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Abstract

Service recovery is an important function for companies to maintain satisfied customers. In order to have successful service recovery, customers' expectations should be recognized and met. This paper examines customers' expectations towards service recovery in online versus offline environment. Due to the growth of Internet, online service recovery has become more popular than ever before. Thus, it is important to recognize the differences between online and offline customers' expectations. This thesis includes an empirical study which reveals several following key findings. Complaining online is highly preferred over complaining offline and at the same time those who complain online have higher expectations towards service recovery. The biggest difference between online and offline customers is the expectations towards the quickness of the company's response, since online customers are expecting quick response (1-2 days) significantly more than offline customers. Apology is the most expected factor in service recovery among both online and offline customers. Last finding is that a new product or a voucher that offers a new product are the most expected compensations in both online and offline customers. By these findings, this thesis fills the research gap of examining customer's expectations towards service recovery in online and offline environment.

Keywords Service Recovery, Service Failure, Customer Expectations

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SERVICE RECOVERY IN THE CONSUMER GOODS INDUSTRY: THE MODERATING ROLE OF ONLINE VERSUS OFFLINE ENVIRONMENT

Bachelor's Thesis
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1. Introduction

Service recovery means the ways companies react after customer complains about a service failure. It is usually possible to complain in either online or offline environment. The response and compensation vary between companies. In order for a company to succeed, it is necessarily nowadays to give an opportunity for consumers to complain when a potential service failure occurs. Service recovery has also been recognized as one of the most important factors for achieving customer loyalty (Tax & Brown, 2000).

The increasing role of internet is affecting to service recovery. Consumers expect more services online and at the same time online service failures have an impact on buying from an offline channel (Piercy & Archer-Brown, 2014). Due to the growth of online services and the link between both online and offline channels, it is necessarily to research also consumers' expectations towards complaining online versus offline.

Service recovery has been widely researched from company's perspective (e.g. Bitner et al., 1990; Boshoff, 1997; DeWitt & Brady, 2003) and different service recovery strategies have been found. Financial compensation has also been explored but according to my knowledge, there is a lack of research when it comes to comparing consumers' expectations in online versus offline environment in a situation of a service recovery. As far as I know, there haven't been research of the consumers' expectations in that perspective done before.

In this paper, I will focus on consumer goods industry. I chose consumer goods industry, because the quality of consumer goods is usually rather stable, even though failures are unavoidable. Because of the rather stable quality of consumer goods, consumers are not expecting mistakes. Consumer goods are usually affordable and daily-used, which means that

a failure in consumer goods products will usually disturb consumer's daily life slightly. Due to these reasons, I chose to research consumer goods industry. In the empirical study, I will focus on examining consumer's expectations towards service recovery. During service failure and recovery, company's response is the most likely cause of dissatisfaction (Belén del Río-Lanza et al., 2008). Because the responses play such a big role, it is important to understand customers' expectations towards responses in order to meet those expectations.

This thesis will consist as follows. First I will state the research questions and hypotheses. Then I present research background, where I will tell about the relevance of service recovery and explain expectation-disconfirmation theory and how it links to service recovery. After that I introduce effective service recovery strategies that have already been found. Then I compare the characteristics of online versus offline service recovery, which leads us to the empirical study. Finally, I present the results and implications of the study.

1.1. Research Questions

There are several factors that company should take into account while planning service recovery, e.g. the quickness of the response, the quality of the response, available channels and the chosen way to compensate. It is important for companies to know which of these factors they should prioritize and whether the expectations vary between online and offline customers in order to meet customer's expectations. Thus, the first part of the research question is:

What are the most important factors in service recovery regarding consumers' expectations in online and offline environment?

After service failure, a common strategy is to compensate the customers to diminish the anger and dissatisfaction (Bittner et al., 1990). There are several ways to compensate, e.g. giving customer a new product, their money back, a voucher or a discount from the next purchase. In order to maintain service recovery as an effective strategy, companies should know how to use compensation (Grewal et al., 2008). Therefore, the second part of the research question is:

How do the expectations towards the compensation differ among online and offline customers?

To get wider and deeper understanding about the differences in online versus offline complaining as a whole, the main research question of this thesis is born:

How the expectations on service recovery differ among consumers who are willing to complain online versus offline?

2. Research Background

As it is already mentioned, service recovery has been widely researched and several service recovery strategies have been found. However, customers' expectations in online versus offline environment have not been studied before. To get deeper understanding about service recovery and the already existing frameworks, this thesis begins by defining service recovery. After that, expectation-disconfirmation and the relevance of service recovery will be explained to understand the importance of the topic. Lastly in the section of research background, the paper will introduce effective service strategies and the characteristics of online versus offline service recovery.

2.1. Definition of Service Recovery

Service recovery means that customers realize that if a service failure occurs, service provider will immediately try to fix it (Grönroos, 1988). Service failure signifies different things, e.g. the service did not meet consumer's expectations, service was different of what company originally promised, service was done poorly, something that customer paid for was missing or the service was late. Customers can complain in each of these situations or in any other case when they feel that service was not as promised.

Companies offer several different ways to complain. It is possible to complain in either online or offline environment. Complaining in online environment includes e.g. email, message via company's website and social media, whereas complaining in offline environment includes e.g. calling, sending a letter or paying a visit to company's store or office. Customers can choose the channel by themselves and via the chosen channel tell about the experienced service failure. Companies react to the complaints by responding to the customer and giving them some kind of compensation. Compensation can be e.g. money, new product, voucher that offers a

new product or discount from the next purchase, however they may vary between companies (Roschk & Gelbrich, 2014).

From the company's perspective, the idea of service recovery is to increase the satisfaction among their customers. Service failures themselves have a negative effect on customers' loyalty if they are not handled correctly (Zeithaml et al., 1996). By successful service recovery, it is possible to make the customer even more satisfied than she or he would originally have been without the service failure (Harris et al., 2006). By doing service recovery, companies have an opportunity to increase customers' satisfaction and the number of loyal customers (e.g. Tax & Brown, 1998; Miller et al., 2000).

2.2. Expectation-Disconfirmation and Relevance of Service Recovery

Customer's satisfaction in a situation of a service recovery has the biggest effect on overall satisfaction, bigger than any other element in the whole service delivery process (Spreng et al., 1995). Due to globalization and the growth of Internet and social media, the competition is more intense than ever before. The growing competition forces companies to pay attention to service recovery in order to maintain the interest of the current customers.

The concept of disconfirmation is strongly related to service recovery and customers' expectations. The idea of disconfirmation is that when the actual outcome of the service exceeds customer's expectations, the result is positive disconfirmation (Harris et al., 2006). If the actual performance is better than customer's expectations, confirmation occurs and it may lead to satisfaction (Boshoff, 1997). In a situation of a service recovery it means that if company manages to fix the service failure better than customer expected, the customer will be more satisfied than originally without the service failure. Boshoff (1997) noticed in his

research that the refund from company after service failure is closely related to customer satisfaction. The whole concept of disconfirmation is based on customers' expectations. If company is not aware of their customers' expectations, they might not exceed those expectations. Satisfaction is strongly linked to customers' loyalty (Ribbink et al., 2004), which highlights the concept of disconfirmation even more.

Multiple researches have pointed out that word-of-mouth (WOM) has a huge impact on consumer purchasing behaviour (Swanson & Kelley, 2001). Especially nowadays, due to the fast growth of social media, it's possible to share one's experiences to thousands of people in a very short period of time. Those, who have formerly had possibility to complain only to few people, can nowadays reach a huge amount of people in just few clicks. Once something is on Internet, it can't be taken out. Customers are more willing to complain and forward negative word-of-mouth, if they feel that failure is due to the seller, the failure could recur and it could have been avoided when it first happened (Curren & Folkes, 1987).

Vice versa, word-of-mouth can have positive effects also. Swanson & Kelley (2001) found in their research that if service failure is corrected in a way that satisfies customer, they will easily tell about it onwards. Positive word-of-mouth endorses company's good image in the eyes of current and prospective customers. Positive word-of-mouth is one of the key factors that affects to customers' decision-making (Sweeney et al., 2008). Just like negative word-of-mouth, also positive word-of-mouth can be easily spread on Internet and social media.

Since mistakes are unavoidable, companies need to do something to make failures infrequent. Additionally, companies need a strategy in order to fix a service failures successfully. Customers' expectations about service recovery vary a lot and to maintain good service

recovery, companies must meet those expectations. By meeting the expectations, companies create more value to customers than they expected and positive disconfirmation occurs. Therefore, service recovery and the variation between customers' expectations in online and offline environment are important to be researched and understood.

2.3. Effective Recovery Strategies

It is essential for companies to react quickly after service failure occurs, to make the customers satisfied towards the company and its services again. If mistakes are handled correctly, they can even increase customer satisfaction compared to the correctly performed transaction (Etzel & Silverman, 1981). Through service recovery, it is also possible to increase customer loyalty and goodwill (e.g. Johnston & Fern, 1999; Miller et al., 2000). To have successful service recovery, companies need to have effective service recovery strategy that they follow.

Effective service recovery strategies have been widely researched. There are several recovery strategies for companies to choose from. The strategy should be chosen based on the dissatisfaction level that customer experienced. Bell and Zemke (1990) found five components to use in effective service recovery: apology, urgent reinstatement, empathy, symbolic atonement and follow-up. However, they did not propose any concrete evidence to support these claims. Later on, Bitner et al (1990) suggested a bit different components for companies to use in service recovery: acknowledgement, explanation, apology and compensation. Kelley et al. (1993) in turn considered some elements more efficient than others. Apology and refund weren't so effective whereas correction, discount, management intervention and replacement were better.

It is obvious that some components of service recovery work better than others, but it also depends on the field where company operates. Kelley et al. (1993) found that financial compensation doesn't have as big effect as other elements, but based on the research of travel industry, Vázquez-Casielles et al. (2012) stated that financial compensation is a part of an excellent service recovery. The right amount of financial compensation after service failure depends on characteristics and expectations customer have (Vázquez-Casielles et al., 2012).

Social comparison also has an effect on service recovery, which companies should take into account. Social comparison means that customers who have had negative experiences or emotions compare themselves into someone who has been even more misfortune (Wills, 1981). The whole process of service recovery should be structured, not just the outcome. Social comparison can be taken into account for example by training the company personnel to give an explanation of the service failure and showing sympathy (Vázquez-Casielles et al., 2012).

It should be also noted that there are other factors that have an effect to service recovery in addition to the selected strategy. For example beforehand created rapport between company and customer has a positive effect when service failure appears (DeWitt & K. Brady, 2003). The rapport reduces negative word-of-mouth after service failure (DeWitt & K. Brady, 2003). Also, the design of the service recovery program has an effect on service recovery and how customers experience it (Sousa & Voss, 2009).

2.4. The Characteristics of Online Service Recovery vs. Offline Service Recovery

The increasing role of the Internet has made it more important for companies to focus on online service recovery. Online service recovery takes place e.g. on social media, on company's website and via email, whereas offline service recovery happens e.g. by visiting company's

office, calling or sending a letter. Complaining in offline environment usually requires a visit to somewhere or at least a phone call, whereas complaining in online environment requires Internet and a computer or mobile phone. The purchase itself can happen either offline or online. Typical categories purchased online are e.g. books, electronical devices, music and holiday gifts (Chu et al., 2010).

There are some differences between customers who complain online versus those who prefer complaining offline. Online customers expect to get the response rather quickly, especially in social media. Online customers usually have more control over the transaction compared to offline customers. Online customers have more options to decide when and where they purchase the product or service. They can also compare service providers easily and switch the chosen service provider without unnecessary trouble, whereas offline customers usually have certain groups to choose the service provider from e.g. based on their residential area. Online customers also have lower search costs and easier access to information (Chu et al., 2010). Online customers feel that they have more control over the transaction due to the wider selection where to choose from (Chang, 2008). Because of the bigger amount of control, online customers also feel more responsible for the transaction's outcome (Harris et al., 2005). If it is possible to fix the mistake by your own, online customers are more willing to do that compared to offline customers, since they feel partly responsible for the mistake.

Online environment offers more possibilities for personalized and interactive marketing (Wind & Rangaswamy, 2001). These opportunities enable companies to engage customers more effectively. Harris et al. (2005) noticed in their research that the positive relationship between satisfaction and loyalty is stronger in online environment compared to offline. Satisfied customers express their satisfaction better in online than offline environment and the price

sensitivity might be even lower online than offline. Trust is the strongest determinant of repurchase intentions for online customers (Chiu et al., 2009), which means that service recovery is emphasized in order to maintain loyal online customers.

Companies need to understand the characteristics of online and offline customers when planning the service recovery. Since online customers are more tolerant of lower recovery levels and usually more willing to solve the problems by themselves, there is no need to assume that customers feel that they are always right (Harris et al., 2005). The system of service recovery should be built to also support the self-service recovery.

3. Hypotheses

Based on the already existing theories, several hypotheses concerning online versus offline customers in a situation of a service recovery were created.

3.1. H1: Online customers have higher expectations on compensation of service recovery than offline customers

This hypothesis is based on the fact that online customers are more willing to solve the problems by themselves (Harris et al., 2005), so if they use the required time and effort to complain about a mistake, then they also expect to get a good response and compensation. On Internet and social media, consumers are used to get quick responses and spread word-of-mouth in either positive or negative cases (Swanson & Kelley, 2001).

3.2. H2: Online customers have higher expectations towards the quality and quickness of the response from a company

Harris et al. (2005) studied that online customers are more satisfied compared to offline customers in a situation of a low recovery. Because of this and the fact that company's response is the most likely cause of dissatisfaction (Belén del Río-Lanza et al., 2008), my hypothesis is that consumers complaining online have higher expectations towards company's response. They are used to get answers rapidly in social media compared to offline customers, so I hypothesize they also demand more from companies. The greater satisfaction level of online customers (Harris et al., 2005) also supports this hypothesis, since it is likely that online customers are satisfied due to the good quality of the response, which means that they demand more.

3.3. H3: Online customers are not willing to use as much effort on complaining as offline customers

Since online customers are used to transact online by just few clicks (Chang, 2008), my hypothesis is that they are not ready to put as much effort into complaining as those who are willing to complain offline. Offline complaining usually requires a visit to somewhere, e.g. sending a letter or visiting company's store, whereas online customers have easier and faster access to information (Chu et al., 2010). Thus, I hypothesize that those who are willing to complain offline, are more likely to accept that they need to put effort into complaining.

3.4. H4: Offline customers are more willing to complain about minor service failures

I hypothesize that offline customer are more willing to complain about minor service failures compared to online customers, since online customers are more tolerant of lower recovery levels (Harris et al., 2005). Online customers are willing to solve minor problems by themselves online (Harris et al., 2005), but offline customers are not so used to that. Therefore, my fourth hypothesis is that offline customers are more willing to complain about minor service failures.

4. Methodology

To measure and research consumer's expectations in online versus offline environment and to test my hypotheses, I conducted an empirical study. The study was quantitative research, since findings were done based on the numbers resulted from the study (Field, 2014). To reach a sufficient amount of people, I chose to use online survey as a method to gain data. The survey is based on a scenario to make the situation easier and more concrete for respondents to understand (Carroll, 1997). The scenario includes a fictional company called Jogurttitalo. I used a fictional company to prevent any negative impressions respondents may have towards a real company. In the beginning of the survey, the scenario is described. Respondents are asked to imagine that they have purchased a pack of yoghurt from Jogurttitalo. While opening the lid, they notice that the yoghurt has already gone bad. The survey is based on this scenario.

I divided the questionnaire into four sections. The survey begins by general questions about the situation and how the respondent would react. Secondly, there are questions about respondent's expectations when complaining online and then about expectations while complaining offline. Last section includes questions about respondents' own previous experiences. All questions are concerning the scenario that is mentioned before.

4.2. Data Collection

Data was collected from 64 people via the online scenario-based survey. The ages of respondents varied between 15-55. 89,5% of the respondents were between 21-25 years old. 67,2% of the respondents were female whereas 32,8% were men. The highest level of education completed were bachelor's degree (39,1%), high school or equivalent (35,9%), college

(20,3%), master's degree (1,6%), grammar school (1,6%) and vocational or technical school (1,6%).
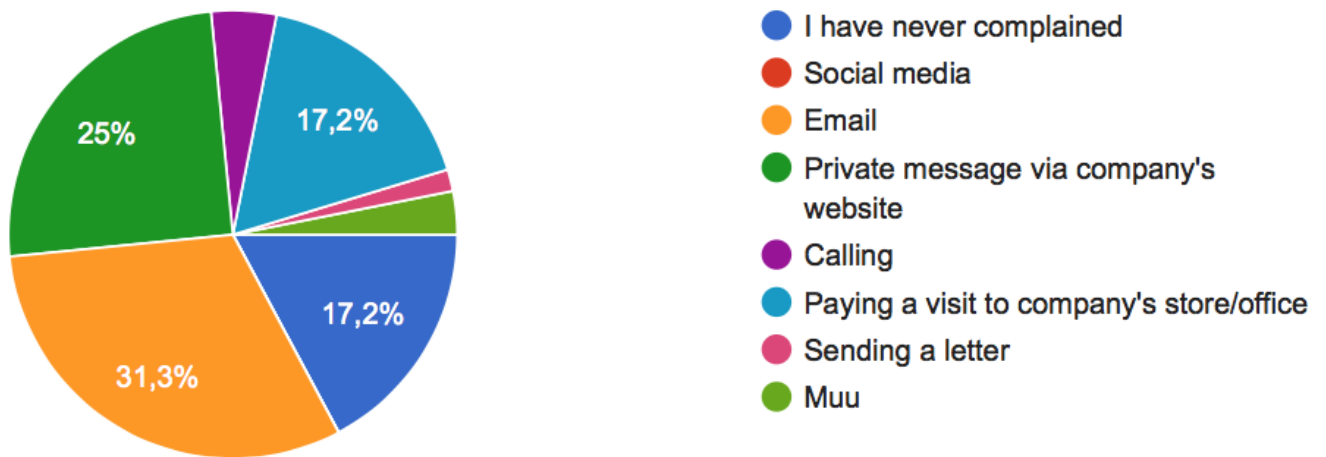

Chart 1: Results to the question about which channels respondents have used while complaining about something before

84,4% of the respondents have complained about a product or service before. Three most popular channels among the respondents were email (31,3%), private message via company's website (25%) and paying a visit to company's store or office (17,2%), as can be seen from the Chart 1. Two most popular reasons for complaining were that respondent wasn't satisfied with the service (21,9%) and that the product was gone bad before the expiration date (21,9%).

The questionnaire consists mainly of claims. Respondents choose whether they agree or disagree with the claim on scale 1 to 5. Five means that respondent fully agrees with the claim and number one means that respondent fully disagrees. Results are evaluated based on the means of the responses and the differences between the means.

4.3. Discussion and Results

Claim	P(F<=f) one-tail
I am certain that Jogurttitalo will apologize to me.	0,000
When complaining online, I expect to receive a quick (1-2) days response from Jogurttitalo.	0,000
I am sure Jogurttitalo will listen to / read my story.	0,004
I would have not contacted Jogurttitalo because it would have taken too much time.	0,024
I would have not contacted Jogurttitalo because it would have been too much effort.	0,059
I would like Jogurttitalo to give me a discount on the next yoghurt I buy.	0,098
I expect that Jogurttitalo will give me a voucher so that I can get my next yoghurt for free.	0,108
I am sure that Jogurttitalo will give me a new yoghurt as compensation.	0,178
I am certain that Jogurttitalo will give me my money back.	0,279
I am certain that Jogurttitalo will give an explanation for what had happened to the yoghurt.	0,381
How likely would you be to contact Jogurttitalo to tell them about this incident?	0,577

Table 1: Results from F-test

Statistical significance of the empirical study was measured via F-test (Field, 2014). The results can be seen from Table 1. The results of F-test are taken into account on hypotheses, since the p-values vary a lot between the claims. F-test was conducted between those who are more willing to complain online versus those who complain offline.

92,2% of all respondents chose to complain online (private message via Jogurttitalo's website), while 7,8% of respondents chose complaining offline (calling) in the abovementioned scenario. Four reasons emerged why complaining online was more popular than offline: complaining online was seen as more effortless, fast and free with easy documentation. For those who prefer complaining offline, the main reasons were that one doesn't have to be at a certain place while complaining and it allows to have a personal contact with company's employee.

The results revealed that the biggest difference between those who prefer complaining online versus those who are more willing to complain offline, is the expectations towards the quickness of company's response. On scale 1-5, the mean of those who complain online is 4,407 when it comes to expecting a quick (1-2 days) response from the company. Those, who prefer complaining offline, the mean is 1,007 lower. Even though the average is lower, quick response is still experienced important among all respondents, since the overall mean is higher than 4.

Question	Mean	Std.dev-	Mean (Offline)	Mean (Online)	Difference
I expect that Jogurttitalo will give me a voucher so that I can get my next yoghurt for free.	3,453	1,185	3,200	3,475	0,275
I am sure that Jogurttitalo will give me a new yoghurt as compensation.	3,672	1,173	3,200	3,712	0,512
I would like Jogurttitalo to give me a discount on the next yoghurt I buy.	3,094	1,296	2,600	3,136	0,536
I am certain that Jogurttitalo will apologize to me.	4,531	0,770	4,000	4,576	0,576
I am sure Jogurttitalo will listen to / read my story.	3,891	0,954	3,200	3,949	0,749
I am certain that Jogurttitalo will give an explanation for what had happened to the yoghurt.	3,297	1,099	2,400	3,373	0,973
I am certain that Jogurttitalo will give me my money back.	3,328	1,347	2,400	3,407	1,007

Table 2: Results concerning the scenario-based claims

Based on the results, apology is experienced as the most important factor of the service recovery. The overall mean of expecting an apology from the company is 4,531 with standard deviation of 0,770 as can be seen from the Table 2. The mean is 0,576 lower in offline environment compared to online. In addition to apology, consumers expect company to read or listen their story. The mean was 3,891 with standard deviation of 0,954. The number is rather high and indicates the importance of the quality of company's response, since it should include something that shows that consumer's complaint has been carefully read or listened.

Even though apology is highly demanded from the company, explanation about what had happened was not required as clearly among the respondents. The mean of expectations for explanation in the abovementioned scenario is 3,297 with standard deviation of 1,099. Explanation is expected, but apology is experienced as much more important. The difference between online and offline was 0,973, which means that expectations are again higher in online environment.

Question	Mean	Std.dev-	Mean (Offline)	Mean (Online)	Difference
When complaining offline, I expect Jogurttitalo to send me a new pack of yoghurt.	3,000	1,262	3,000	3,000	0,000
When complaining online, I expect Jogurttitalo to send me a new pack of yoghurt.	2,938	1,261	2,400	2,983	0,583
When complaining offline, I expect an explanation from Jogurttitalo of what had happened to the yoghurt.	3,688	1,261	3,000	3,746	0,746
When complaining online, I expect an explanation from Jogurttitalo of what had happened to the yoghurt.	3,547	1,224	2,800	3,610	0,810
When complaining offline, I expect to receive a quick (1-2) days response from Jogurttitalo.	4,156	1,176	3,400	4,220	0,820
After complaining offline, I would be disappointed if Jogurttitalo would only send me an apology.	3,828	1,353	3,000	3,898	0,898
After complaining online, I would be disappointed if Jogurttitalo would only send me an apology.	3,672	1,370	2,800	3,746	0,946
When complaining online, I expect to receive a quick (1-2) days response from Jogurttitalo.	4,328	0,885	3,400	4,407	1,007

Table 3: Results concerning compensations and company's response

The survey also examined expectations towards the compensations. Those who complain in online environment have higher expectations also when it comes to compensation. There were four different types of compensations mentioned in the survey: new pack of yoghurt, voucher to get the next product for free, money and discount from the next purchase. Those who

complain online have higher expectations among all four types of compensation, as can be seen from the Table 3.

Among the four compensation types, new pack of yoghurt was the most expected type of compensation. New pack of yoghurt had an overall average of 3,672 out of 5 with standard deviation of 1,173. It had highest scores in both online and offline environment. A voucher that offers the next yoghurt for free was experienced almost as good as a new pack of yoghurt, as can be seen from the Table 3. Discount from the next purchase was the least expected compensation with an overall average of 3,094.

Another observation from the survey was that if those who prefer complaining online were forced to complain offline, their expectations increase a bit. The increase varies between 0,017 to 0,153 depending on the claim. It is not a vast difference, but it might indicate that when forced to put more effort into complaining, consumers also expect better compensations. The quickness of the response is the only exception, since it was the only category where those who prefer complaining online don't raise their expectations if forced to complain offline.

Question	Mean	Std.dev-	Mean (Offline)	Mean (Online)	Difference
I would have not contacted Jogurttitalo because I do not think they would compensate me.	2,594	1,284	2,600	2,593	-0,007
I would have not contacted Jogurttitalo because it would have taken too much time.	3,641	1,081	3,200	3,678	0,478
I would have not contacted Jogurttitalo because it would have been too much effort.	3,953	1,110	3,200	4,017	0,817
How likely would you be to contact Jogurttitalo to tell them about this incident?	2,797	1,325	1,800	2,881	1,081

Table 4: Results of the reasons why respondents would not have complained

On scale 1-5, the mean of the willingness to complain in the scenario was 2,797 with standard deviation of 1,325. The mean was 1,081 higher among those who complain in online environment. The questionnaire included questions about why respondents would not have complained. The results revealed that the required effort is too much for the most of the respondents. 76,6% of the respondents agreed with the claim "I would have not contacted Jogurttitalo because it would have been too much effort", as can be seen from the Table 4. The required time was also a potential reason for not complaining among 64,1% of the respondents.

Based on the results, it can be stated that hypotheses H1, H2 and H3 are supported. Online customers do have higher expectations towards compensations (H1), quickness and quality of the response (H2). However, it should be noted that H1 is not statistically significant, since $p>0,05$ in the claims about compensations. H2 then is significant also statistically, because $p<0,05$ in the claims about the quickness of the response, apology and that they believe company had read the complaint.

Online customers are not willing to put much effort to complaining as H3 stated. This is partly supported by F-test and partly not, since the claim that they would not have complained because it would have taken too much time is statistically significant ($p<0,05$) but the claim about the required effort is not statistically significant ($p>0,05$). Although the p values vary, the empirical study supports the hypothesis (H3). Also, based on the empirical study if online customers are forced to put more effort into complaining than they are willing to put, their expectations get higher.

The fourth hypothesis (H4), which predicted that offline customers are more willing to complain about minor service failures, did not get any support from the study. The mean of

willingness to complain was 1,081 higher (on scale 1-5) among online customers, which does not support the hypothesis H4. Also, claim about the willingness to complain about the incident was not statistically significant ($p>0,5$).

5. Discussion and Implications

There has been a lot of research about the importance of service recovery before. It has also been researched that it is important to meet the consumers' expectations (e.g. Spreng et al., 1995; Shankar et al., 2002; Harris et al., 2005). Due to the increasing role of Internet, service recovery has also moved to online environment. It means that it is more important than ever before to understand and meet the expectations of consumers who prefer online environment over offline. The study I conducted supports this claim since the clear majority (92,22%) prefers to complain online. Several following implications for theory and practise were found through the empirical study.

5.1. Implications for Theory

My thesis focuses on customers' expectations towards service recovery in online versus offline environment. I extend previous research by discovering that online customers have higher expectations on service recovery compared to offline customers. Previous studies (e.g. Spreng et al., 1995; Miller et al., 2000; Shankar et al., 2002; Harris et al., 2005; Belén del Río-Lanza et al., 2008; Vázquez-Casielles et al., 2012) have already studied customer's satisfaction and how the satisfaction level differs in online environment. Customer's loyalty has been included into some studies (e.g. Boshoff, 1997; Harris et al., 2005), but there has not been research about customer's expectations. Boshoff (1997) examined different service recovery options and noticed that customer's expectations have an effect on service recovery. Also, Piercy and Archer-Brown (2014) researched how online service failures affect to offline purchasing and the impact of the characteristics of purchasing behaviour. They also recognized that customer's expectations are one factor that affects to the process of service recovery. This thesis proves that online customers' expectations are higher than offline customers, which has an effect on service recovery strategies that e.g. DeWitt and Brady (2003) have researched.

It has been researched that companies should encourage customers to complain in order to maintain satisfied customers (Spreng et al., 1995). My thesis completes this research by observing that online customers are not willing to use as much time and effort into complaining as offline customers. In addition to encouraging customers, companies should make complaining as easy as possible. Bitner et al. (1990) diagnosed favourable and unfavourable incidents. They noticed that each person who is involved in service recovery has their own role and expectations. By this thesis, customer's' expectations in online and offline environment have now been researched. Also, it has been stated that by successful service recovery, companies increase the satisfaction among customers (e.g. Spreng et al., 1995; Shankar et al., 2005). By my finding that online customers have higher expectations towards service recovery than offline customers, this theory can be deepened.

5.2. Managerial Implications

Based on the implications for theory, the following tactics for service recovery are recommended:

5.2.1. Minimizing the required effort of complaining

Complaining should be as easy and effortless as possible. When consumers complain, company get a chance to fix their mistake. If a company manages to fix the situation better than consumer expected, the consumer will be more satisfied than originally without the service failure. By minimizing the required time and effort, company also minimizes the expected compensation. Therefore, they have a better chance to exceed the expectations and increase the satisfaction among consumers. Thus, they can also increase the positive word-of-mouth. Companies should encourage customers to complain (Spreng et al., 1995) and by minimizing the required time

and effort they also support customers to complain, since the biggest reasons not to complain are the required time and effort.

5.2.2. Aim to respond during 1-2 days

Consumers have high expectations towards the quickness of the response from company, especially those who complain online. In order to increase the satisfaction among online customers and to meet their expectations, companies should aim to respond during 1-2 days.

5.2.3. Apologize and express that the complaint has been carefully read

Apology is the most expected factor in service recovery. Apology should be clearly stated in the beginning of the response to make the consumer feel that their complaint is taken seriously. After that it is essential to express that the company has read or listened the whole complaint. Online customers have higher expectations towards the quality of company's response, so companies should focus on the quality of the online responses.

5.2.4. Prefer using a new product or a voucher as a compensation

Companies should prefer to use a new product or a voucher that offers you a new product as a compensation over money or discount. New product and voucher are the most expected types of compensation among both online and offline customers. By using new product or voucher as a compensation, it also offers a new opportunity for a company to convince the customer.

6. Conclusions and Discussion

This paper was created to fill the research gap about consumers' expectations on service recovery in online versus offline environment. It has been already researched that service recovery has the biggest effect on overall customer satisfaction (Spreng et al., 1995) and that by successful service recovery, it is possible to create positive disconfirmation (Harris et al., 2006). In order to succeed in service recovery, companies must meet customers' expectations. Due to the growth of Internet and social media, it has become essential to know the difference between online and offline customers' expectations.

This paper researched customers' expectations towards service recovery in online versus offline environment by conducting an empirical study. Several key findings emerged from the study. First finding was that 92,2% of respondents prefer complaining online, which means that complaining online is highly preferred over complaining offline. Second finding was that the biggest difference between online and offline customers were the expectations towards the quickness of the company's response. The mean of online customers expecting quick response (1-2 days) is 4,407 whereas offline customers' mean is 1,007 lower on scale 1-5.

Third finding is that online customers have higher expectations towards service recovery compared to offline customers. Online customers have higher expectations on all levels from the quality of the response to the compensations. Next finding was that apology was experienced as the most important factor of service recovery among both online and offline customers. Lastly the survey revealed that a new product or a voucher that offers a new product was the most expected type of compensation in both online and offline.

Companies should offer multiple different ways to complain, since complaining should be as effortless as possible. According to the empirical study, the needed effort was the main reason why respondents would not have complained. In addition to the wideness of the channels to complain, companies should also invest in the quickness and quality of the responses, especially while responding to those who have complained online.

6.1. Limitations and Further Research

There are some limitations related to the study. It was conducted online and most of the respondents were between the age of 21-25. These circumstances might have affected to the results, especially to the willingness to complain in online environment. To get statistics that allow better generalization, the study should be conducted to larger amount of people in different age groups.

Another limitation is that the study is scenario-based. Some respondents might not have experienced the scenario realistic, which can affect to the results. Due to the time and resource limitations, the scenario was only about daily consumer goods industry. In the future, I recommend to conduct a wider research in both online and offline environment and in different fields. Also, some statements were not statistically significant, which should be taken into account.

In the future, it would also be relevant to research deeper the willingness to complain: which factors affect to the willingness to complain in online service recovery and in which situations consumers complain most likely. It would benefit companies to know the difference in willingness to complain between online and offline customers. According to my study, online customers are more willing to complain, but as Harris et al., (2005) researched, they also

tolerate minor failures better. Since complaining online is more popular than complaining offline, it would be essential to get deeper understanding about what kind of mistakes online customers regard as minor mistakes and when they decide to complain.

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