The Influence of UGC on Consumers’ Information Process on Service Failure

Te-Lin Chung, Department of Apparel, Events, and Hospitality Management, Iowa State University, Ames, IA, USA

ABSTRACT

This study explores the influence of user-generated content (UGC) on consumers’ post-purchase information process when a service failure occurs. Fairness theory, which regards counterfactual thinking (CFT) and judgments of blame as two key constructs in processing negative experiences, is applied in this study. In a scenario-based experimental study, the presence of UGC (positive, negative, or not presented), and the transaction medium (online or offline) were manipulated. This study contributes to current literature on UGC with the aspect of service failure that is rarely discussed. It also adds to the literature on fairness theory, which has primarily focused on the offline contexts. Results are further explored in the article.

Keywords: Counterfactual Thinking (CFT), Consumer’s Information Process, Fairness Theory, Service Failure, User Generated Content (UGC)

INTRODUCTION

The rise of social media, such as Facebook and Myspace, has empowered consumers to take a more active role in their consumption decisions. The user-generated content (UGC) shared on these social media websites has gradually become one of the major sources of product information (Sen & Lerman, 2007; Zhu & Zhang, 2010). According to eMarketer.com (Verna, 2009), consumers who use UGC made up 60% of total Internet users as of 2008, and were predicted to make up 70% of total Internet users as of 2013. The trustworthiness of UGC was considered by consumers to be on the same level of brand websites, and was second only to recommendations by people they know (Nielsen, 2009). Because of the volume and importance of UGC, marketers and researchers have directed their attention to the influence of UGC on consumer behavior.

Studies have shown that UGC influences consumers’ general perceived value (Gruen, Osmonbekov, & Czaplewski, 2006), brand equity (Bambauer-Sachse & Mangold, 2011), as well as the perceived social value and economic value of the product (Balasubramanian & Mahajan, 2001). The amount of UGC concerning a given product was also positively related to the sales volume of that product (Dahr & Chang, 2009). UGC influences consumers’ evaluations of products before consumers
make purchase decisions (Balasubramanian & Mahajan, 2001; Gruen et al., 2006; Dahr & Chang, 2009). However, given the influence of UGC on consumers’ decision-making, some questions remain unanswered: Does UGC affect consumers’ behavior after they make their purchase decision? Does UGC play a role in consumers’ information process when service failure occurs?

Although the paradox that superior recovery satisfies consumers more than the absence of service failure (Etzel & Silverman, 1981) was debated (McCollough, Berry, & Yadav, 2000), service failure potentially hurts the retailers’ reputation, as consumers may complain through different channels. If consumers choose to complain to the public rather than to the retailers, the latter hardly can have the chance to provide the superior recovery that could satisfy all. When consumers see UGC as an important information source, the experiences of other consumers may affect one’s attitude toward the failure, and thus may have an indirect influence on complaint behavior. Therefore, understanding the influence of UGC on consumers’ information process after service failure is crucial. However, no studies have addressed this issue in the literature.

Fairness theory (Folger & Cropanzano, 1998), which sees counterfactual thinking and judgment of blame as two major factors in predicting consumers’ reaction toward an unfavorable event, has been applied in several studies of service failure (e.g., Nicklin & Williams, 2009; McColl-Kennedy & Sparks, 2003), and thus serves as an ideal theoretical framework of this study. The purpose of this study is to examine the influence of UGC on consumers’ post-purchase information process when service failure occurs. Two key factors in fairness theory, namely, counterfactual thoughts and judgments of blame, were examined as proxies of consumers’ post-purchase information process. Among the factors examined in this study are: counterfactual thoughts, which are thoughts contrasting what was perceived with what should have been perceived; the so-called “judgment of blame,” which refers to consumers’ decision about who is responsible for the failure; UGC, which refers to the online consumer reviews of retailers; and complaint behavior, which includes voice complaints, private complaints, third-party complaints, and collective complaints.

By simulating the consumers’ opinions on rating websites in this scenario-based experiment, this study examines the influence of UGC on consumers’ post-purchase information process on three levels (positive UGC, negative UGC, and no UGC), and in two shopping media (offline and online shopping). The findings of this study extend the current literature on UGC’s influence from the context of the pre-purchase decision-making process to that of the post-purchase information process. With this extension, marketers and retailers will be able to identify the influential UGC and efficiently allocate resources to improve marketing and service recovery strategies.

CONCEPTUAL FRAMEWORK AND HYPOTHESES

Theoretical Background: Fairness Theory and Post-Purchase Information Process

Fairness theory (Folger & Cropanzano, 1998) is considered by McColl-Kennedy and Sparks (2003) to integrate most justice theories. Instead of examining individual components of fairness, namely, distributive fairness, procedure fairness, and interpersonal fairness, fairness theory integrates the components and proposes a global model of fairness (Nicklin & Williams, 2009). It explains the process by which consumers evaluate what and who is responsible for an unfavorable event. Folger and Cropanzano (1998) argue that three interrelated components are involved in judgments of accountability: the existence of an unfavorable condition, a discretionary conduct that caused the unfavorable condition, and a violation of some ethical principle that led to the discretionary conduct.

As Folger and Cropanzano (1998, p. 6) wrote: “Each of the three central judgments in fairness
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