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CROSS-SELLING IN SERVICE RECOVERY ENCOUNTERS: STAYING UNDER THE CUSTOMER'S RADAR TO AVOID SALESPERSON STEREOTYPE ACTIVATION

Claudia Jasmand, Imperial College London, United Kingdom

Vera Blazevic, Radboud University Nijmegen and RWTH University, The Netherlands

Ko de Ruyter, Maastricht University, The Netherlands

SUMMARY

To enhance revenues and foster customer relationships, firms increasingly try to cross-sell during their costly inbound customer service calls. Customer service representatives (CSRs) are in an excellent position to offer additional products and services and hence cross-sell during the service recovery encounter. By solving and anticipating customer problems in a sincere manner, CSRs' high-touch response proves that the firm cares about customers' repatronage, thereby enhancing customer confidence and satisfaction. Nevertheless, cross-sell attempts may easily backfire and render problem solving ineffective. Consequently, the CSR-customer interaction could yield negative customer perceptions about the service recovery encounter, leading to customer hostility and damaged relationships. Therefore, customers often perceive service and sales at odds with each other and experiencing them during one encounter might drive customers away from the company.

To better understand what happens during service recovery encounters with cross-sell attempts, we turn to research on stereotype-based impressions in brief interactions between customers and salespeople and service employees. Stereotyping helps customers to quickly understand other people and provides a sense of predictability and orderliness. In case of product failures, self-protection goals are triggered that motivate customers to stereotype to protect their interests from further threats. As providing service recovery is typical for helpful service employees and selling for distrustworthy salespeople, a CSR's recovery behavior may motivate customers to use a positive service employee stereotype and their subsequent cross-sell attempt may trigger a negative salesperson stereotype. Such a CSR is a multiply categorizable person with the potential to evoke conflicting stereotypes in different service encounter stages. Research into multiply categorizable people studies how people categorize a person who reveals multiple categories simultaneously upon person exposure. Yet an activated category can dissipate during interactions. Thus, we lack an understanding of the situation in which people learn a person's other conflicting category memberships after their first categorization. Furthermore, prior research is

inconclusive on how cognitive load (CL), often present in service recovery encounters, impacts stereotype-based impressions.

To address this gap, we conducted five experiments in different service recovery encounter situations. Study 1 shows that whether a cross-sell attempt triggers a negative stereotype strongly depends on the *level of interaction quality* during recovery provision. High interaction quality evokes the positive service employee stereotype that prevents a cross-sell attempt from triggering a negative salesperson stereotype. Yet when interaction quality is moderate, the cross-sell attempt triggers the negative salesperson stereotype. This pattern of stereotyping occurs in both cognitive load conditions. Study 1 also shows that interaction quality during recovery provision positively affects purchase intention. Furthermore, results demonstrate the different ways in which activated stereotypes affect purchase intention. For participants with low CL, the stereotypes biased the thoughts about the cross-sell offer which in turn influenced their purchase intention. For high CL participants, the effect of stereotypes on purchase intention was direct in nature. A replication study validates the results of study 1 and provides some support for the generalizability of the effects. The pattern of effects did not change with CSR gender, which allows us to rule out that (in)congruity between gender and stereotypes drives our findings. Study 2 further confirms our findings and also provides evidence for recategorization under high cognitive load. Thus, positive service employee stereotype activation results from high interaction quality during recovery provision. Even under high cognitive load this stereotype produces confidence levels that sufficiently fulfill the self-protection goal, preventing the activation of the otherwise highly instrumental salesperson stereotype. Study 3 shows that recategorization can occur fairly effortless. Results show that recall performance is not impaired in the moderate interaction quality – cross-sell attempt present condition. Furthermore, study 3 also confirms that warmth drives the instrumentality of the stereotypes.

In sum, this study outlines conditions in which CSRs' cross-sell attempts are prevented from triggering a negative salesperson stereotype and hence, remain under cus-

tomers' self-protection radar after service failures. Results of five experiments show that CSRs' high-touch response during recovery provision induces customers to positively stereotype, which increases cross-sale success and encounter satisfaction even beyond recovery – only encounter levels. Yet without such response, cross-sell

attempts tend to fail and seriously harm CSRs' proper recovery efforts. These effects occur even if customers are cognitively engaged, which demonstrates the ease with which they categorize CSRs as friends or foes and accordingly revise or keep stereotype based impressions.

For further information contact:
Claudia Jasmand
Imperial College Business School
Imperial College London
South Kensington Campus
London SW7 2AZ
United Kingdom
Phone: (+44)2075949413
E-Mail: c.jasmand@imperial.ac.uk

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