Does Corporate Image Really Matter in Service Recovery Context?

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ABSTRACT

The purpose of this study is to examine the moderating role of corporate image to the relationship between service recovery strategies and post-recovery satisfaction. Data were collected, using a questionnaire from 182 complaining customers in the mobile service sector. Hierarchical regression analyses demonstrated the moderating role of corporate image between service recovery strategies and post recovery satisfaction. Findings based on disconfirmation paradigm theory revealed that corporate image moderates the effect of apology, problem solving, and speed response on service recovery satisfaction. However, corporate image was not found to have a moderating effect on the courtesy - recovery satisfaction link. Academic and managerial implications, as well as, future research directions are provided.

KEYWORDS

Corporate Image, Egypt, Mobile Service Sector, Post-Recovery Satisfaction, Service Recovery Strategies

1. INTRODUCTION

The unique attributes of services make the delivery of a 100% error free service impossible even for the excellent firms (del Río-Lanza et al., 2009; Zeithaml et al., 2006). Thus, increasing the probability of failure occurrence. Such service failure negatively affects customer satisfaction, which drives negative word-of-mouth and stimulates dysfunctional customers’ post-purchase behavior (Krishna et al., 2014). Based on practical evidence, Zairi (2000) documented the importance of effective complaint handling systems in stimulating positive customer retention and loyalty. Zairi (2000) argue that competitive market environment make it unlikely to tolerate fragile service thus setting pressure on firms to satisfy the customers and meet or exceed their expectations otherwise it will be kicked out of the market. As a result, firms strive to handle customers’ complaint. Accordingly, Johnston (1995) suggested that once a service failure happens, service recovery must be implemented effectively to rectify the damage in the relationship and to maintain and delight the dissatisfied customer. Service recovery is defined by Grönroos (1988) as the action taken by the firm to encounter a customer perceived service failure.

Tax and Brown (2000) argue that effective service recovery performance can be useful in overcoming customer dissatisfaction and anger and in repairing the relationship. Moreover, service recovery is a central contributing factor for customer loyalty and behavioural intentions such as word-of-mouth and purchase intention (Van Vaerenbergh et al., 2012). In addition, numerous studies supported the “service recovery paradox” where satisfaction with the recovery effort raises customer level of satisfaction, loyalty and repurchase intentions above pre-failure levels or above the satisfaction level if service failure did not occur (Magnini et al., 2007; Krishna et al., 2014). Accordingly, Zairi (2000, p. 331) remarked that “complaints have to be looked at in a constructive, positive and professional perspective”. As a result, complaints should be viewed as an opportunity and a tool for hearing the customer voice by receiving feedback from them (Barlow and Moller, 2008). Numerous researches considered unvoiced complaints as an “opportunity cost” for the organization because they make the

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organization loses a chance to identify and solve a problem. Therefore, they enable the organization to measure its performance from the customers’ stand point and to better allocate resources to cure its deficiencies (Fornell and Wernerfelt, 1987; Gustafsson, 2009). Furthermore, Conlon and Murray (1996) revealed that, when taking purchase decisions, customers rank service recovery from service failures as the second most significant factor after product quality. Service recovery is considered the moment of truth for the firm and is very important in influencing customer’s satisfaction and the relationship with the firm accordingly (del Rio-Lanza et al., 2009; Smith and Bolton, 1998). Service recovery represents a second chance for the firm to fix what went wrong in the first place (Varela-Nneira et al., 2008). Handling the service recovery process successfully is central to developing good relationships with customers (Gronroos, 1997). The impact of successful service recovery has been supported on a number of strategic relationship marketing outcomes, including satisfaction (e.g., Moliner-Velázquez et al., 2015; Boshoff, 1997; Smith and Bolton, 2002), repurchase intentions (e.g., Kau and Loh, 2006; Maxham III and Netemeyer, 2002), and word-of-mouth communication (e.g., Hocutt et al., 2006; OK et al., 2005).

Despite the extant body of research on customer dissatisfaction and complaint behaviour (e.g., Van Vaerenbergh et al., 2012) and the vital benefits that may result from successful service recoveries, there are limited theoretical or empirical studies that examine the effect of corporate image on the relationship between company recovery efforts and customer satisfaction and still little is known about how complainants evaluate the company’s reaction to their complaint (Lastner et al., 2016; Nikbin et al., 2010). In addition, Mattila and Patterson (2004) argue that more research is needed to improve our understanding about customers’ evaluation of the consumption experience across cultures. Therefore, it is essential to identify the moderating role of corporate image on the effect of recovery strategies from the point of view of the customers which also help managers be aware of customer’s expectations of service recovery that act as a reference point in case of failure. Therefore, the effect of corporate image in service recovery context is considered an overlooked area that requires further research.

Although, a growing body of empirical research identified the crucial role of customer perceived justice in service recovery evaluation (e.g., Schoefer and Ennew, 2005; Siu, et al., 2013) extant research documented the direct effect of service recovery on post-recovery satisfaction (Bougoure, et al., 2016; Akamavi, et al., 2015; Karatepe and Ekiz, 2004; Moliner-Velázquez et al., 2015). Previous research (e.g., Liao, 2007) suggested the relationship between recovery strategy and customer satisfaction is nonlinear where high recovery might not result in high satisfaction and similarly, low recovery might not result in low satisfaction. This finding suggests the existence of moderating variables to the aforementioned relationship. Among these variables, they recommended studying customers’ perceived image or brand evaluation, and overall satisfaction with the firm and their attributions of the reasons of the problem.

However, despite the importance of corporate image, little effort has been made to investigate the role of corporate image in the service recovery strategies – recovery satisfaction link. Therefore, the purpose of this study is to address this void in the literature by examining the moderating role of corporate image to the relationship between each service recovery strategy (namely; apology, problem solving, speed response, and being courteous) on post-recovery satisfaction. The current study was conducted in the Egyptian mobile service.

The paper is organized as follows. In the next section, the literature is reviewed and the research hypotheses are developed. Then, the research methodology adopted is explained and the data collection and the measurement of variables are described. Subsequently, the results of the analysis are presented and the main findings are discussed followed by the theoretical and managerial implications. Finally, the limitations and suggestions for future research are presented.
Creating Knowledge about Customers
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