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# Chapter 12

## Online Service Failure: Understanding the Building Blocks of Effective Recovery Strategy

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### **ABSTRACT**

*Digital media literature suggests that social media has eased the process of conceptualizing the customer, inclusive of their perception of fairness in the recovery provision. This is because individuals in social media reveal personal information and engage in online conversation and online communities. However, the inherited risk in social media such as the rapid spread of online negative word-of-mouth and the ease of switching behavior to other online providers no longer permits superficial understanding of customers' perception of failure-recovery experiences. Drawing on extant conceptual theories, the current chapter examines online failure and recovery strategies and argues that effective recovery strategies not only enhance the development of marketing communication programs but act as an effective tool for customer retention.*

### **INTRODUCTION**

The online environment has revealed the advantages of mass marketing, permitting extended customer targeting (Poddar et al., 2009; Azemi & Ozuem, 2016). While a growing number of businesses are adopting e-tailing to expand beyond isolated markets, luxury businesses are still debating over a brick-and-mortar versus online approach (Gu & Ye, 2014; Felix et al., 2016; Ozuem & Azemi, 2018). Quach and Thaichon (2018) describe luxury brands across four resources (love, status, information, services), highlighting customers' affection (i.e., love) for the product and the prestige (i.e., status) they gain from luxury product ownership as two main resources to evaluate customers' satisfaction. They define information and services as means to support the customers' buying process. Online provider-customer

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collaboration acknowledges a human-free interaction, recognizing customers' structured online purchasing behavior (Weitzl & Hutzinger, 2017). This conveys skepticism that e-tailing could serve an environment that reaches affection and love. It implies an increased risk of dissatisfaction among online luxury customers, defined by services marketing scholars as the service failure phenomenon (Choi & Mattila, 2008; Chuang et al., 2012). While there is an established conceptual clarification of the recovery strategy types applicable to service failures, a favorable application of recovery strategies seems yet to be recognized (Hess et al., 2003; Ringberg et al., 2007). As Hazée et al. (2017) argue, 'the literature seems to have taken for granted that organizations could apply the same recovery options' (pp. 101-102). This leads to the double deviation scenario, which represents customers' extended dissatisfaction with the company after the recovery strategy is experienced (Casado-Diaz & Nicolau-Gonzalbez, 2009). Luxury companies' efforts to alter customer dissatisfaction into the service recovery paradox (i.e., customers' increased satisfaction with the company after the recovery rather than prior to the failure) seem evident (Matos et al., 2007). However, driven by the high product quality and impulsive purchasing novelties, the detriments of online service failure in online luxury businesses seem to foster the awakening of a double deviation scenario over the service recovery paradox. That being said, online luxury customers have higher recovery expectations, calling for providers to maximize the recovery effort.

Recently, Azemi et al. (2018) posited the reasoning of customer expectation to be customers' necessity for online banking. They described occupation status as the source of the online banking need, utilizing it as the mediator to a threefold customer typology, i.e., exigent customers, solutionist customers, and impulsive customers. Exigent customers posit online banking as the origin of their jobs' functioning, whereas solutionist customers use online banking in an effort to facilitate the operation of their jobs. Impulsive customers capture online banking as a function independent of their job-related usage, employing online banking for their personal purposes. For exigent customers a service recovery paradox is identified with prompt compensation, co-creation, and customer recovery strategy. They appreciate a prompt apology, whereas explanation and downward social comparison result in a double deviation scenario. With a lower perceived risk from the failure, solutionist customers are satisfied with an apology and explanation, and a prompt compensation maximizes their happiness. If granted the recovery responsibility (i.e., customer recovery strategy), solutionist customers' aggressiveness increases, leading to the double deviation scenario. Being labeled with the trait of patience, the service recovery paradox among impulsive customers is constructed if explanation is used jointly with any of the following recovery strategies: downward social comparison, apology, and empathy. Although this study provides no evidence of a double deviation scenario, impulsive customers are prone to switching to other brands if advised by family and friends. The study does not optimize conceptualization of online failure-recovery among online luxury brands, yet it serves to prove heterogeneity among online luxury customers.

Focusing on emerging markets, Azemi et al.'s (2018) study maximizes understanding of customers with a higher degree of sensitivity towards the provider. This is in line with luxury customers, who essentially allocate responsibility for the selling-buying encounter and the recovery to the provider. Additional supporting evidence to reinforce the existence of such customers is found in Schoefer and Diamantopolous' (2009) study. They present the 'negativists' group of customers for whom providers are antagonists that use profit generation as the determinant of the success of customer-provider collaboration. This contradicts the relational customer-provider marketing philosophy, which sets the customer at the core of the transaction the outcome of which is a long-lasting customer-provider relationship (Farrell & Hartline, 2014). That being said, luxury e-tailing and e-tailing activities that emphasize a sales marketing approach lead to service failures. While this section has revealed the sensitivity of online luxury

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