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Service recovery via social media

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Introduction

From 2005 to 2015, social media usage amongst American adults rose from 7% to 65% (Perrin, 2015). While social media usage continues to increase, people already spend more time on social media than on any other online activity (Schneider, 2014). 67% of consumers have reported that they used a company's social media site for services, and 14% of all tweets sent to major retail brands are from customers experiencing problems (Schneider, 2014). Baer (2017) stated that customer service is being disrupted due to the rise of social media and online review sites. While dissatisfied customers once complained to service reps via phone or email, they are now taking to Facebook, Twitter and Yelp to air their complaints to the entire world. As more and more customers take to social media to complain to companies, both the complaint and the response of the brand are visible to everyone else that is virtually present at the given social media site. These observers could be both existing customers or potential new customers.

Traditional complaint management have been researched at great lengths, but as the playing field has changed, so have the rules. Research shows that many brands are not able to provide satisfied customers via social media. In a survey by Langsdorf (2012), more than 55% of the respondents said that they had disappointing or mediocre experiences when communicating with brands on social media. According to the literature, the results of successful service recovery are increased customer satisfaction and higher quality perceptions about the service provider which results in positive buying behaviour. This is regarding both repeat purchases and brand loyalty (Boshoff, 1997). Shaefers and Schamari (2016) show that mere virtual presence of others on social media increases the positive effects of successful recovery with the customer. However, the negative consequences of unsuccessful service recovery are not impacted by the virtual presence of others. But, how does these interactions between brands and customers impact the virtually present observers?

The observers that are reading complaints aimed at companies on social media, do not have the same level of engagement with the complaint as the complaining customers. This is because they have not had to go through the hassle of a service failure and having to complain prior to seeing the service recovery attempt from the company. From research on electronic word of mouth (eWOM) we know that

eWOM by others have a strong impact on the customer in the decision-making progress (HEC Paris, 2016). These days, customers hardly make a purchase without reading the reviews of other customers. However, when a complaint is posted on a company's social media site this opens an opportunity for the company to both improve the complaining customer's satisfaction through service recovery, and potentially change how observers view them.

According to Baer (2017), several businesses have not adapted to the more public way of handling complaints on social media, and do not respond to their customer's complaints. He states that, "A lack of response is a response. It's a response that says, 'We don't care about you very much.' ". However, could it be that in some situations no response is better than an unsuccessful service recovery attempt? Traditional complaint research has shown that a response, even if late, is more positive for the company's brand image and customers purchase intentions than not responding at all. Not surprisingly, a response that offers a solution for the customer has an even more positive effect (Clark et al., 1992).

Zeithaml et al. (1993) suggest that customers' tolerance for service varies based on the severity of the situation. As the service problem becomes more severe, the customers' tolerance gets lower, thus increasing the potential for customer dissatisfaction (Gilly and Gelb, 1982; Hoffman et al., 1995). Research has also found that the severity of the service failure has a negative influence on the satisfaction with the service recovery (Weun et al., 2004). Therefore, we expect that high severity represented in the complaint to a company will negatively impact the observers purchase intentions. However, with a low severity we believe that the observers become ignorant as they are not experiencing the failure themselves and could believe that it is insignificant.

Folkes (1984) investigated the consumer's reactions to product failure, and found that locus of control impacted the expectations of customers. Locus of control captures whether the failure was firm-related, consumer-related, or caused by external factors. Folkes (1984) also found that when the customer felt that the failure was due to the company they felt more strongly that they deserved an apology and a compensation. This is likely to be affecting the observers as well, if

they feel that the company is to blame. However, if the failure is due to a customer or an external source, the observers might be more forgiving of the company.

This study will take a closer look at the effect unsuccessful and non-present service recovery via social media has on the purchase intentions of virtually present observers. Successful service recovery will also be added to the model to see if the improved satisfaction and purchase intention of customers is replicated in the observers. Further, the study will investigate the impact complaint severity and failure locus has on this relationship. The study examines the following questions: (1) How does the service recovery success of company's online affect observers purchase intentions? (2) To what extent does the severity of the complaint impact the purchase intentions of the observers? (3) To what extent does the failure locus impact the purchase intentions of the observers? (4) Can not responding as opposed to an unsuccessful recovery to a customer complaint be beneficial in terms of observers purchase intentions when severity and locus of complaint changes? For managers, answers to these questions will provide insight into how to handle complaints via social media, in a way that is beneficial for the observing audience.

After reviewing the literature and providing predictions for the study, we develop a simple research model which will guide our analysis.

Literature review

Service recovery and complaint management

Service operations are complex systems involving many customer experiences with both employees and customers taking part in the service process (Johnston & Clark, 2005). However, in the service delivery process it is usual that mistakes and failures occur. In cases like these it is necessary with service recovery (Hart et al., 1990). This can be seen as a way to manage complaints from customers after the service failure and turning a dissatisfied customer to a satisfied customer (Berry & Parasuraman, 1991). According to the literature, the results of successful service recovery are increased customer satisfaction and higher quality perceptions about the service provider, which results in positive buying behaviour. This is in regards to both repeat purchases and brand loyalty (Boshoff, 1997).

There are different approaches to take after a service failure. The literature consists of different methods a company can use in order to satisfy a customer after a service failure. Seven key activities can be implemented to recover the customer. Acknowledgment; Admit to the customer that a problem has occurred (Bitner et al., 1990). Empathy; Seeing the problem from the customers point of view (Johnston & Fern, 1999). Apology; Saying sorry to the customer (Kelley et al., 1993). Own the problem; The company takes ownership of the customer and the issue (Barlow & Møller, 2004). Fixing the problem; Fixing the problem for the customer, or at least trying to do so (Michel, 2004). Provide assurance; Assure the customer that the problem will be taken care of and should not happen again (Barlow and Møller, 1996). Provide compensation; The company provide a refund and/or a compensation, depending on the difficulty of the problem (Boshoff, 1997).

Research have shown that taking steps like these after a failure is crucial as the recovery have a big impact on customers' evaluation of a company, and they tend to be more emotionally involved in the recovery service provided to them compared to the service when they first bought their product. In addition, the customers are usually more dissatisfied with the attempt of recovery provided by the company than by the service failure that occurred originally (Berry & Parasuraman, 1991). This could indicate that a bad service recovery could be worse than no service recovery, although the traditional service recovery literature stresses the importance of an attempt (e.g. Spreng et al., 1995).

Customers act differently when they want to complain about a service failure. They either post their complaint on social media or contact the company directly. Complaints from customers gives the company a possibility to either improve or reduce customer satisfaction (Boshoff, 1997). Handling complaints and avoiding service failures are a central part of businesses today as customers might consider alternative service providers after a service failure. Research shows that 66% of customers reported that they are not going to buy from the same service provider after a service failure, particularly if the customer think the failure was followed by unsatisfactory service recovery (Singh & Crisafulli, 2016).

The evaluation of the service recovery attempt is also influenced by the severity of the failure (Weun et al., 2004). Service failure severity is how serious the customers

perceive the service problem to be. If the customer perceives the service failure as severe, the customer will experience a greater perceived loss. Also, the severity of the service failure will have an impact in the customer's evaluation of the service provider after the service failure. This is both when the service recovery is successful or not. This means that even though the company have provided an adequate service recovery process and outcome after a severe failure, the customer will still have a perceived loss (Weun et al., 2004). The reason for this is that in the case of a severe service failure, customers' expectations to the service recovery increase. The tolerance for the service recovery given will be lower, making it more likely that the customer will be dissatisfied with the service recovery provided (Weun, et al., 2004). Therefore, it is expected that when the severity of service failure is low it is more likely that the customer will be satisfied and the service recovery is successful.

Another variable that influence the perception of the service recovery is the failure locus. As mentioned above, Folkes (1984) investigated the consumer's reactions to product failure, and found that locus of control impacted the expectations of customers. Locus of control captures whether the failure was firm-related, consumer-related, or caused by external factors. Folkes (1984) also found that when the customer felt that the failure was due to the company they felt more strongly that they deserved an apology and a compensation. However, what can be seen especially in the airline industry, is that some groups of people have high expectations of service recovery even when the failure is caused by external factors (Chiou et al., 2009). Further, it has also been proven that even when customers are the cause of the failure, some will consciously voice illegitimate complaints to the companies and expect a recovery (Reynolds & Harris, 2005). Due to this, it is hard for companies to decide how to address complaints. However, our belief is that the observing audience that is present on social media, will be able to identify the failure locus and be understanding of the company when it is out of their control.

[Service recovery and complaint management via social media](#)

From the introduction, we could see that 67% of consumers have reported that they used a company's social media site for services, and 14% of all tweets sent to major retail brands are from customers experiencing problems (Schneider, 2014). Further, Baer (2017) stated that customer service is being disrupted due to the rise of social media and online review sites. While dissatisfied customers once complained to

service reps via phone or email, they are now taking to Facebook, Twitter and Yelp to air their complaints to the entire world. As more and more customers take to social media to complain to companies, both the complaint and the response of the brand are visible to everyone else that is virtually present at the given social media site. Additionally, research shows that many brands are not able to provide satisfied customers via social media. In a survey by Langsdorf (2012), more than 55% of the respondents said that they had disappointing or mediocre experiences when communicating with brands on social media.

In the later years, more research on service recovery and complaint management via social media has surfaced. For example, Shaefers and Schamari (2016) show that mere virtual presence increases the positive effects of recovery success with the customer. However, the negative consequences of unsuccessful service recovery are not impacted by the virtual presence of others. This means that customers are more satisfied with successful service recovery efforts when it is handled online. However, as 55% of respondents to a survey stated that they had disappointing or mediocre experiences when communicating with brands on social media, there is room for improvement.

Bringing the service recovery and complaint handling to social media, changes the playing field for customer service reps. Companies are no longer only communicating with the customer, they are virtually talking to everyone. Due to this, virtually present observers can see the dialog between customer and company, and form opinions based on this. From research on electronic word of mouth (eWOM) we know that eWOM by others have a strong impact on the customer in the decision-making progress, and customers hardly make a purchase without reading the reviews of other customers (HEC Paris, 2016). The difference between eWOM and service recovery via social media is however that the company can visibly reply to the customer complaint as well. The company can therefore influence their brand image and observers brand attitude and purchase intentions through their recovery efforts.

There is however a large difference between the customer complaining and the observers. The observers that are reading complaints aimed at companies on social media, do not have the same level of engagement with the complaint as the

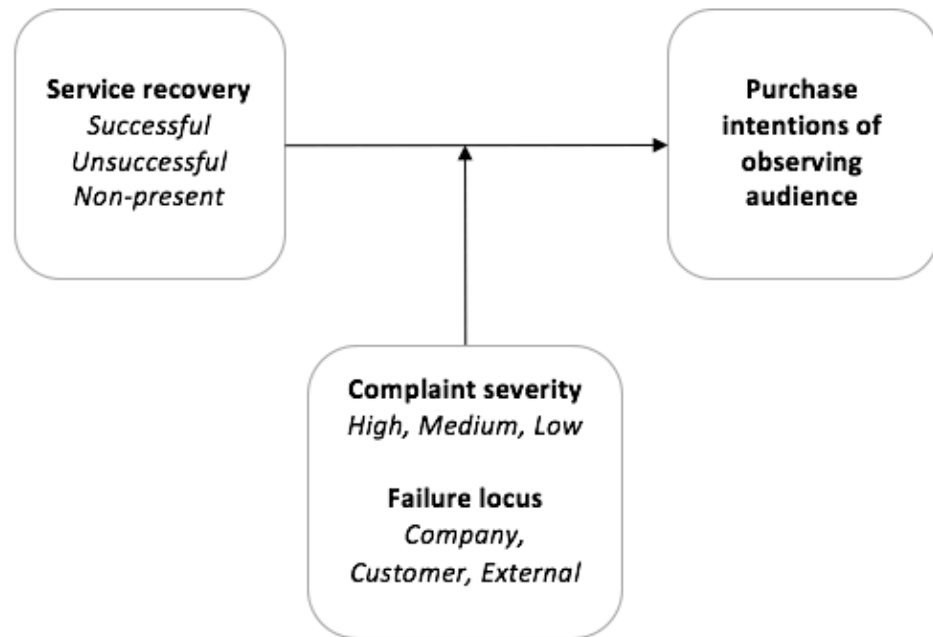
complaining customers. This is because they have not had to go through the hassle of a service failure and having to complain prior to seeing the service recovery attempt from the company. Due to this the observers will have a more objective impression of the dialog than the customer, and they could be more accepting of companies' responses.

As mentioned above, Zeithaml et al. (1993) suggest that customers' tolerance for service varies based on the severity of the situation. As the service problem becomes more severe, the customers' tolerance gets lower, thus increasing the potential for customer dissatisfaction (Gilly and Gelb, 1982; Hoffman et al., 1995). Research has also found that the severity of the service failure has a negative influence on the satisfaction with the service recovery (Weun et al., 2004). Therefore, we expect that high severity represented in the complaint to a company will negatively impact the observers purchase intentions as well. However, with a low severity it could be argued that the observers become ignorant as they are not experiencing the failure themselves and could believe that it is insignificant.

Predictions and research model

Based on the literature review, we are predicting that service recovery efforts of companies will influence the purchase intentions of the observing audience. We also believe that this effect will be moderated by both complaint severity and failure locus. As the observers themselves are not impacted by the service failure, we believe that the company could even refrain from responding if the complaint has low severity and is due to customer or external failure without affecting the observers purchase intentions too much.

Below is a first draft of our research model.



We will be testing the following hypotheses:

1. Successful service recovery will have a positive impact on purchase intentions of observing audience.
2. Unsuccessful service recovery will have a positive impact on purchase intentions of observing audience.
3. Non-present service recovery will be more positive than unsuccessful service recovery when complaint severity is low and failure locus is customer or external.
4. Unsuccessful service recovery will be more positive than successful service recovery when complaint severity is low and failure locus is customer or external.

Methodology

In order to answer the research question, we will carry out an online experiment. The study will seek to establish a relationship between service recovery and observer purchase intentions when the relationship is moderated by complain severity and failure locus.

Pre-test

The first study will be a pre-test to establish what is view as a successful or unsuccessful recovery by the observers. It is hard to determine what a successful service recovery is, especially when the customer complaining is not expressing this. Therefore, in order to carry out the experiment, we will make an attempt to standardize what is successful and unsuccessful. Six scenarios will be created, three successful and three unsuccessful, and participants will be asked to state whether they felt the complaint was handled well and answer questions regarding their complaint handling satisfaction. It is assumed that a participant that is satisfied with the complaint handling, will also state that it has been successful. The scenarios will be created based on the different options that companies have when handling a complaint (acknowledgment, empathy, apology, owning the problem, fixing the problem, providing assurance, and providing compensation).

This data will be collected using an existing scale on complaint handling satisfaction, which will give good grounds for the next studies. The pre-test will need a minimum sample of 50 people in order to get a clear indicator of the recovery-success. After the data has been gathered, the scenarios that rank highest and lowest on the complaint handling satisfaction scale will be used as the successful and unsuccessful cases.

Study 1

Once the successful and unsuccessful scenarios have been established, we will carry out the main experiment. This study will investigate the relationship between service recovery and observer purchase intention while the relationship is being moderated by complaint severity and failure locus. The study will take a 3 (successful, unsuccessful or non-present) X 3 (high, medium or low complaint severity) X 3 (company, customer or external failure locus) design. Participants will be randomly allocated to the stimuli groups, and will be asked questions regarding the frequency of their social media usage, whether they use social media to complain, and if they read complaints posted by others before making a purchase.

We will base the service recovery success scenarios on the pre-test. However, complaint severity level will be measured by using the service failure severity scale by Weun et al. (2004). This will allow the participants to self-report the severity of

the complaint, and therefore we are able to avoid personal differences in perception of severity. Failure locus will be divided into company, customer and external factors, and it will be made clear in the scenario which stimuli group it was. However, to control for this, we will add a question asking participant who they think are to blame in this incident.

The experiment stimuli will be a print of other customers complaints at a companys social media page. Each participant will be shown five complaint, which will all be replied to with the same type of service recovery. The complaint severity and failure locus will also be consistent. This is to highlight consistency within the companys replies, and to avoid it being seen as a one time response. Before seeing the complaints, all the participant will get a fictive company description and indicate their purchase intentions from this brand.

In order to measure the change in purchase intentions before and after the stimuli we will use a self-reporting scale. Participants will answer this scale both before and after the stimuli. We will also measure the participants brand attitudes to monitor that these follow a similar pattern as purchase intentions. However, to avoid too much guessing on the purpose of the experiment, participants will also be asked questions regarding their shopping habits.

Measures

The following variables will be measured.

- Social media usage
- Use of social media to complain
- Use social media to inform before purchase
- Purchase intentions
- Brand attitude
- Complaint severity
- Failure locus

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