

Initiatives Mitigate Negative Reactions to Service Failures When Customers Share the Firm's Values

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Abstract

The present paper investigates whether corporate social responsibility (CSR) promotes positive responses to service failures among value-aligned customers. Study 1 finds that customers are less likely to experience anger and spread negative word of mouth following a service failure when a firm engages in high (donating 15% of profits to environmental conservation) but not low levels of environmental CSR (donating 2% of profits), but only if customers are high in environmental concern. Study 2 explores the benefits of CSR policies targeting a broader range of beneficiaries and CSR policies offering customers choice over the firm's CSR allocations. Results demonstrate that, compared to a No CSR policy, both CSR policies increase perceived value overlap with the firm, but that CSR with choice has a stronger effect on customers' emotions and intentions. Specifically, CSR with choice reduces anger and regret over choosing the firm, and increases guilt over harming the firm, emotions which subsequently reduce negative word of mouth and increase positive word of mouth and repurchase intentions. Results suggest that a CSR policy that offers customers choice over CSR allocations can encourage more positive cognitive, emotional and behavioral responses following service failures.

Keywords: corporate social responsibility, service failures, negative word of mouth, positive word of mouth, value-alignment.