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An investigation of cognitive, emotional and negative behavioural responses to service recovery strategies.

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Abstract

Despite the best intentions of service providers and organisations, service delivery is rarely error-free. While numerous studies have investigated specific cognitive, emotional or behavioural responses to service failure and recovery, these studies do not fully capture the complexity of the services encounter. Consequently, this research develops a more holistic understanding of how specific service recovery strategies affect the responses of customers by combining two existing models—Smith & Bolton's (2002) model of emotional responses to service performance and Fullerton and Punj's (1993) structural model of aberrant consumer behaviour—into a conceptual framework. Specific service recovery strategies are proposed to influence consumer cognition, emotion and behaviour. This research was conducted using a 2x2 between-subjects quasi-experimental design that was administered via written survey. The experimental design manipulated two levels of two specific service recovery strategies: compensation and apology. The effect of the four recovery strategies were investigated by collecting data from 18-25 year olds and were analysed using multivariate analysis of covariance and multiple regression analysis. The results suggest that different service recovery strategies are associated with varying scores of satisfaction, perceived distributive justice, positive emotions, negative emotions and negative functional behaviour, but not dysfunctional behaviour. These findings have significant implications for the theory and practice of managing service recovery.

Keywords: service recovery, customer emotions, dysfunctional behaviour, experimental design

Theoretical Framework

Marketing research in general, and services marketing research in particular have long acknowledged the complexity of human social behaviour, especially during service interactions. This complexity is no more evident than in service encounters when things go wrong, as consumers can respond in a variety of ways that vary in extremity (Huefner & Hunt, 2000). Despite the best intentions of service providers and organisations, service delivery is rarely error-free. Moreover, perfect service delivery is unrealistic given the inseparable nature of service production and consumption (Bitner, Booms & Tetreault, 1990; Fisk, Brown & Bitner, 1993). These service failure and recovery encounters “have a significant impact on customers’ emotional and cognitive responses” and in turn these cognitive and affective responses are thought to directly impact behaviour (McCull-Kennedy & Sparks, 2003:254).

While numerous studies have investigated individual aspects of cognitive and emotional responses to service failure and recovery, these studies do not fully capture the complexity of consumer behaviour in the service encounter. More importantly, the behavioural responses of customers following service failure and recovery are often overlooked. Consequently, the objective of this research is to develop a more holistic understanding of how specific service recovery strategies affect the cognitive, emotional and behavioural responses of customers. Two existing models—Smith & Bolton’s (2002) model of emotional responses to service performance and Fullerton and Punj’s (1993) structural model of aberrant consumer behaviour—were combined to assess the cognitive, emotional and behavioural responses of customers.

Smith and Bolton’s (2002) model examines cognitive and emotional responses to service failure and recovery. Although cognitive constructs such as satisfaction and perceived justice have been well-researched in the services literature, the emotional aspect of consumer behaviour has been somewhat overlooked. Recent research has shifted towards investigating emotions in service settings due to their influence on service evaluations, particularly for high-involvement services (Johnson & Zinkhan, 1991; Mattila & Enz, 2002). Alternatively, Fullerton and Punj’s (1993) structural model addresses behavioural responses in exchange settings by distinguishing between normal and aberrant behaviour resulting from individual consumer traits or the characteristics of the exchange setting. Normal (or functional) behaviour can be both positive (e.g. compliment, loyalty) and negative (e.g. complaint, exit), whereas aberrant (or dysfunctional) behaviour is inherently negative. As service recovery is corrective action intended to prevent negative behaviour, this research focuses on how specific service recovery strategies minimise two categories of consumer behaviour: negative functional behaviour and retaliatory dysfunctional behaviour. Hence, this research aims to answer the following research question: How do specific service recovery strategies affect consumers’ (1) cognitive responses, (2) emotional responses, and (3) behavioural responses?

There are two key cognitive constructs that inform current service failure and recovery literature: satisfaction and justice. In a service environment, higher levels of service recovery are expected to be associated with higher levels of satisfaction and perceived distributive justice. Satisfaction has been found to vary significantly in response to the

implementation of specific service recovery strategies (Maxham, 2001; Sparks & McColl-Kennedy, 2001). Hence, **Hypothesis 1:** *Customers who receive higher-level service recovery strategies are more likely to be satisfied than customers who receive lower-level service recovery strategies.* Similarly, research by Smith et al. (1999) found that distributive justice is strongly positively affected by compensation, while Smith & Bolton (2002) found that service recovery strategies force customers to focus on the distributive gains of a service rather than its delivery. Hence, **Hypothesis 2:** *Customers who receive higher-level service recovery strategies are more likely to report higher levels of distributive justice than customers who receive lower-level service recovery strategies.*

Although cognitive theories have been well-represented in the services literature, the emotional aspect of consumer behaviour has long been overlooked. Recent research has shifted towards investigating emotions in service settings due to their influence on service evaluations, particularly for high-involvement services (Johnson & Zinkhan, 1991; Mattila & Enz, 2002). As this research investigates responses to service recovery (rather than service failure), it is likely that a large range of both positive and negative emotions will be expressed. Hence, **Hypothesis 3:** *Customers who receive higher-level service recovery strategies are more likely to experience positive emotions than customers who receive lower-level service recovery strategies* and **Hypothesis 4:** *Customers who receive lower-level service recovery strategies are more likely to experience negative emotions than customers who receive higher-level service recovery strategies.*

Finally, service encounters that involve failure and recovery often evoke behavioural responses from customers. While marketing theory tends to operate under the assumption that consumers behave rationally and appropriately within exchange environments (Fullerton & Punj, 1993), qualitative investigations of consumer behaviour suggest that this is not the case (Harris & Reynolds, 2003; Huefner & Hunt, 2000). Research into deviant workplace behaviour has been conducted for some time (e.g. Bennett & Robinson, 2000; Puffer, 1987), yet consumer behaviour research is still ‘over-focused on the functional to the detriment of the dysfunctional’ (Harris & Reynolds, 2004:339). As this research focuses on negative functional behaviour and retaliation, customers who receive optimal service recovery (compensation and apology) are expected to be unlikely to engage in either negative functional behaviour (voice and exit) or dysfunctional behaviour (retaliation). Conversely, customers who receive suboptimal service recovery (apology or nothing) are likely to engage in negative functional behaviour, dysfunctional behaviour or both. Hence, **Hypothesis 5:** *Customers who receive higher-level service recovery strategies are less likely to engage in negative functional behaviour (voice and exit) or dysfunctional behaviour (retaliation) than customers who receive lower-level service recovery strategies* and **Hypothesis 6:** *Customers who receive lower-levels service recovery strategies are more likely to engage in negative functional behaviour (voice and exit) and dysfunctional behaviour than customers who receive higher-level service recovery strategies.*

Method

Experimental Design: A 2x2 between-subjects quasi-experimental design administered via written survey was used to investigate how service recovery influences the cognitive,

emotional and behavioural responses of customers. More specifically, the study used written scenarios to manipulate the levels (presence and absence) of two recovery strategies (compensation and apology), resulting in four possible scenarios that maximised the variation in the recovery strategies: (1) the presence of both compensation and apology, (2) the presence of compensation but absence of apology, (3) the presence of apology but absence of compensation, and (4) the absence of both compensation and apology (control).

Scenario Development: When creating the scenarios, care was taken to choose a service encounter that was both familiar and relevant to the sample (Schoefer & Ennew, 2005). A baggage loss scenario was chosen as it has been successfully investigated in a number of other studies (e.g. Scherer & Ceschi, 2000) and research shows that there is a growth in customer violence in the airline industry (Harris & Reynolds, 2004). The scenario described a situation where a customer's luggage was lost following an interstate flight and was alternately worded in both first- and third-person to control for social desirability bias inherent in admitting to negative behaviour. Similarly, the written scenario also controlled for prior relationships with the airline, competitive parity, the influence of peers, prior experience of baggage loss, gender and alternative sources of service recovery. For example, gender was controlled in the third-person scenarios by using the gender-neutral name "Sam", which could refer to the masculine name Samuel or the feminine name Samantha. Prior relationships with the airline were controlled through the use of a fictitious airline name. Pre-tests showed that 95% of respondent had not heard of the fictitious airline "Flight Australia" before reading the passage. The scenario was also subjected to realism and credibility tests (Sparks & McColl-Kennedy, 2001), which resulted in the addition of the footnote to increase the credibility of the optimal service recovery.

Sample: A convenience sample of 159 business students from a major Australian university responded to the survey. The sample size for each manipulation ranged from 38 to 41 respondents. Each respondent was randomly assigned one of the four experimental conditions. Although the use of student surrogates potentially threatens the external validity of the research (Zikmund, 2003), this sample is appropriate for three reasons. Firstly, prior research suggests that 'younger, more educated and higher income consumers' are more likely to tolerate ethical transgressions (Fullerton, Kerch & Dodge, 1996:805). Secondly, previous studies have identified Generation Y (born between 1977 and 1993) as a consumer group that engages in and admits to aberrant customer behaviour (Freestone & Mitchell, 2004). Thirdly, the respondents were both knowledgeable and experienced with the service setting, as all but three respondents (98%) had previously flown on an airplane and nearly a fifth of respondents (19.5%) had some experience of airlines losing their baggage.

Procedure and Measures: Initially, respondents were asked to indicate their current mood by circling the Kunin face that best described how they were feeling (Kunin, 1955; 1998), which allowed mood to be controlled during analysis. In the first survey section, respondents were asked to read a scenario describing a baggage loss and the recovery strategy offered by the airline, then consider the likelihood of either themselves or a third party (referred to as 'Sam') engaging in a number of functional and dysfunctional

behavioural responses. These behaviours were adapted from a retaliation scale by Huefner and Hunt (2000).

The next section of the survey asked the participants to answer a number of questions measuring (1) their perceptions of distributive justice, (2) the predicted satisfaction with the recovery strategy, and (3) the emotions towards the service recovery strategy. These cognitive and emotional responses were measured using scales from Smith, Bolton and Wagner (1999) and Richins (1997) respectively. As individual characteristics may impact on a respondent's willingness to engage in aberrant behaviour (Fullerton & Punj, 1993), the final section of the survey measured individual characteristics (including age, gender, nationality, service experience, prior baggage loss, attitude towards big business, personality traits and consumption values) to control for their effects. They were measured using scales from Allison (1978), Lundstrom and Lamont (1976), Kahle and Kennedy (1989) and the International Personality Item Pool (2001). Analysis of covariance (ANCOVA) was used to investigate the main effects of specific service recovery strategies on aggregate responses and multiple analysis of covariance (MANCOVA) was used to develop a more fine-grained understanding of which specific emotions and behaviours were affected by service recovery strategies.

Results

The ANCOVA results provide **support for hypotheses 1-4** and **partial support for hypotheses 5 and 6** (see table 1 for statistics). Firstly, there is a statistically significant difference in satisfaction scores ($F=27.88$, $p=0.000$) and perceived distributive justice scores ($F=25.798$, $p=0.000$) as a result of specific service recovery strategies. Thus, as the level of service recovery strategy increases (e.g. apology \rightarrow compensation), both satisfaction and perceived distributive justice increase. Secondly, there is a statistically significant difference in aggregate positive emotion scores ($F=8.009$, $p=0.000$) and aggregate negative emotion scores ($F=3.784$, $p<0.05$) based on the effects of specific service recovery strategies. Thus, as the level of service recovery strategy decreases, aggregate positive emotion decreases and aggregate negative emotion increases.

At a more discrete level, MANCOVA revealed that there is a statistically significant difference in levels of discrete positive emotions ($F=1.645$, $p<0.05$) and discrete negative emotions ($F=1.572$, $p<0.05$) due to service recovery strategies. More specifically, improved service recovery strategies increased positive emotions such as contentment ($F=8.368$, $p=0.000$), excitement ($F=4.737$, $p<0.05$), fulfilment ($F=7.790$, $p=0.000$), happiness ($F=4.038$, $p<0.05$), peace ($F=2.872$, $p<0.05$), pleasure ($F=5.209$, $p<0.05$), relief ($F=11.215$, $p=0.000$) and thrilled ($F=5.970$, $p<0.000$). Conversely, improved service recovery strategies reduce negative emotions such as depression ($F=4.008$, $p<0.05$), discontentment ($F=5.862$, $p<0.05$), frustration ($F=5.438$, $p<0.05$), unfulfillment ($F=10.434$, $p=0.000$) and worry ($F=3.020$, $p<0.05$).

Finally, there is a statistically significant difference in aggregate negative functional behaviour scores (e.g. complaint, exit) ($F=7.659$, $p=0.000$) but not aggregate dysfunctional behaviour scores based on the effects of specific service recovery strategies. Thus, as the level of service recovery strategy decreases, negative functional behaviour increases but

dysfunctional behaviour doesn't vary. These results provide partial support for **Hypothesis 5** and **Hypothesis 6**. At a more discrete level, MANCOVA revealed that there is a statistically significant difference in levels of discrete negative functional behaviour (F=1.566, p<0.05) due to service recovery strategies, specifically complaints to employees (F=5.424, p<0.05), legitimate negative word of mouth (2.856, p<0.05), complaint to a manager (F=6.914, p=0.000) and exit (F=5.795, p<0.05).

Table 1 Univariate Effects of Service Recovery Strategy on Six Dependent Variables

Dependent Variable	F	Sig.	Scenario	Mean	Std. Deviation
Satisfaction	27.88	0.000*	Compensation and Apology	4.83	1.002
			Compensation	4.15	1.461
			Apology	2.67	1.209
			Nothing	2.08	1.213
Distributive Justice	25.798	0.000*	Compensation and Apology	3.85	.760
			Compensation	3.57	.871
			Apology	2.63	.847
			Nothing	2.16	.561
Positive Emotion	8.009	0.000*	Compensation and Apology	2.82	1.342
			Compensation	2.37	.826
			Apology	1.77	.693
			Nothing	1.59	.542
Negative Emotion	3.784	0.013*	Compensation and Apology	3.21	1.034
			Compensation	3.50	1.339
			Apology	4.02	1.057
			Nothing	4.04	.992
Negative Functional Behaviour	7.659	0.000*	Compensation and Apology	2.957	.713
			Compensation	3.120	.750
			Apology	3.565	.612
			Nothing	3.745	.528
Dysfunctional Behaviour	0.586	.626	Compensation and Apology	2.804	1.446
			Compensation	2.757	1.488
			Apology	3.043	1.447
			Nothing	3.076	1.236

* Significant $p < 0.05$

Conclusions and Discussion

Collectively, the findings of this research present strong supporting evidence for the proposed impact of specific service recovery strategies on consumers' cognitive, emotional and behavioural responses. In particular, these findings are consistent with current research that suggests that service encounters have 'a significant impact on customers' emotional and cognitive responses' and that these responses in turn impact behaviour (Hartel, McColl-Kennedy & McDonald, 1998; McColl-Kennedy & Sparks, 2003). These findings also assist service managers in understanding the negative behavioural responses to specific service recovery alternatives.

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