tourism Marketing*, 36(4), 428–442.
12. Inversini, A., & Masiero, L. (2014). Selling rooms online: The use of social media and online travel agents. *International Journal of Contemporary Hospitality Management*, 26(2), 272–292.
13. Jung, N. Y., & Seock, Y. K. (2017). Effect of service recovery on customers' perceived justice, satisfaction, and word-of-mouth intentions on online shopping websites. *Journal of Retailing and Consumer Services*, 37(January), 23–30.
14. Kramer, R. M. (1998). Paranoid cognition in social systems: Thinking and acting in the shadow of doubt. *Personality and Social Psychology Review*, 2(4), 251-275.
15. McCartney, S. (2015, July 8). The Mystery of Vanishing Hotel Reservations. *The Wall Street Journal*.
16. Oliver, R. (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of Consumer Research*, 17(4), 460-469.
17. Park, J., & Ha, S. (2016). Co-creation of service recovery: Utilitarian and hedonic value and post-recovery responses. *Journal of Retailing and Consumer Services*, 28, 310–316.
18. Roggeveen, A. L., Tsiros, M., & Grewal, D. (2012). Understanding the co-creation effect: When does collaborating with customers provide a lift to service recovery? *Journal of the Academy of Marketing Science*, 40(6), 771–790.
19. Rotter, J. B. (1971). Generalized expectancies for interpersonal trust. *American Psychologist*, 443–452.
20. Sreejesh, S., Anusree, M. R., & Ponnampal, A. (2019). Can online service recovery interventions benignly alter customers' negative review evaluations? Evidence from the hotel industry. *JOURNAL OF HOSPITALITY MARKETING & MANAGEMENT*, 28(6), 711-742.
21. Vaerenbergh, Y. V., Vermeir, I., & Lariviere, B. (2013). Service recovery's impact on customers next-in-line. *Managing Service Quality*, no. 6 (2013): 495-512.
22. Watson, L., & Spence, M. T. (2007). Causes and consequences of emotions on consumer behaviour: A review and integrative cognitive appraisal. *European Journal of Marketing*, 41(5/6), 487-511.
23. Xu, Y., Marshall, R., Edvardsson, B., & Tronvoll, B. (2014). Show you care: Initiating co-creation in service recovery. *Journal of Service Management*, 25(3), 369–387.
24. Zeithaml, V., Bitner, M., & Gremler, D. (2013). *Services marketing: Integrating Customer Focus across the Firm*. NY: McGraw-Hill, New York.
25. Zhao, X., Liu, Y., Bi, H., & Law, R. (2014). Influence of coupons on online travel reservation service recovery. *Journal of Hospitality and Tourism Management*, 21(2014): 18–26.