

A REVIEW STUDY ON “ANALYSIS OF REPERCUSSIONS OF SERVICE FAILURES ON CUSTOMER SENTIMENT WITH COUNTERFACTUAL THEORY”

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ABSTRACT

Services industries tend to be heavily people-based, requiring various interactions with the customers and the coordination of different service providers. Also, since production and consumption are taking place at the same time, little or no possibility of supervision exists before the service delivery. Due to those unique characteristics of services, service firms will not be able to eliminate mistakes entirely. In recent years, the subjects of service failure and service recovery have attracted considerable research attention during the past decade and there is a growing body of evidence indicates that effective service recovery can have a positive impact on both organizations and customers

INTRODUCTION

Services industries tend to be heavily people-based, requiring various interactions with the customers and the coordination of different service providers. Production and consumption are activities which are being conducted at the same time. Due to this, the possibility of supervising these decline highly before the service delivery. It is because of these unique characteristics that these services provide, that service firms will find it difficult to rectify mistakes properly. In recent years, the subjects of service failure and service recovery have attracted considerable research attention during the past decade and there is a growing body of evidence indicates that effective service recovery can have a positive impact on both organizations and customers. From a managerial point of view, a good understanding of how fairly complaining customers are treated is a matter of profitable management (Chebat&Slusarczyk, 2005^[1]). Given the high cost (e.g. loss both current and potential customers due to negative word of mouth) associated with poor recovery, managers seek to mitigate the negative consequences associated with failures in service firm-customer exchanges. From a customers' viewpoint, if recovery efforts are successful, customers tend to become even more satisfied and more loyal than they would have been in the first place (Etzel& Silverman, 1981^[2]; Ha & Jang, 2009^[3]).

In order to understand the impact of effective service recovery, researchers have utilized justice concept as the main framework for examining service recovery procedures (McColl-Kennedy & Sparks, 2003^[4]). The bottom line of justice theory happens to be the fact customer perceptions relating to the fairness of recovery of service which puts efforts and influence customer

satisfaction and behavioural intentions of the future. The three generic dimensions of justice were identified in previous studies: distributive, procedural, and interactional. Specifically, the three dimensions of justice relate to monetary rewards (distributive), a service organization's policies (procedural), and an employee's manner and responsiveness (interactional), each of which influences customer satisfaction and loyalty, which, in turn, enhances a service organization's relationship with its customers.

CONCEPTUAL FRAMEWORK

• FAIRNESS THEORY

The most widely used theory framework within service recovery literature is fairness theory, which explores the role played by distributive, procedural and interactional justice in recovery situations. Attention has focused on the relationship between perceived fairness and consumer satisfaction in marketing literature. The Fairness Theory has assumed earlier that the main criteria of social justice is the plethora of blame. If no one is to blame, there is no social injustice. For this reason, the process of accountability or how a social entity comes to be considered blameworthy is fundamental to justice (R. Folger & Cropanzano, 1998^[5]; R. Folger and R. Cropanzano, (2001)^[6]). Fairness theory focuses on the implications of accountability for fairness judgements. Three forms of justice are generally agreed to operate. These are (a) distributive justice, (b) procedural justice, and (c) interactional justice. Fairness Theory has suggested that there are negative implications of fairness which may arise from factors which are associated with the procedural, interactive and justice which is distributive in nature and all because of the influence of someone being accountable. Thus, when unfairness is perceived, an angry party (e.g., customer) seeks to determine responsibility for the offense (ie., who is to blame) and the motives and intentions of the perceived wrongdoer.

In applying fairness theory to service failure situations, there are three core interrelated components of accountability that need to be considered (Folger & Cropanzano, 1998^[5]). First, a negative state or event occurs (e.g., a service failure or poor service recovery) that does harm to the customer (e.g., damaging self-esteem). So, at the very least, an incident exists for which some party may be held accountable. Second, in regard to the event, there will be an element of perceived control over actions taken (e.g., the service provider had the option of dealing with the service failure in a variety of ways). As the service provider is perceived by the customer to have some feasible options and volitional control, it is also possible to hold the service provider accountable for actions chosen. Third, the actions taken are perceived to violate some normative or ethical standards (e.g., the service provider is perceived to be rude to the customer thus violating a norm of politeness). Therefore, the service provider can be held to account for behaving in a manner contrary to normative behaviors.

• COUNTERFACTUAL THEORY

Counterfactual thinking is contrasting what is perceived to be with what might have been, or contrastive thinking (Roese N.J.(1997)^[7]). In using counterfactual thinking, an individual may (cognitively) alter some part of an event and assess the consequence or outcome under such a situation (Roese N.J and Olson (1995)^[8]). Importantly, Folger and Cropanzano (2001^[6]) argued that counterfactual thinking will be used to assess accountability about an action (e.g., service

failure or recovery events). In applying this to a service failure or recovery situation event, a customer can imagine a sequence of actions that vary from what actually took place, that is, actions that are perceived to be counter to the facts. In doing so, the customer is providing a contrastive framework about how things might have been if things had occurred differently. For instance, a bank's customer who is perceived to have been rudely treated by the teller may reflect, "If only the teller smiled and treated me politely, I'd feel so much happier." Thus, in evaluating accountability (and therefore fairness) for an event, it is proposed that a customer engages in three contrastive actions: what *could* have occurred (being served with a smile), what *should* have occurred (being treated politely), and how it *would* have felt had alternative action been taken (feeling happier).

Figure 1 presents a fairness-based conceptual model adapted from Folger and Cropanzano (2001^[6]) as presented by (Mccoll-Kennedy J.R and Sparks B.A (2003)^[4]). It shows that consumers make assessments of the service recovery attempt following a service failure (negative event) in terms of accountability and counterfactual thinking. Specifically, in making the assessment, the customer contrasts three key elements: (a) the specific service failure or poor service recovery (*negative event*), (b) *conduct* of the service provider, and (c) *moral principles* used by the service provider, taking into account what she or he perceives with what might have been and how she or he would have felt (emotions) if different interactional, procedural, and distributive principles had been used by the service provider. Such an assessment results in an *emotional response* with the customer feeling, for instance, less angry, more angry, or roughly the same, and/or less or more frustrated or roughly the same as at the time of the service failure (negative event).

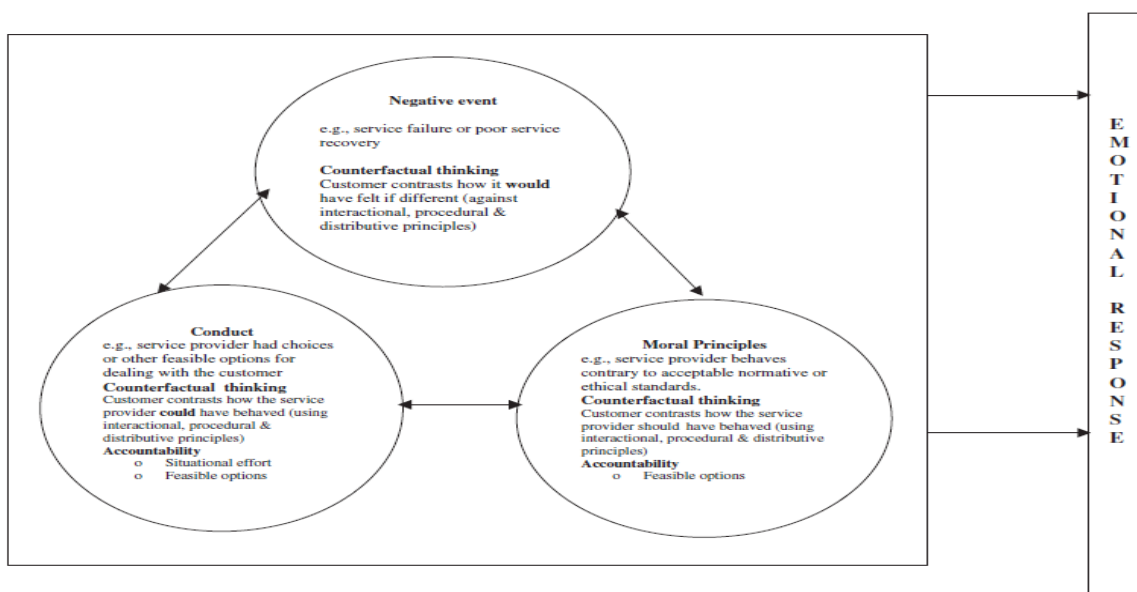


Figure 1 – Fairness Theory Based Model (Mccoll-Kennedy J.R and Sparks B.A (2003)^[4])

Figure 2 summarizes customer responses to service provider attempts at recovery. Specifically, it provides examples of how customers are likely to respond: (a) cognitively through counterfactual

thinking and (b) emotionally (for instance, feels angry, contented, delighted) given the particular combinations of responses from the organization.

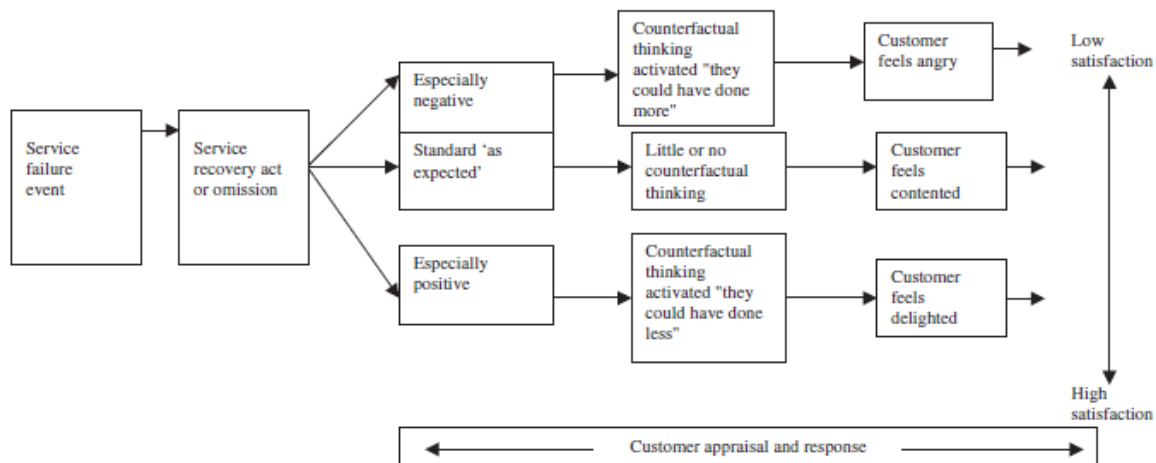


Figure 2 – Consumer Model of Appraisal of Service Failure/Recovery Events (Mccoll-Kennedy J.R and Sparks B.A (2003)^[4])

CONCLUSION

Fairness theory, specifically, counterfactual thinking and accountability has been used in an effort to understand customer responses to service failures and recovery. Specifically, when service providers did not appear to put effort into the service recovery attempts and feasible alternatives could be thought of, then this was viewed negatively (that is, not caring for the customer), and this led to the customer experiencing negative emotions such as anger and frustration and dissatisfaction with the service recovery attempt. In contrast, it was found that customers experienced very positive feelings, which were often expressed as “Wow” (delight). (See Figure 2.) Past research (Tyler, Degoey, and Smith (1996)^[9]) has demonstrated that justice can signal messages of the degree to which an individual is valued and treated respectfully - as perceptions of effort increase, so does positive self-identity as a “valued customer.” From a fairness theory perspective, a central moral standard (that is, what should happen) for excellent service recovery is evidence of effort or trying hard to solve a service failure and even doing a little more to delight them.

MANAGERIAL IMPLICATIONS

Studies have shown that service providers can influence customer feelings and through their specific actions, modify customer emotions. Service providers can turn negative customer emotions into positive emotions and negative emotions into greater negative emotions. If customers perceive that service providers could do something more to solve the problem (that is, there were feasible alternatives) and they do not take this action, then customers are likely to experience further negative emotions and to interpret the service provider’s lack of effort as not caring about them. A significant implication for service providers is the importance of being perceived as someone who makes a demonstrable effort in mitigating the effects of service failures and ‘going the extra mile’ for the affected consumer groups. This may be because a lack

of effort is perceived to violate widely held moral standards or beliefs such as “the customer is always right,” “customers are valued,” or “customers should be treated with respect.” Fairness theory explains this by suggesting that elements of interactional justice, such as effort, can easily be assigned accountability. That is, given that it is relatively easy to know whether someone has tried to solve the service failure, a customer can, with relative confidence, assign blame to a service provider for not trying to solve the problem. An important lesson for organizations is that customer perception of the effort invested by service providers in the enactment of service failure/recovery guidelines and policies is critical. Other research (Sirdeshmukh, Singh, and Sabol 2002^[10]) found the problem-solving skills of frontline staff significantly affects the trust judgments customers form of service providers. Thus managerial attention to the training of service personnel in effective displays of problem-solving effort may be warranted. Training in simple customer-friendly service recovery statements like “we want to assist in resolving this problem” or “let me try and find a solution for you” would assist in customers feeling that some effort was being made about the recovery of the problem. In summary, managers need to better understand how customers think about the service problems they experience. Customers compare what they perceive the service provider did with what they could have done and assign accountability for the actions (conduct). In particular, customer assessments of service failures suggest that interactional fairness options (what could and should have been done) determined the level of responsibility assigned to the service organization for the outcome received.

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