

# Post-Recovering Effort on Corporate Social Responsibility's Policies Promote More Favourable Responses among Value- Aligned Customers following Service Failures

Wisunlaya Sunpruksin

School of Management, Shanghai University, Shangda road, Shanghai 200444, China

## Abstract

The present research investigates the impact of two types of broad-based CSR policies implemented by proactive and passive approaches designed to enhance customer perceived value of alignment and promote more favorable responses following service failures. The CSR's policies benefit a broad range of beneficiaries—environmental conservation, health initiatives, human rights campaigns, and local community organizations. This research has designed two CSR's domain policies; CSR with choice (CWC) targets the specific beneficiaries over the firm's CSR and CSR no choice (CNC) targets a broader range. Post-recovery efforts were implemented using proactive and passive strategies to attenuate the effect of service failure and induce a more favorable outcome to customer perceived value of alignment (VA). The results indicate that CWC's policy using proactive approach results in the more positive responses to customers perceived value of alignment than CNC's policy. However, CNC's policy implemented by passive approach reports a more favorable response toward perceived value of alignment than CWC's policy in the wake of service failure.

**Keywords:** CSR, CSR no choice, CSR with choice, post-recovery effort, proactive strategy, passive strategy, perceived value alignment

## 1. Introduction

Comprehensive definition, CSR encompasses a range of socially beneficial activities that extend beyond base-level legal and ethical requirements (McWilliams & Siegel, 2001). In pursuit of CSR, firms might donate money to build a new amusement park for the children, or support an environmental campaign. Based on this perspective, corporate philanthropy becomes an exchange relationship (Murray & Vogel, 1997); a firm performs philanthropic activities with the hope that consumers will reward with additional sales. CSR's policies benefit a broad range of beneficiaries (environmental conservation, health initiatives, human rights campaigns, and local community organizations), but they differ in how donations are allocated across the four beneficiaries. The preceding work suggests that value-aligned CSR will reduce negative and promote more positive responses to service failures, in addition, value-aligned CSR's customers is likely to reduce the anger and regret over choosing firm and anticipate guilt over harming firm resulted in decreasing negative feedback, increasing positive word of mouth and pursuing repurchase intention (Joireman et al., 2015). Yet no study to date has tested the effectiveness of CSR's domain policy along with firm's post-recovery strategy which inherent in business today in responses to service failures, and little is known about the perceived justices that caused by CSR's domain effect and post-recovery effort that might clarify the cause that strive on customer perceived value of alignment. Based on this line, CSR's domain and customers perceived value of alignment following service failure has turned into this present research attention, we applied the field of service recovery which marketing scholars have investigated as methods to reduce negative reactions in response to the failure encountered situation. Service recovery refers to the actions an organization take in response to a service failure (Gonroos, 1988; Silber et al., 2009). Proactive strategy, for instance, monetary compensation strategy; offering coupons or discount, service interactional strategy: providing apology or replacing new product as an obligation of the company. Passive strategy, for instance, no action strategy (Bitner, Booms & Tetreault, 1990; Silber et al., 2009); trying to ignore customer complaint, delaying the recall process or trying to shift responsibility to other firms or entities (Chen, Ganesan & Liu, 2009).

In service industries, restaurant can be an ideal example, customers entered a restaurant with expectation from the service provider, rush hour with crowded customers lead to a service defection or even lack of service's training can cause an inevitable lost to the firm, when service failures take place, the responses to customer complaints often reinforce negative feelings and changing the perceived value of the transaction, experience seems acting as an antecedent to future perceived quality. Hence, these impacts reflect in the form of spreading negative word of mouth or reviews, lost of reputation and less intention to come back to buy. China today, mobile applications for restaurant reviewers become the biggest and the most used search portal on local and personal consumption service. For example, Doulaofang (豆捞坊), Baidu Nuomi (百度糯米) and Dazhong Dianping (大众点评). Dianping is the application to collect feedbacks on restaurant services and sharing reviews with consumer's community, more than 64 million users got Dianping's service through their mobile devices, which is about 70% of Dianping's users all around China (Li, 2013). This is a new big issue for local businesses

when reviews from public is easy to access, wide spreading and effect to profits. Apparently, customer often react strongly to service failure, so, it's critical that an organization recovery effort should be equally strong and effective, the providers try to improve the quality of service, for example, reinforcing service standards, training employees, or implementing post-recovery strategies in hope to improve customer's intention to returns. Therefore, the present research has applied service recovery attributes as a moderator effect that might balance out negative feedback in response to service failures and boost the effectiveness of CSR's policies.

## 2. Literature review

### 2.1 Cognitive dissonance and cognitive appraisal theory

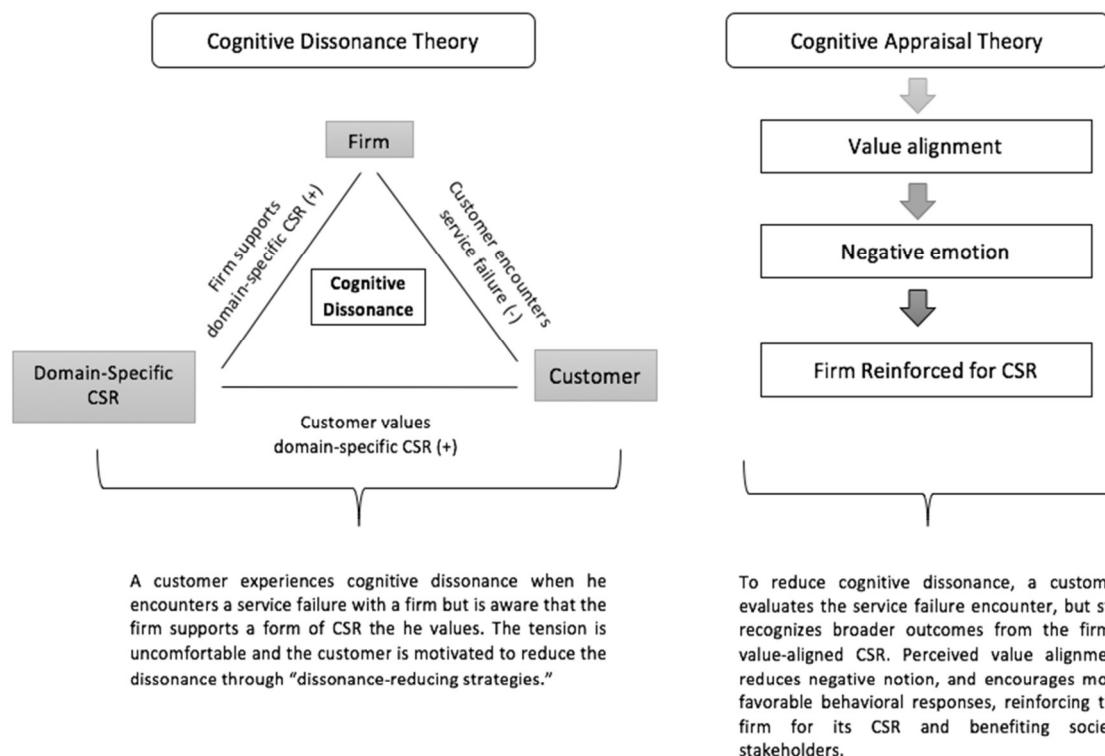


Figure 1. Customer Responses to Value-Aligned CSR Following Service Failures: An Integrative Framework

We offer an integrative framework merging from the cognitive dissonance theory (Festinger, 1957) and cognitive appraisal theory of (Nyer, 1997; Watson & Spence, 2007). The framework shows two related processes. As the left side of Figure 1 illustrates, the model presumes that the customer encounter service failure is viewed in set of negative relation to the firm, and domain-specific CSR pursue customer's value (positive). In accordance with cognitive dissonance theory, when customers encountered the set of imbalanced cognitions (i.e. when the service encounter is negative), the customer experiences cognitive dissonance is likely to be in tension (i.e., it is uneasy to hold negative feelings toward the company that engaged in CSR). This tension is uncomfortable and the customer is motivated to reduce it. At the right side of Figure 1 demonstrates the result of cognitive, emotional, and behavioral processes. The hypothesized responses are based on cognitive appraisal theory (Watson & Spence, 2007), processes including a consumer's judgment about how good or bad the outcomes are or whether outcomes are congruent with the consumer's goals. For example, a consumer who experiences service failure encountered unsatisfactory outcomes, this negative outcome appraisal is likely to activate anger and negative emotion. However, if CSR is relevant to customer's goal, value-aligned CSR might buffer these negative reactions and motivated a firm to reinforce for CSR initiative.

### 2.2 The perceived justices, moderating effects of failure: Social exchange theory

Service recovery efforts contribute to the sharpen of exchanges of information, feeling and emotion. In our study, the scenarios composed CNC/CWC×PA/NA situations in wake of service failure (Appendix A), the reaction from scenario assumption lead to the perceived of exchanges information (perceived justice) as follow

- *Distributive justice*

In our study, distributive justice defines as the extent to which customers feel they have been treated fairly with respect to the final recovery outcome. The distributive justice outcomes may represent refunds, discounts, and other forms of atonement offered to customers following a failure (Maxham & Netemeyer, 2002). The proactive approach applied in our study's scenario is composed of replacing new dish and offering 10% discount for the

customer. The seven-point scale adapted from Oliver and Swan (1989) and Tax (1993) questioning 1) the outcome I received was fair, 2) I did not get what I deserved, 3) In resolving the problem, the restaurant gave me what I needed and 4) The outcome I received was right, to evaluate the perceived of distributive justice on customer's perspective.

- *Procedural justice*

Procedural justice refers to the perceived fairness of policies and procedures involving the recovery effort (Maxham & Netemeyer, 2002). For example, a quick recovery response to service failure will enhance customers' evaluations (Clark, Kaminski & Rink, 1992; Gilly & Gelb, 1982; Hart, Heskett & Sasser, 1990; Smart & Martin, 1992). The proactive and passive approach in the scenario composed of giving explanation and taking immediate action in response to the customer's complaints. The seven-point scale adapted from Tax (1993) to measure customer's perceived of procedural justice consists of "The length of time taken to resolve my problem was longer than necessary" and "The restaurant showed adequate flexibility in dealing with my problem".

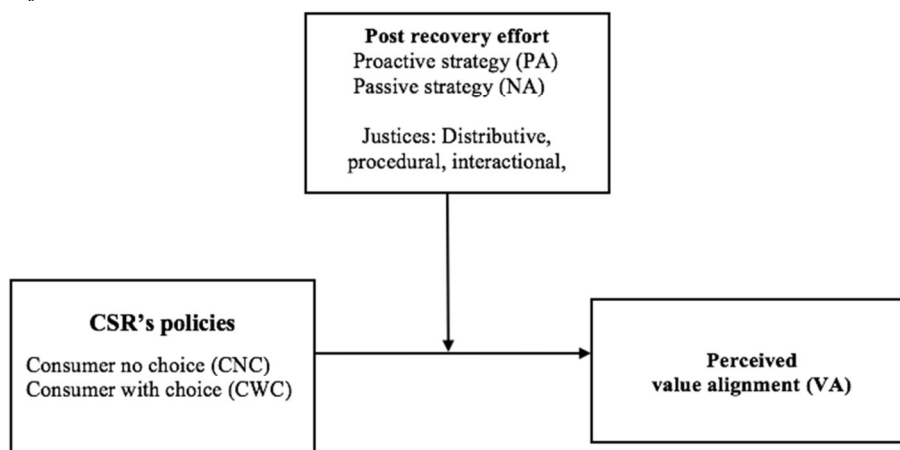
- *Interactional justice*

Interactional justice defines as the extent to which customers feel they have been treated fairly regarding to the personal interaction throughout the recovery process. This conceptualization includes elements of courtesy, honesty, interest in fairness, and effort perceived by the complainant (Smith et al., 1999; Tax et al., 1998). For example, apology from the service provider communicates politeness, courtesy, concern, effort, and empathy to customer (Hart, Heskett & Sasser, 1990; Kelley, Hoffman & Davis, 1993). The recover's process in this research's scenario take apology and non-apology as an action in representing interactional justice. The seven-point scale adapted from Tax (1993) asking 1) The employees were appropriately concerned about the problem, 2) The employees did not put the proper effort into resolving my problem, 3) The employees' communications with me were appropriate and 4) The employees did not give me the courtesy I was due, to measure customer perceived of interaction justice.

Based on the preceding works, recovery attributes have the most impact when it matches the type of justice (Smith, Bolton & Wagner, 1999). Moreover, perceived justices might be the element that can identify the more specific ways to induce perceived value-aligned CSR. Hence, we can infer that when recovery attributes (PA/NA action in response to service failure) match with the type of perceived justices, it will balance out the negative effect in response to service failures and boost the effectiveness of CSR's policies toward customer perceived value of alignment.

### 3. Methodology

#### 3.1 Conceptual framework



Following the provision of CSR information, previous research classified choice-based CSR's policies into 3 dimensions, no-CSR, CSR-no-choice and CSR-choice, the result found least significant on no-CSR's condition comparing to others, then CSR-no-choice, and CSR-choice as the most significant level, results also supported the provision of attitude toward behavioral outcome that CSR's domain reduces negative and promotes positive responses to service failures among value-aligned customers. Based on this lines, we have carefully developed and classified CSR policies into two level of intensity, firstly, CSR with choice (CWC): consumers are given a choice over how the firm allocates its CSR contributions among the same four beneficiaries (indicating specific choice); environmental conservation, health initiatives, human rights campaigns, and local community organizations. And secondly, CSR-no choice (CNC): consumers learn that the company decides how to allocate its donations among the four beneficiaries. Within our integrative framework, both policies should induce perceived value of alignment among customers who value CSR-domain at different level.

In consistence with preliminary study, we assume that CWC's will lead to a more positive related to VA than CNC's policy. Then, we adopted post recovery efforts as a moderator effect that might balance out negative impact in response to service failures and boost the effectiveness of CSR's policies. The post-recovery efforts consist of proactive strategy (PA) (Bitner, Booms & Tetreault, 1990; Silber et al., 2009), in which the organization initiates the recovery effort. And passive strategy (NA), in which customer complaint initiates the recovery effort. Moreover, from the finding posits that proactive strategy generates to a more positive effect to a firm than passive strategy. According to the state above, hypothesis establishment in the provision of post-recovery using proactive approach is when both CSR's policies are implemented by proactive strategy, CWC's policy results in a more positive related to value-aligned CSR than CNC's policy.

- H1: When CWC and CNC are implemented by proactive strategy (PA), CWC's policy results in a more positive related to value-aligned CSR than CNC's policy.

On the other hand, the finding also posits that passive approach seems stimulated more negative effect to the firm (Chen, Ganesan & Liu 2009), then, CSR's halo effect may be even attenuated. In addition, the study of recall strategy on product harm crisis's key finding is contrary to the conventional wisdom posits that proactive recall strategies have a more negative effect on the firms' stock returns than passive strategies, states that when a firm is more responsive to the recall, the negative effect on brand equity, consumer perceptions, and future purchase intentions may be attenuated. We applied this ideology into our orientation background of CSR knowledge, we assume that CWC's policy which required customer to indicate choice over causes is viewed as proactive recall, and CNC's policy as no action. Therefore, when both CSR's policies are implemented by passive approach, CNC's policy is more positive related to perceived value of alignment than CWC's policy on customer's perspective.

- H2: when CWC and CNC are implemented by passive strategy (NA), CNC's policy is more positive related to value-aligned-CSR than CWC's policy. (reverse to H2a)

### *3.2 Research method*

Previous studies on CSR's domain and service-recovery follow service failure context used a scenario-based survey to manipulate variables (Mattila, Cho & Ro, 2009; Fu et al., 2015; Kim & Jang, 2014; Joireman et al., 2015). The current study has applied a scenario-based survey wherein respondents were asked to rate their effect in a restaurant setting. The scenarios were carefully developed after combining the results from preliminary studies and reviews of previous service failure researches (e.g. Young, Jang & Choi, 2011; Kim & Jang, 2014 and Smith, Bolton & Wagner, 1999). CSR's policy scenario is developed from Joireman et al. (2015). Finally, the questionnaires were translated into Chinese version. We recruited samples from [www.wenjuan.net](http://www.wenjuan.net), area range is Shanghai, China. Sample size is 40 respondents for each groups in four main scenarios; CNC×PA, CWC×PA, CNC×NA and CWC×NA, total 160 samples. Logic question was set in order to enter the questionnaire states "Do you normally interested in social responsibility, please indicate your level" The respondents who rated from moderately interested to high interested will pass the check. The questionnaire construct has included CSR context, service failure scenario and open-ended questions (Appendix A).

### *3.3 Research design: Service Failure Scenario and CSR Manipulation*

We applied both CSR control conditions from preliminary study with proactive and passive strategies (CNC×PA, CWC×PA, CNC×NA and CWC×NA), participants first imagine the service failure, then imagine the recovery efforts the restaurant responds to the customer- for proactive approach; the restaurant's manager delivered a personal apology, provided a replace dish and offered 10% discount as a compensation. On the other hand, passive approach; the employee rudely replied to the customer and had provided none of the compensation. Finally, applied the CSR's condition, CSR no choice condition (CNC); participants were told (on the credit card keypad) that the restaurant donates 10% of every purchase to a combination of four causes 1) environmental conservation 2) health initiatives 3) human rights campaigns and 4) local community organizations. And CSR with choice condition (CWC); participants were told to indicate their preference for one of the four causes mentioned in the CSR no choice condition.

### *3.4 Data collection*

Participants were recruited using [wenjuan.net](http://wenjuan.net) (N = 160, male 51.9%, female 48.1%. Age; 18-22=1.9%, 23-26=31.3% and 26 above=66.9%. Education background: undergraduate 81.9%, graduate 10% and others 8.1%. All Chinese residents from Shanghai), in order to control the quality of online recruiting, we set criteria to select respondents from interested level in CSR's condition from moderate to high as a condition, participant who doesn't interested in CSR will be excluded from the result. Participants were paid \$1 for completing the survey. The study used a four level between subject design (CNC×PA, CNC×NA, CWC×PA and CWC×NA).

### 3.5 Reliability: measurement of the sampling

In order to ensure the reliability of the questionnaire and to measure the validity and consistence of the questionnaire, the preliminary test was conducted in order to improve the quality of scenario assumption and misleading of language context in Chinese (study 1, test of effect from CSR's policy toward perceived value alignment's scenario). The present study has developed the scenario from the preliminary test. Reliability test was conducted used Crobach's alpha values reporting on both CSR's policy and recovery effort is greater than 0.7.

## 4. Result of the direct effect on CSR's policies on the model

### 4.1 Direct effect of CSR's policies toward perceived value of alignment

Table 1. UANOVA Tests of Between-Subjects Effects

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
<b>PA</b>					
CNC 1	30.285 <sup>a</sup>	17	1.781	2.215	.040
CWC 2	48.555 <sup>a</sup>	17	2.856	4.708	.000
<b>NA</b>					
CNC 3	76.351 <sup>a</sup>	14	5.454	8.509	.000
CWC 4	75.725 <sup>a</sup>	25	3.029	2.203	.063

a. CNC1: R Squared = .631 (Adjusted R Squared = .346), Dependent Variable: Value alignment1

b. CWC2: R Squared = .784 (Adjusted R Squared = .618), Dependent Variable: Value alignment2

c. CNC3: R Squared = .827 (Adjusted R Squared = .729), Dependent Variable: Value alignment3

d. CWC4: R Squared = .797 (Adjusted R Squared = .435), Dependent Variable: Value alignment4

We first conducted the Univariate analysis on the model's dependent variables. We compared the direct effect of CNC to CWC on both proactive and passive conditions from the model. As shown in Table 1, the result of the direct effect on proactive context indicate that CWC's policy leads to more positively related to customer perceived value of alignment than CNC's policy (P-value = 0.00 <0.00; 0.04 <0.05, F = 4.708; 2.215, respectively). In addition, viewed through passive context, CNC's policy lead to a more positive related to value-aligned CSR than CWC's policy (P-value = 0.00 <0.00; 0.06 <0.10, F = 8.509; 2.203, respectively).

The preliminary analyses suggest that CSR policies that offer customers choice over the CSR allocations (CSR choice) have a wide range of beneficial cognitive, emotional, and behavioral effects (Joireman et al., 2015). However, our study suggests that CWC's policy is not always the best benefit policy. The reasons are as follow, firstly, according to the cognitive appraisal theory, our scenario assumption illustrated customers learned firm's engaged in CSR's domain after encountered the service failure and recovery effort; service failure brings to a set of negative emotion (-), PA generates the set of positive responses to customers' cognition (+), customer values CSR (+). This is the set of imbalanced cognitions, finally, customer will weigh whether social benefit from CSR are congruent with the consumer's goals. From our study shows the intensity of CWC's policy is stronger than CNC's policy, then, the appraisal process, CWC's policy works better in deducting the negative effect following service failure than CNC's policy, hence, hypothesis 1 is supported.

On the other hand, the appraisal of situation on NA dimension, NA generates the set of negative responses to customer's cognition. CWC's policy is viewed as the proactive recall (indicating choice over CSR's allocations), this policy on NA dimension is likely to increase the probability to activate ager and negative emotion, while CNC's policy is viewed as no inquiry for specific response from the customer. Then, customer is trying to reduce the set of imbalanced cognitions and CNC's considered as less activation of negative feelings resulted in a more positive related to perceived value of alignment than CWC's policy, in support of hypothesis 2.

## 5. Result of the crossed effect on CSR's policies×Post-recovery effort on the model

### 5.1 Proactive approach across different perceived justices

Table 2. Tests of Between-Subjects Effects

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Mean
<b>CNC × PA</b>						
Distributive justice	42.808 <sup>a</sup>	30	1.427	2.486	.076*	3.64
Procedural justice	35.308 <sup>a</sup>	16	2.207	4.007	.001***	3.40
Interactional justice	44.97 <sup>2a</sup>	36	1.249	1.249	0.498	3.54
<b>CWC × PA</b>						
Distributive justice	59.200 <sup>a</sup>	29	2.041	7.561	.001***	3.73
Procedural justice	51.200 <sup>a</sup>	26	1.969	2.393	.050*	3.44
Interactional justice	58.700 <sup>a</sup>	32	1.834	4.013	.031**	3.67

a. CNC: Dependent variable- value alignment 1

b. CWC: Dependent variable- value alignment 2

Note: \*\*\*, \*\*, \* refer to the significance at the 0.01, 0.05, and 0.10 level, respectively.

From Table 1, analysis provides support for hypothesis 1 that PA on CWC's policy led to higher significant level on VA than CNC's policy. Table 2 demonstrates means and the test of between-subject effect on value aligned-CSR. UANOVA analysis was conducted to examine the effectiveness of PA across different perceived justices to VA. The results represent the main effects of PA are loading significantly at p-value <0.05 on CWC's condition and p-value <0.1 on CNC's condition. Overall, CWC×PA crossed effect toward VA is higher than CNC×PA (mean differences ranging from 3.44 to 3.73 and 3.40 to 3.64, respectively). Service recovery efforts contribute to the sharpen of exchanges of information, feeling and emotion; perceived of justices is somehow influence to the perceived value of the transaction and future behavioral intention (social exchange theory, Bitner, 1990; Bolton & Drew, 1991). The perceived justices are the subset of perceived of exchanges information that reinforced from proactive and passive actions.

Viewed from PA dimension, firstly, distributive justice refers to customers feel they have been treated fairly with respect to the final recovery outcome. Table 2 demonstrates CWC×PA provided best support in convincing customer perceived of distributive justice and the result compared to other justices shows to the most impact in promoting VA (p-value 0.001, F=7.561). Secondly, procedural justice which refers to the perceived fairness of policies and procedures. CNC×PA presents significantly level on perceived of procedural justice which have the most impact to VA compare to other justice (p-value 0.001, F=4.007). Finally, interactional justice which customers feel they have been treated fairly regarding to the personal interaction throughout the recovery process. Interactional justice on CWC×PA condition report significant effect to VA, while CNC doesn't show significant effect (p-value 0.031, F=4.013). In summary, based on the outcomes above highlighting that distributive justice is the key to induce VA on CWC×PA context, and procedural justice is the main influent factor to promote VA on CNC×PA context.

### 5.2 Passive approach across different perceived justices

Table 3. Tests of Between-Subjects Effects

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Mean
<b>CNC × NA</b>						
Distributive justice	89.819 <sup>a</sup>	26	3.455	17.573	.000***	3.584
Procedural justice	79.042 <sup>a</sup>	23	3.437	4.124	.003**	3.104
Interactional justice	89.518 <sup>a</sup>	32	2.797	6.854	.007**	3.459
<b>CWC × NA</b>						
Distributive justice	94.142 <sup>a</sup>	32	2.942	24.712	.000***	3.126
Procedural justice	85.258 <sup>a</sup>	23	3.707	6.104	.000***	3.137
Interactional justice	90.508 <sup>a</sup>	30	3.017	6.079	.004**	3.286

a. CNC: Dependent variable- value alignment 3

b. CWC: Dependent variable- value alignment 4

Note: \*\*\*, \*\*, \* refer to the significance at the 0.01, 0.05, and 0.10 level, respectively.

Table 3 displays means and Univariate analysis test of between-subject effect to value aligned-CSR. The results show cross effects on passive approach toward VA all loading significant at p-value <0.05, CNC×NA cross effect toward VA is higher than CWC×NA (mean differences ranging from 3.104 to 3.584 and 3.126 to 3.286, respectively). Perceived justices in CWC×NA and CNC×NA contexts report statically significant on perceived of distributive justice to VA (CNC;CWC p-value < 0.001, F=17.573; 24.712). This implies that following reactive approach in response to service failure, both CSR's policies are potentially convinced to a better perceived of fairness on final recovery outcome, and this have the most effect on perceived value of

alignment on customer's perspective. The other justices' effect to VA, results are not very different.

## 6. Suggestion and managerial implications

Following two lines of rational thinking on previous researches, firstly, value alignment is likely to signal that the customer and firm belong to the same "in-group" and people typically treat members of their in-group favorably (Tajfel & Turner, 1979), secondly, when customer recognizes value alignment with a firm resulting mutually supported CSR initiatives, the consumer is likely to view the exchange as more favorable because the firm enables the customer to meet broader (value-laden) goal's congruence, such as supporting a cause that the consumer values. Following this context, customer should experience less anger and regret over choosing firm and more anticipated guilt over harming the firm through negative reaction (Joireman et al., 2015). Though the field of perceived of value and behavioral reactions to CSR's effect following service failure are broadly studied, yet no research has innovated service-recovery into this field of CSR's domain in response to service failure. This research aims to investigate the effects of post recovery efforts on CSR's-domain policy toward customer perceived value of alignment following service failure context. The results suggest that firstly, CWC's policy which offer customers choice over the CSR allocations have a wider range of beneficial cognitive toward perceived value of alignment. Secondly, when post recovery efforts get into concerns, CWC's policy is best benefit on PA strategy and become least effective on NA strategy. And thirdly, CNC's policy becomes more effective when applied to NA strategy.

Further, justice theory states that in every exchange that takes place, people weigh the inputs against the outcomes and compare them with those of others in similar situations. In the event that there is an equal balance between them, the exchange is considered as 'fair', but if the outcomes do not meet with the person's expectations, then this results in inequity (Adams, 1963). the results of perceived of justices on PA context report, firstly, CWC's policy contributed to a significantly perceived of distributive justice in which perception led to most impact to perceived VA. This result is in consistence with past studies highlighting that tangible outcomes have a positive effect on recovery evaluation (Boshoff, 1997; Goodwin & Ross, 1992; Hoffman et al., 1995; Smith et al., 1999). Based on this line, if firm improve the strategy which is specially motivated customers to restore the distributive justice, for example, wisely provide atonement offered following service failure; compensation, discount and refund, etc., this might promote more positive responses to perceived VA, in addition, CWC's policy will even be more effective. Then, perceived of procedural justice on CNC×PA context shows the most positive effect to VA, we recommend to develop PA based on establishing standard procedures, such as timing/speed; the time taken to process complaints and to arrive at a decision (Davidow, 2003), process control; work flow in taking order, processing food, serving, including construction's layout should be best effective, and and flexibility to adapt to the consumer's recovery needs (del R.o-Lanza, 2009), this will lead to a better response to VA and will make CNC's policy even more effective. Finally, NA strategy seems yielding to a set of negative emotion or no effect response, however, upon CNC×NA approach, distributive justice shows the most positive impact to VA, if firm adopted CNC's policy and did not apply any effort in recovering customer's perception, the firm should do public relation on CSR initiatives to be recognized wide speedily which will indirectly restore the perceived of distributive justice in the concept of tangible compensation to customers' value and society after a complaint. Overall, the results suggest that the strategy in each policies should be developed uniquely in specific manners, for example, PA strategy on CWC's policy, the strategy should focus on restore the perceived of distributive justice and consider that what is the most impact and appropriated manners which should be adopted such as compensation, coupon, discount or refund, etc., this kind of action is remarkable to customers' awareness, especially it works potently in response to perceived value of alignment.

## 7. Limitation and future research direction

The current study has the following limitations. First, sample size of 160 samples is considered small compared to a number of resident in Shanghai which is approximately 24 million (CIA World Factbook, 2015). Future research should broaden the sample size. Secondly, the study restricts the scope on customer firm value aligned-CSR as independent variable. Future research can engage behavioral intention to examine the effect of value alignment, also level of failure severity is also significant element that we have to consider. Finally, this study was conducted in China with Chinese consumers as its sample subjects. We aware of culture different; future research should explore the issues in a different cultural context or apply a cross-cultural comparison.

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## APPENDIX A

### Service Failure Scenario, Recovery effort and Scales Used

#### Scenarios and Procedure

##### Core Scenario (Common to All Participants)

Imagine you and your friend go out for dinner at a table-service restaurant. As you enter the restaurant a hostess did not greet you, and after an excessive amount of time you were seated. Once you are seated, you wait 10 minutes of service. When a server comes to take your order, you tell the server that you want your steak to be cooked “medium.” After 30 min, you are still waiting for your steak and you were not informed about the service delay. Finally, after 40 min the server brings you your steak without asking if you need anything else. When you try your steak, however, you notice that it is overcooked.

##### Proactive strategy

You rush to counter and complain about the situation. The cashier sincerely apologizes for the improper cooked steak and service delayed. She explains that your bill order is out of sequence and hence you have been rescheduled for the next available queue. The manager went to your table to deliver a personal apology and asked the server to fetch new dishes and also offered you 10% discount on your bill as compensation.

##### Passive strategy

You rush to the counter and complain about the situation. The employee rudely tells you that just wait and take whatever served on your table. She said that the restaurant has been busied and hence you’ve been waited but there is no discount or compensation for your waiting.

##### CSR no choice condition

Now imagine that you get to the counter and place your bill order. After the cashier takes your order, you complete your purchase using a credit card keypad. A message on the credit card keypad appears at the end of the transaction, and it states: “The restaurant is committed to being a good corporate citizen. We donate 10% of every purchase to the following causes: environmental conservation, health initiatives, human rights campaigns, and local community organizations.”

##### CSR with choice condition

Now imagine that you get to the counter and place your bill order. After the cashier takes your order, you complete your purchase using a credit card keypad. A message on the credit card keypad appears at the end of the transaction, and it states: “The restaurant is committed to being a good corporate citizen. We donate 10% of every purchase to the cause of your choice. Please indicate your preference from the following: environmental conservation, health initiatives, human rights campaigns, and local community organizations.”  
 You indicate \_\_\_\_\_

Participants in CSR with choice condition pick among the four causes. Respectively, all participants complete the scale on justices, then CSR manipulation check and value overlap scale.

#### Scale

- *Distributive justice*

Seven-point scale, anchored at middle and endpoints (“Strongly disagree”/“Neither”/“Strongly agree”). Adapted from Oliver and Swan (1989a, b) and Tax (1993).

1. The outcome I received was fair.
2. I did not get what I deserved. (R)
3. In resolving the problem, the restaurant gave me what I needed.
4. The outcome I received was right. (R)

- *Procedural justice*

Seven-point scale, anchored at middle and endpoints (“Strongly disagree”/“Neither”/“Strongly agree”). Adapted from Tax (1993).

1. The length of time taken to resolve my problem was longer than necessary. (R)
2. The restaurant showed adequate flexibility in dealing with my problem.

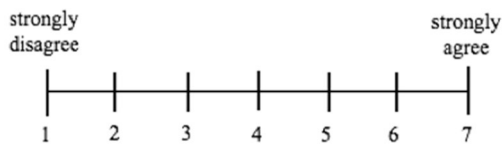
- *Interactional justice*

1. The employees were appropriately concerned about the problem.
2. The employees did not put the proper effort into resolving my problem.
3. The employees’ communications with me were appropriate.
4. The employees did not give me the courtesy I was due. (R)

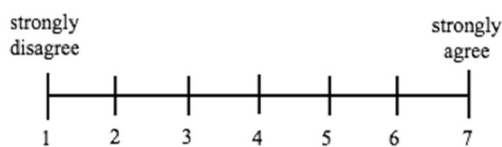
- *Perceived Customer-Firm Value Alignment* (Bergami and Bagozzi 2000; we formed the index by averaging responses to three questions)

To what extent do you agree or disagree that the Restaurant...

1. Do you agree or disagree that the restaurant shares the



2. Do you agree or disagree that the restaurant is concerned with the opinions of its customers?



3. Below you will see several sets of circles. Imagine that the circle on the left represents your own values and the circle on the right represents "The Restaurant's" values. Please indicate which diagram (A, B, C, D, E, F, or G) best represents the level of overlap between your own values and The Restaurant's values.

<p>strongly disagree</p> <p>1 2 3 4 5 6 7</p> <p>strongly agree</p>	<p>strongly disagree</p> <p>1 2 3 4 5 6 7</p> <p>strongly agree</p>	<p>disagree</p> <p>A</p> <p>B</p> <p>C</p> <p>D</p> <p>E</p> <p>F</p> <p>G</p>	<table border="1" style="border-collapse: collapse; width: 100%;"> <thead> <tr> <th style="text-align: center;">My value.</th> <th style="text-align: center;">Restaurant's value.</th> <th></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">○</td> <td style="text-align: center;">○</td> <td style="text-align: center;">Very Far Apart</td> </tr> <tr> <td style="text-align: center;">○</td> <td style="text-align: center;">○</td> <td style="text-align: center;">Far Apart</td> </tr> <tr> <td style="text-align: center;">○</td> <td style="text-align: center;">○</td> <td style="text-align: center;">Apart</td> </tr> <tr> <td style="text-align: center;">○</td> <td style="text-align: center;">○</td> <td style="text-align: center;">Slight Overlap</td> </tr> <tr> <td style="text-align: center;">○</td> <td style="text-align: center;">○</td> <td style="text-align: center;">Moderate Overlap</td> </tr> <tr> <td style="text-align: center;">○</td> <td style="text-align: center;">○</td> <td style="text-align: center;">Large Overlap</td> </tr> <tr> <td style="text-align: center;">○</td> <td style="text-align: center;">○</td> <td style="text-align: center;">Complete Overlap</td> </tr> </tbody> </table>	My value.	Restaurant's value.		○	○	Very Far Apart	○	○	Far Apart	○	○	Apart	○	○	Slight Overlap	○	○	Moderate Overlap	○	○	Large Overlap	○	○	Complete Overlap
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