Chapter 6

Online Service Failure and Recovery Strategy: The Mediating Role of Social Media

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ABSTRACT
The Internet environment has transformed the concepts of service failure and recovery strategies from a dyadic customer-provider focus into a multidimensional web quality scope. In traditional encounters, the research spectrum of service failure and recovery strategies is very much developed from a customer service approach, and the responsibility of recovery has been traditionally assumed to be something that is assigned to the marketer. Studies pay little or no attention to the multidimensional nature of service failures contingent to recovery strategies in the evolving social media. To date, empirical studies have focused on service failures and recovery strategies in online marketing environments, but pay limited attention to social media platforms. This paper aims to provide some insights on the need for a broader conceptualisation of service failure and recovery strategies, incorporating social media platforms for the development of effective marketing communications programme.

INTRODUCTION

The Internet environment has transformed the concepts of service failure and recovery strategies from a dyadic customer-provider focus to a multidimensional web quality scope. In traditional encounters, the research spectrum of service failure and recovery strategies is very much developed from a customer service approach, and the responsibility of recovery has been traditionally assumed to be something that is assigned to the marketer, ceteris paribus (Bitner, Booms & Tetreault, 1990; Maxham & Netemeyer, 2002; Argo, White & Dahl, 2006; Roggeveen, Tsios & Grewal, 2012; Sivakumar, Li & Dong, 2014). By contrast, research into online service failure and recovery strategies suggests that understanding is

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limited to the spectrum of customer-website interactivity and less on the multidimensional nature of computer-mediated marketing environments (CMMEs) (Hoffman & Nowak, 1996; Ozuem, Howell & Lancaster, 2008).

CMME views online customer behaviour in a different way to traditional behaviour. Indeed, the online environment situates providers in an intense space of market competition, positioning the customer only a click away from switching providers in light of service failure (Y. S. Wang, Wu, Li & Y. Y. Wang, 2011). The CMME itself, together with the intensity of competition, serves as an indicator of very low customer switching and emotional costs (Forbes, Kelley & Hoffman, 2005). Consequently, online customers ignore postservice failure interactivity with the provider even though such activity is intended to recognise such failure and initiate service recovery. In such circumstances, customers can switch to alternative providers. In this fragile online environment, research into service failure and recovery strategies amongst online services has received more attention in understanding the causes of service failure rather than in understating customers’ perception on service failure (Meuter et al., 2000; Holloway & Beatty, 2003).

A review of studies examines online service failure and recovery strategies from 2002 (Ozuem & Lancaster, 2014). Research into online service failure and recovery strategies has succeeded in assigning meaning to online service failures and categorising these into typologies (Forbes, Kelley & Hoffman, 2005; Kuo et al., 2011). Other scholars’ attention was directed towards examining the online service failure and recovery strategies on lenses of traditional encounters’ antecedents, though fewer antecedents are considered in the online failures (Wang et al., 2011; Ozuem & Lancaster, 2014). Such epistemological orientations limit the potential and opportunities inherent in CMME. Understanding service failure depends on individual expectations. Approaching the ontology of customers in the service failure and recovery process should be contextual rather than generic and standardised. Within this scope of approaching customers, Wang et al. (2011) examined their perceptions based on justice theory. The principles of justice theory lay on the equal fairness assessed from all the parties in a society (Mandle, 2009). In context to service recovery, Wang et al.’s (2011) defines justice ‘as the customer’s assessment of the fairness of the way in which service failures are handled’ (p. 352). Their study reveals that customer perception of fairness is a reflection of the marketer’s behaviour towards the customer. Zhu et al. (2013) sought to understand customer perceptions of what causes service failure (such as whether it is the customer’s or the provider’s fault) through attribution theory. Recently Ozuem & Lancaster (2014) utilised a constructivist perspective to comprehend customer recovery expectations and satisfaction. Studies pay little or no attention to the multidimensional nature of service failures contingent to recovery strategies in developing countries. To date, empirical studies have focused on service failures and recovery strategies in developed countries. This paper aims to provide some insights on the need for a context-specific development of recovery programmes and strategies in online marketing environments.

**CONCEPTUAL BACKGROUND AND CONTEXT**

The term ‘service failure’ has grown in popularity as a terminology used by both scholars and practitioners over the last two decades (Ozuem & Lancaster, 2014). Service failure has occurred in numerous research disciplines, including production and management (Craighead, Karwan & Miller, 2004), business (Choi & Mattila, 2008; Ozuem, O’Keeffe, and Lancaster 2015), marketing (Sivakumar, Li & Dong, 2014), consumer behaviour (Argo, White & Dahl, 2006) and the service industry (Chuang,