

Dealing with Service Failure Smarter: The Critical Role of Customer Voice Management in Service Recovery Process

Phimai Nuansi^{1[0000-1111-2222-3333]} and Piya Ngamcharoenmongkol^{1[1111-2222-3333-4444]}

¹ NIDA Business School,
National Institute of Development Administration, Bangkok, Thailand

Abstract. This research builds upon a service recovery framework, establishing new perspectives of customer voice in service recovery context. Specifically, two studies were conducted to identify how to turn customer voice to opportunity in recovering from service failure. The first study employs venting interaction as a post-failure emotion regulation strategy and tests how it affects customer evaluation of service recovery. Drawing on the role of initiation in the service recovery process, the second study explores how inviting customers to voice dissatisfaction enhances service recovery evaluations. Two separate scenario-based experiments were carried out in a bank service setting. Partial least squares structural equation modeling was conducted to test research hypotheses in study 1. Study 2 uses Multivariate analysis of covariance as a statistical technique. As hypothesized, this research demonstrates that venting interaction and voice initiation can yield favorable recovery outcomes. These findings suggest that service managers encourage customer to voice before providing service recovery to enhance positive service recovery outcomes.

Keywords: Service Recovery, Customer Voice, Satisfaction.

1 Introduction

A major issue in service business is service failure, commonly accepted as an inevitable event in the service encounter context which initially results in customer dissatisfaction [1, 2] and subsequently causes negative customer behavioral outcomes, e.g., negative word-of-mouth or switching service provider [3-5]. In any case, a proper service recovery [6] will not only address a service problem, but also restore customer satisfaction and lead to positive behavioral outcomes [e.g., 7, 8].

A considerable body of service recovery research has recognized customer voice [9] as crucial input for a service provider in coping with service failure. However, the extant literature leaves several important questions regarding the role of customer voice in service recovery unanswered; hence the present research advances service literature across two studies.

Generally, service failure triggers negative customer emotions, and the triggered emotions have negative bias on service recovery evaluation. For this reason, study of

customer emotions has mainly focused on the damaging effects of negative emotions. In the first study, we advance the literature by exploring how regulating negative emotions by using venting interaction to respond to customer voice influences customer evaluation of service recovery, i.e., perceived justice, post-recovery emotions, and customer satisfaction.

From the first study, it was found that venting interaction is an effective emotion regulation strategy in response to customer direct voice. However, it is reported that up to 95% of dissatisfied customers do not voice to the service provider [2]. While previous recovery studies only explored service recovery based on customer voice and service recovery based on no customer voice (the firm was aware of service failure and provided service recovery), no study has explored how customers would respond to service recovery if they were invited to voice or whether that voice leads to service recovery. Drawing on the role of initiation in the service recovery literature, we propose that a customer receiving service recovery based on firm-initiated voice perceives service recovery efforts differently than voice- or no-voice customers in those two service recovery situations. The second study thus explores the role of customer voice initiation on perceived justice, satisfaction, and negative word-of-mouth intention. The overall contribution of this research is shown in figure 1.

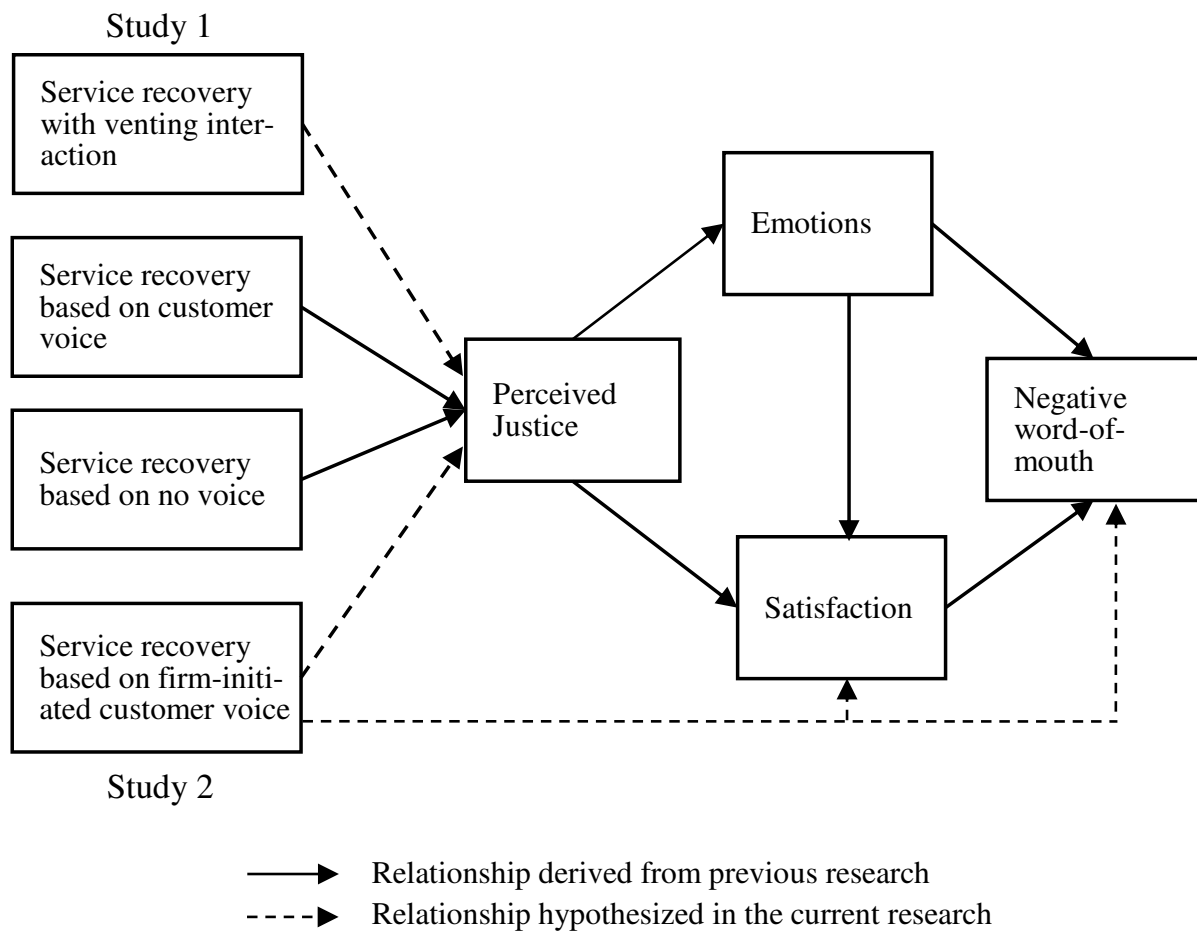


Fig. 1. Research contributions and conceptual model.

2 Methodology

In both studies, scenario-based experiments were conducted to elicit customer responses in a bank service setting. The first study followed a between subject design (service recovery with venting interaction vs. service recovery without venting interaction). The scenario entailed a customer who went to the bank and encountered service failure that triggered negative emotions. In the venting interaction condition, the customer vented to the frontline staff who then tried to regulate the negative customer's emotions by listening and showing sympathy before providing service recovery. In the no-venting interaction condition, the customer vent to the frontline staff who provided service recovery without the venting interaction.

Bank customers in Thailand were recruited to participate in the experiment and were randomly assigned to one of the two experimental conditions. They then were asked to read and imagine that they were the customer in the scenario to respond to a series of questions regarding manipulation check, response to the scenario, and personal information. 205 out of 238 questionnaires were usable. In terms of sample characteristics, 48.3% of the respondents were male, with 20.5% of respondents aged 20-29; 29.3% aged 30-39; 28.8% aged 40-49; and 21.4% aged over 50. In terms of education, 32.7% had a high school degree or lower; 53.7% held an undergraduate degree; and 13.6% had earned a graduate degree or higher. Manipulation check results indicated that the manipulation worked as intended.

The second study conducted a between-subject experiment with three types of voice (customer-initiated voice; firm-initiated voice; or no voice). The scenario described a service failure that was caused by an unintentional error made by the frontline staff. After the customer noticed service failure, the bank addressed the mistake based on three different voice scenarios. In the customer-initiated voice scenario, the customer complained to the staff. In the firm-initiated voice scenario, the customer complained when the staff checked customer satisfaction following the service delivery and encouraged the customer to complain if not satisfied. Lastly, in the no-voice scenario, service provider pre-emptively addressed the mistake without customer complaint.

A total of 202 undergraduate students, from two universities in Thailand, participated in this experiment, of which 39.6% of the respondents were male, and all respondents were aged 20-29. Following the same data collection process as the first study, the respondents were randomly assigned to the scenario and asked to answer to the questions. Manipulation check results showed that the manipulation of the scenario was successful.

3 Analysis and Results

In the first study, partial least squares structural equation modeling (PLS-SEM) analysis was conducted to test the research hypotheses. In terms of measurement model assessment, the results confirmed item reliability with the loadings of all items on the corresponding constructs at above 0.7. The scale reliability was established as Cronbach's Alpha, and composite reliability values were above 0.7. Average variance extracted

(AVE) of all constructs were higher than 0.5, reflecting convergent validity. Finally, discriminant validity was confirmed with the AVE of each construct exceeding squared correlation with any other constructs. The test of the structural model indicated that the proposed model showed high predictive accuracy (R^2 for all endogenous variables, namely, perceived justice, post-recovery emotions, and satisfaction ranged between 0.49 – 0.69). The model's predictive relevance (Q^2) for all endogenous variables was between 0.38-0.55.

The second study carried out Multivariate Analysis of Covariance (MANCOVA) to test research hypotheses. The measurement model assessment was satisfactory as factor loadings exceed 0.7, AVEs were higher than 0.5, and the AVE of each construct was above the shared variance between it and the other constructs. MANCOVA results showed the significant effects of voice initiation on set of dependent variables, namely, perceived justice, satisfaction, and negative word-of-mouth (Wilks's $\lambda=0.59$, $F=14.26$, $p<0.0001$). In addition, voice initiation individually affects each dependent variable (the p -values were all less than 0.001).

4 Findings

The first study demonstrates that venting interaction plays an important role in regulating negative emotions and reducing negative bias of negative post-failure emotions on service recovery evaluations. Specifically, it shows that perceived justice, post-recovery emotions, and satisfaction varied in the different venting interaction conditions.

These findings provide support for emotion literature indicating that when individuals vent to the offender, they expect listening and empathy [10] a response which positively affects perceived interactional justice [11]. In addition, the findings supported service recovery literature indicating that a firm's interaction, such as one demonstrating empathetic listening [12, 13], concern, and empathy, heightened customer perception of interactional justice [2, 11, 14, 15]. Eventually, perceived interactional justice mediates the effects of service recovery with venting interaction on post-recovery emotions [16, 17] and satisfaction [18].

The second study found that service recovery evaluations are different across voice initiation situations. Specifically, customers reported higher perceived justice and satisfaction and lower negative word-of-mouth intention when receiving service recovery based on voice invited by the staff.

The above findings are consistent with previous research of the role of initiation in the service recovery context. Research on co-creation initiation suggested that when the company initiates co-creation recovery, customers perceive greater procedural justice and satisfaction than when co-creation is initiated by customer [19]. Similarly, study on service recovery initiation has documented firm-initiated recovery has positive effects on customer perception of a service provider's efforts [20-22].

5 Theoretical and Managerial Implications

This research investigated the under-researched issues involving customer voice management in the service recovery context, i.e., post-failure negative emotion management and voice initiation. From an emotional management perspective, the first study established the role of venting interaction as an emotion regulation strategy in the service recovery encounter. By introducing a new perspective of customer voice, the second study extends customer voice literature by demonstrating that voice initiators affect customer evaluation of service recovery.

These findings provide a number of practical implications for service managers in several service industries, e.g., banking industry, hotel industry, and restaurant industry. First, managers should be aware that when customers vent, they need to engage in appropriate interactions, e.g., listening, understanding, and showing sympathy, together with addressing the service problem. Second, as service failure may be unintentionally caused by the service provider, managers can easily assure customer satisfaction by posing standard follow-up questions. Finally, inviting customers to speak about their perceived service problem is an effective service recovery strategy because their service recovery satisfaction is higher under that condition than when the service recovery stems from a normal complaint.

References

1. Hart, C.W., Heskett, J.L., Sasser, W.E.: The profitable art of service recovery. *Harvard business review* 68(4), 148-156 (1989).
2. Tax, S.S., Brown, S.W.: Recovering and learning from service failure. *Sloan Management* (2012).
3. Wan, L.C.: Culture's impact on consumer complaining responses to embarrassing service failure. *Journal of Business Research* 66(3), 298-305 (2013).
4. Lin, W.B.: Service failure and consumer switching behaviors: Evidence from the insurance industry. *Expert Systems with Applications* 37(4), 3209-3218 (2010).
5. Kerr, A.H.: Service recovery and the elusive paradox: An examination of the effects of magnitude of service failure, service failure responsiveness, service guarantee and additional recovery effort on service recovery outcomes. Louisiana State University and Agricultural & Mechanical College. Ann Arbor (2004).
6. Gronroos, C.: Service quality: the six criteria of good perceived service quality. *Review of business* 9(3), (1988).
7. Gelbrich, K., Roschk, H.: A meta-analysis of organizational complaint handling and customer responses. *Journal of Service Research* 14(1), 24-43 (2010).
8. Hennig-Thurau, T., et al.: Electronic word-of-mouth via consumer-opinion platforms: What motivates consumers to articulate themselves on the Internet?. *Journal of interactive marketing* 18(1), 38-52 (2004).
9. Singh, J.: Consumer complaint intentions and behavior: definitional and taxonomical issues. *The Journal of Marketing*, 93-107 (1988).

10. Parlamis, J.D.: Venting as emotion regulation: The influence of venting responses and respondent identity on anger and emotional tone. *International Journal of Conflict Management* 23(1), 77-96 (2012).
11. del Río-Lanza, A.B., Vázquez-Casielles, R., Díaz-Martín, A.M.: Satisfaction with service recovery: Perceived justice and emotional responses. *Journal of Business Research* 62(8), 775-781 (2009).
12. Gruber, T.: I want to believe they really care: how complaining customers want to be treated by frontline employees. *Journal of Service Management* 22(1), 85-110 (2011).
13. DeWitt, T., Nguyen, D.T., Marshall, R.: Exploring Customer Loyalty Following Service Recovery: The Mediating Effects of Trust and Emotions. *Journal of Service Research* 10(3), 269-281 (2008).
14. Maxham, J.G., Netemeyer, R.G.: Modeling customer perceptions of complaint handling over time: the effects of perceived justice on satisfaction and intent. *Journal of retailing* 78(4), 239-252 (2002).
15. McColl-Kennedy, J.R., Daus, C.S., Sparks, B.A.: The role of gender in reactions to service failure and recovery. *Journal of Service Research* 6(1), 66-82 (2003).
16. Ozgen, O., Duman K.: Pre-recovery and post-recovery emotions in the service context: a preliminary study. *Managing Service Quality: An International Journal* 22(6), 592-605 (2012).
17. Chebat, J.C., Slusarczyk, W.: How emotions mediate the effects of perceived justice on loyalty in service recovery situations: an empirical study. *Journal of Business Research* 58(5), 664-673 (2005).
18. Tektas, O.O., Basgoze, P.: Pre-recovery emotions and satisfaction: a moderated mediation model of service recovery and reputation in the banking sector. *European Management Journal* 35(3), 388-395 (2017).
19. Xu, Y., et al.: Show you care: initiating co-creation in service recovery. *Journal of Service Management* 25(3), 369-387 (2014).
20. Voorhees, C.M., Brady, M.K., Horowitz, D.M.: A voice from the silent masses: an exploratory and comparative analysis of noncomplainers. *Journal of the Academy of Marketing Science* 34(4), 514-527 (2006).
21. Smith, A.K., Bolton, R.N., Wagner, J.: A model of customer satisfaction with service encounters involving failure and recovery. *Journal of marketing research*, 356-372 (1999).
22. Patterson, P.G., Cowley, E., Prasongsukarn, K.: Service failure recovery: the moderating impact of individual-level cultural value orientation on perceptions of justice. *International Journal of Research in Marketing* 23(3), 263-277 (2006).