

Chapter 8

Service Failure and Recovery Strategy in Computer– Mediated Marketing Environments (CMMEs)

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ABSTRACT

The success of an online recovery strategy is largely attributed to the provider's response speed. Essentially, engagement in conversation with the customer immediately after he/she complains shortens the pre-recovery phase. Service firms expect complaints from consumers when a service failure occurs. Advances in modern information and communication technologies (ICT) infrastructures have changed the way in which customer-firm interactions take place and the nature of the conduct of services. Computer and internet technologies mean that services can be provided over long distances without the requirement for the physical presence of customers and employees. With the continued rapid development in the field of modern computer-mediated marketing environments (CMME) more and more services will be delivered in technology-mediated environments (TMEs). This chapter provides some insights on failure recovery strategies as competitive tools in computer-mediated marketing environments.

INTRODUCTION AND BACKGROUND

When a firm or service supplier fails to meet customer anticipations it is known as a service failure whereas the actions taken by firms or service suppliers to overcome the occurrences are described as recovery strategies in the service marketing literature (Hazée, Van Vaerenbergh, & Armirotto, 2017). Changing buying activities from physical stores to retail websites has been a shift for a number of customers. Attaining a successful formula for e-commerce is challenging, in spite of numerous advantages

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of online shopping. Service failures are experienced by many customers. For example, according to the Ombudsman Services' fifth annual CAM 2018 report, there were a total of 173 million issues with services and products in 2017 alone, with 57 per cent of the population affected in the UK. Furthermore, the report shows that the most common sectors for complaints were Retail, registering 25 per cent (Ombudsman Services, 2018). Due to its popularity Torres et al. (2014) argue that social media has also received increasing attention from scholars. Hence, the uncertainty of purchasing online can be reduced by social media. The retail sectors that deal mostly with information products or intangibles have also been affected by digital technology and social media. Now that tablets or smartphones can be used, social media platforms (e.g. Instagram and Facebook) and the Internet offer an instant, easy complaint channel for clienteles (Lopez-Lopez *et al.*, 2014) at no significant cost and a slight effort (Obeidat *et al.*, 2017). Recovering from such failures is one of the most thought-provoking tasks faced by management and companies as service failure is a very common situation in doing business. Service failures have unfavourable consequences on both clients and firms such as complaining and switching providers (Zhang *et al.*, 2017). These unfavourable consequences can be minimised by effective service recovery strategies (Strizhakova, Tsarenko, & Ruth, 2012). However, online service organisations face challenges in providing a successful service recovery. Academics and practitioners have been focusing keenly on online service failure and recovery strategies since 2002 (Albrecht, Walsh, & Beatty, 2017; Ozuem & Lancaster, 2014). The complexity of this area has prompted scholars to consider strategies to restore service failures. These include the airline industry (Park & Park, 2016), online retailers (Wang, Wu, Sh., Lin, & Wang, 2011), restaurant services (Nikbin, Marimuthu, & Hyun, 2016), production and management services (Craighead, Karwan, & Miller, 2004), business in general (Choi & Choi, 2014) and marketing (Sivakumar, Li, & Dong, 2014). Research into online service failure and recovery strategies has succeeded in assigning meaning to online service failures and categorising these into many typologies (Tsai *et al.*, 2014 ; Kuo, Yen, & Chen, 2011; Sparks & Bradley, 2017). Further attention has been given to the effects of online service failure and recovery strategies on lenses of traditional encounters and antecedents, with fewer antecedents in online failures being considered (Kuo *et al.*, 2011; Wang *et al.*, 2011; Sopadjieva *et al.*, 2017). Such epistemological orientations limit the potential opportunities inherent in the selling of goods on the Internet. Understanding service inadequacy depends on individual expectations, so approaching the ontology of customers where failure and recovery processes are concerned should be contextual, rather than generic or standardised. Mental accounting theory (Chuang *et al.*, 2012), the disconfirmation paradigm theories (McCollough, Berry, & Yadav, 2000) and so on have been used to examine service failure and service recovery. Recently, as identified by McColl-Kennedy and Sparks (2003), Tax, Brown, and Chandrasherakan, (1998) and Hazée, Van Vaerenbergh, and Armirotto, (2017), justice and fairness theory has been of service in increasing understanding about service failure and recovery. The principles of justice theory depend on equal fairness assessed from all parties in a society (Mandle, 2009). The recovery evaluation stages and the recovery strategy provision were examined by Siu, Zhang, and Yau (2013). The authors combine recovery assessment with the theory of justice and, specifically, the customers' evaluation of how fairly they were treated in the course of recovery. They further put forward that if a client recognises a fair recovery, his/her prior satisfaction with the firm will be maintained. Zhu, Nakata, Sivakumar, and Grewal (2013) sought to understand customer perceptions of what causes service failure (such as the extent to which it is the customer's or the provider's fault) by means of attribution theory.

Different factors are assigned to the lacuna between customers and the provider when a failure arises. This begins with anonymous customer complaints which hinder providers who seek to comprehend

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