

Co-Creating A Service Recovery Strategy

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Service Failure

- ◆ Service Failure is a leading cause of consumer switching (Keaveney 1995).
- ◆ Customers expect some gain (e.g. compensation) for their loss (service failure) (Smith, Bolton, & Wagner 1999; Tax, Brown, Chandrashekar 1998).
- ◆ If there is a net loss after the service recovery, they will be dissatisfied (Churchill and Suprenant 1982; Oliver 1980).

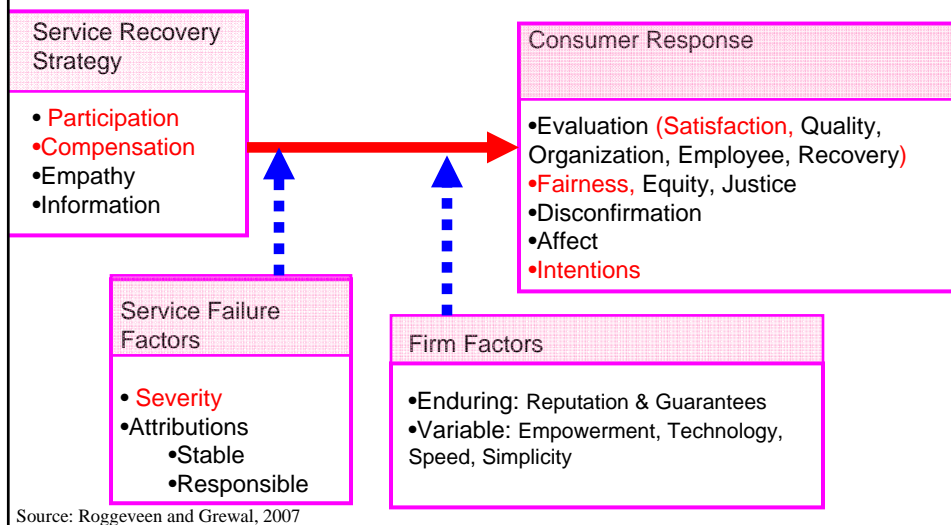


What do firms do?

- ◆ Listen.
- ◆ Apologize.
- ◆ Fix the problem.
- ◆ Compensate (Tax and Brown 1998, Levesque and McDougall 2000. Tsiros, Roggeveen and Grewal 2007).
- ◆ How about getting customers involved in the service recovery effort?



Service Recovery Framework

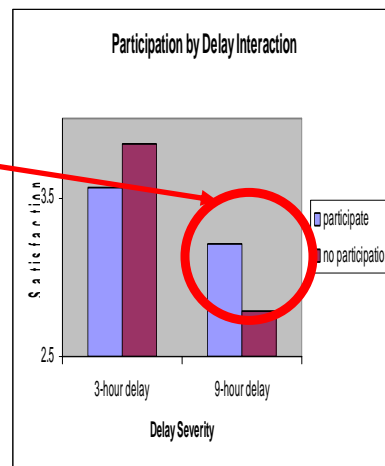


Background

- ◆ Customer participation is key (Meuter and Bitner 1998; Bendapudi and Leone 2003).
- ◆ Social exchange and equity theories suggest exchange relationships should be balanced (Adams 1965; Deutsch 1975; Walster, Walster, and Berscheid 1978).
- ◆ Involving customers in the recovery process is likely to result in them viewing the process and outcome as fair, hence enhancing their equity in the relationship (Leventhal 1980; Lind and Tyler 1988; Thibaut and Walker 1975).
- ◆ By participating in the creation of the service recovery, we expect that customers will view the process as more fair due to the transparency of the process.

Hypothesis

H1: There will be a participation by delay interaction such that, when the delay is severe customers will be less satisfied if they did not participate (vs. participated). If the delay is less severe, customer satisfaction will not be impacted by participation.



Study 1

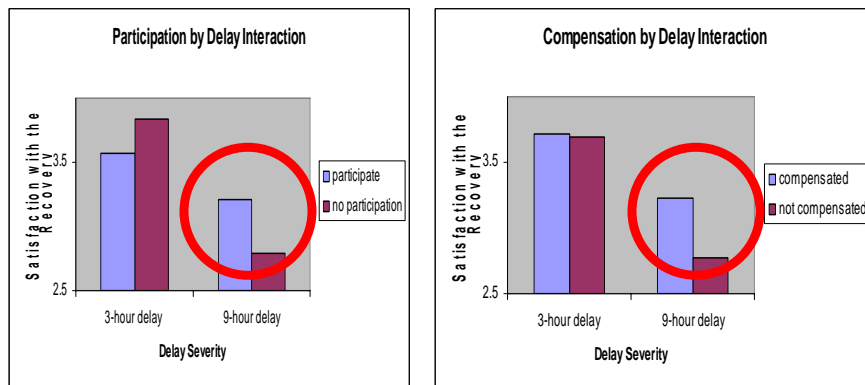
Effect of Participation & Compensation

- ◆ 2 x 2 x 2 full factorial design (N=311)
 - Severity of the failure (3-hour delay versus 9-hour delay).
 - Compensation was offered (no compensation versus \$105 voucher)
 - Involvement: whether the participant worked with the agent to be rebooked on another flight (no participation versus participation).
- ◆ Satisfaction Measure (adapted from Crosby and Stephens (1987) and Eroglu and Machleith (1990)).
 - I am satisfied with the way the airline handled the situation,
 - I feel favorably about how the airline handled the situation, and
 - I liked how the airline handled the situation.
- ◆ Manipulations Checks were effective

Scenario

You have been planning a vacation trip with your friends for some time now and the day of the trip finally arrives. You arrive at the airport and go to the airline counter to check in your luggage only to find out that the flight is cancelled. Anticipating your concern, the airline agent takes the time to explain to you the reason for the cancellation. It turns out that the flight is cancelled due to current weather conditions at the destination. The airline agent acknowledges the inconvenience that this will cause and promises to rebook you on a new flight. You stand with the agent for about ten minutes and work with him as he looks for flights to rebook you on. You offer several ideas of how you might reach your destination including connecting through different cities. The agent tries all these ideas. After you explore a number of possibilities, the agent is able to book you on a new flight which departs in 3 [9] hours. [The agent asks you to wait in the lounge while he rebooks you. After ten minutes, the agent calls you and explains that he was able to book you on a new flight which departs in 3 [9] hours]. [Due to the inconvenience that you experienced, the airline has decided to offer you a \$105 coupon towards your next domestic flight. On average, you spend about \$350 per ticket, so the \$105 coupon would result in a savings of approximately 30% off your next ticket purchase.] (No mention of compensation in the no compensation condition)

Study 1 Results



Intriguing Findings

- ◆ Surprisingly, when the delay was less severe, participation negatively impacted satisfaction.
- ◆ We speculate that participants viewed – rather than co-producing the solution *with* the agent, they were doing the work *in place of* the airline agent.
- ◆ This is similar to the two unexpected findings in Bendapudi and Leone's (2003) research. In two of their six scenarios they found that when the outcome is as expected (similar to our less severe failure scenario), customer involvement is viewed more negatively than not having the customer participate.
- ◆ To better understand how the type of participation impacts satisfaction, Experiment 2 was conducted.

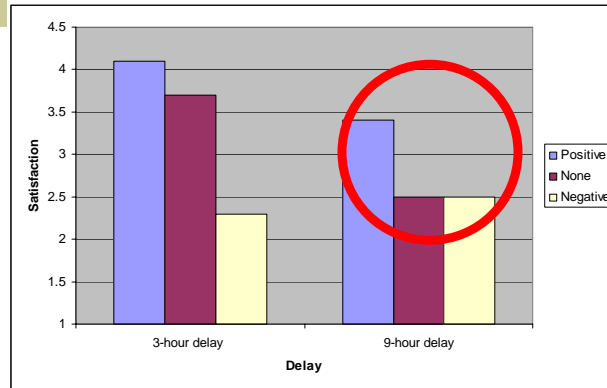
Study 2: Hypotheses

- ◆ H2: There will be a valence of participation by delay interaction such that, when the delay is long, customers will be less satisfied if they do not participate or view participation negatively (vs. positively). When the delay is short, customers will be less satisfied if they view participation negatively (vs. do not participate or view participation positively).

Study 2: Negative vs. Positive Participation

- ◆ 2 x 3 full factorial design (n=90)
 - Severity of the delay (3 hours versus 9 hours)
 - Participation (no participation versus view participation negatively versus view participation positively).
 - In the negative participation condition participants were told “You stand with the agent who is *not* able to think of many alternatives for you. You end up spending most of the time and effort in suggesting alternatives to the agent which he then tries. After about ten minutes, the agent is able to book you on a new flight.”
 - In the positive participation condition participants were told “You stand with the agent who thinks of many alternatives for you. Both of you look at these alternatives together. After about ten minutes, the agent is able to book you on a new flight”.
- ◆ Manipulation Checks were effective.

Study 2 Results

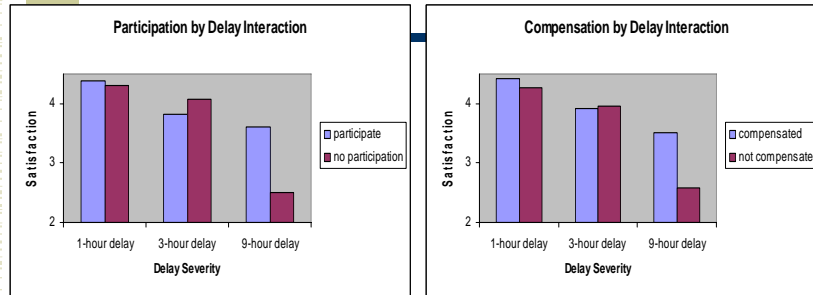


- 9-hour delay: participants were more satisfied if they viewed participation positively than if they did not participate or if they viewed participation negatively.
- 3-hour delay, participants were equally satisfied if they positively participated or did not participate.
- However, if they viewed participation negatively, they were significantly less satisfied compared with if they viewed participation positively or they were not involved.

Study 3: Replication & Process

- ◆ 2 x 3 x 2 full factorial design (n-123)
 - Compensation (offered versus not offered),
 - Length of the delay (1 hour versus 3 hours versus 9 hours)
 - Participation (no participation versus positive participation)
- ◆ Also Measured Fairness
- ◆ Manipulation Checks were effective.

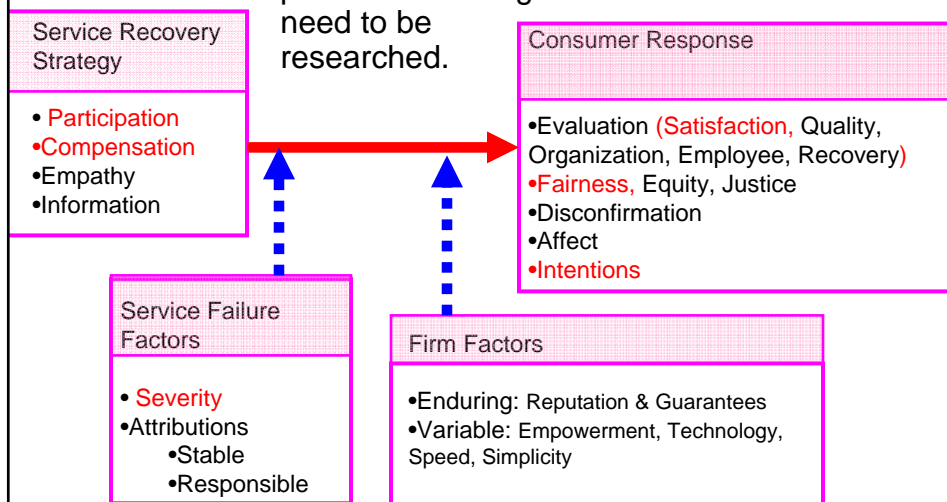
Study 3 Results



- Consistent with experiments 1 and 2, when there was a 9-hour delay, participants were more satisfied if they participated in the creation of the solution than if did not participate.
- In the 1-hour and 3-hour delay conditions, participation did not impact satisfaction.
- Consistent with experiments 1, when there was a 9-hour delay, participants were more satisfied if they were compensated than if they were not compensated.
- In the 1-hour and 3-hour delay conditions, compensation did not impact satisfaction.
- Fairness – same results.
- Fairness mediated results on satisfaction.

Service Recovery Framework

• Numerous paths provided in the figure need to be researched.



Source: Roggeveen and Grewal, 2007