CHAPTER 1
Introduction and Motivation

1.1 Introduction

Services, due to their inherent nature of intangibility and perishability are prone to service failures resulting in unfavorable attitudes and behaviors among customers. Depending on the magnitude of service failure a range of negative emotions are invoked leading to dissatisfaction. (Smith and Bolton, 2002; Yi and Baumgartner, 2004). Outcomes of such dissatisfaction lead to Negative Word of Mouth (NWOM), exit and complaint behaviors. The sense of loss and dissatisfaction triggered by service failure might further provoke customers to indulge in complaining on third party websites (Ward and Ostrom, 2006, Trip and Gregoire, 2011). Thus, marketers need to address these failures by their recovery efforts and resolve them, before the company starts losing their dissatisfied customers as well as potential customers.

Service recovery is an effective tool to overcome the detrimental effects of service failure. It is a process employed by the organization in response to failure (Smith, Bolton and Wagner, 1999) in order to restore customers’ satisfaction. A successful recovery positively impacts customers’ perception of justice, attitude and behavioral outcomes. However, effectiveness of the recovery is contingent upon how it is perceived by the customer. Irrespective of the recovery efforts directed towards the customer, there are various situational factors that could affect customers’ evaluation of the service, exposure to online complaints of other customers being one of them. Often, angry customers besides ending the relationship with the firm, warn other customers against patronizing the product or service of that firm. This phenomenon has been termed as Negative Word of Mouth (N-WOM). In view of the widespread use of internet in contemporary times, NWOM is not merely restricted to friends and families but to a larger mass
on the web, and hence termed as e-NWOM. Emergence of e-NWOM indicates the increasing importance of internet in reaching out to other customers of the service provider and public at large (Sridhar and Srinivasan, 2012). Negative online reviews have detrimental effects on consumer–based brand equity resulting in brand equity dilution, regardless of customer’s brand knowledge (Bambauer-Sachse and Mangold, 2011).

Online complaints are a more severe form of e-NWOM which is not motivated by warning families and friends alone but driven by a larger motive of exposing the wrongdoings of the firm to other customers (Ward and Ostrom, 2006). Online complaint forums and blogs are a tool to mobilize a group of customers and influence them against the service provider who is at fault. Literature shows that complaints on third party websites are mostly an outcome of double deviation effect, where customers encounter failed recovery (Trip and Gregoire, 2011; Loo, Boo and Khoo-Lattimore, 2013). In such cases, most important motive to complaint online on third party websites is to vent out the anger and not to seek redress or compensation (Loo, Boo and Khoo-Lattimore, 2013). However, it is argued that the motive of revenge stabilizes over a period of four weeks, after which customer are likely to switch (Trip and Gregoire, 2011). Lee, Park and Han (2008) argued that consumer’s attitude towards the product becomes more unfavorable with increase in proportion of negative online reviews, and this change is contingent upon the consumer’s involvement with the product and the quality of reviews. These evidences suggest that customers are continuously bombarded with negative information about products and services which are most likely to influence their perception about the concerned company. Therefore, the process through which online complaints affect focal customer’s personal service recovery evaluation requires deeper understanding.
1.2 Motivation of the Study

“Customers enter a complaint situation” knowing about the treatment that has been rendered to fellow customers in similar circumstances, expecting a similar treatment (Tax, Brown and Chandrashekaran, 1998, p.62). Thus, it implies that customers might evaluate fairness of the service recovery based on their awareness of other customers’ recovery experiences. This assumption, which has not been tested empirically so far, forms the basic premise of the current research.

Morisson and Huppertz (2010) in their study argued that “one dissatisfied customer would know how other customers who experienced similar failures had been treated,” (p. 250), thereby highlighting the importance of interaction among customers. Interaction among customers is growing exponentially with the help of online review platforms, social networking sites and complaint sites. Though online review platforms comprise of both positive and negative reviews, research suggests that these platforms are more likely to be populated with reports of negative experiences. This is because dissatisfied and frustrated customers are more prone to sharing their negative experiences than satisfied customers are to share their favorable experiences (Chatterjee, 2001). Similarly, customers who look for others’ opinion are more interested in negative reviews as these are considered to be more diagnostic and hence weighed more heavily (Herr, Kardes and Kim, 1991). Negative information is considered more useful, salient, credible, definitive and pertinent than positive information, resulting in greater attention and assessment (Miyazaki, Grewal and Goodstein, 2005). Literature on negative online reviews suggests that negative reviews about goods and services can be detrimental to companies (Luo, 2007).
Sporadic evidences of social comparisons in the context of service recovery propose that downward social comparisons with other customers improve behavioral intentions of customers post service failure and thus aid service recovery (Bonifield and Cole, 2008). Contrary evidence suggests that customers who are unaware of other customers’ outcomes are more satisfied than those who are aware of others’ outcome (Collie, Bradley and Sparks, 2002). However, researchers have necessitated the need to revise the existing models of consumer behavior in the light of social comparison process. The questions that need to be investigated are; is the recovery strategy employed by the service provider effective enough to bring back focal customers to repatronize the service? Between the recovery episode and the next purchase, what role would other customers’ online complaint play in shaping focal customer’s justice perception about the recovery and their attitude towards the company? Would these complaints affect focal customers differently, based on 1) the recovery they have received, and 2) the service failure context? These unanswered questions are the main motivations for the current dissertation.

1.3 Dissertation Layout
This dissertation has been structured in the following manner: Chapter 2 details the review of literature in the area of service recovery, justice perceptions, social comparisons and online complaints. Chapter 3 identifies the gaps and discusses the relevant research questions that address these gaps, followed by the theoretical background that leads to formulation of the hypotheses. Chapter 4 provides the detailed descriptions of the pretests and the methodology used to collect data. Chapter 5 tests the hypotheses empirically and presents the results of the data analyzed, followed by the discussions of the findings. Chapter 6 discusses the theoretical contributions of the findings and provides useful insights to the managers. The concluding
section of Chapter 6 details the limitation of the current research and provides suggestion for future research avenues.