



KATHOLISCHE UNIVERSITÄT  
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**Strategies for effective crisis management:  
A service-oriented perspective**

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Summary and abstracts of the cumulative dissertation  
presented for the attainment of the degree of  
Doctor rerum politicarum (Dr. rer. pol.)

Chair of International Management

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Submitted: 15 June 2021

Oral examination: 18 October 2021

## Overview

The purpose of this cumulative dissertation is to provide novel insights into the management of different kinds of company crises from a service-oriented view. The dissertation contains three distinct papers:

- **Paper 1:** Gelbrich, K., Voigt, S., Gäthke, J., & Nazifi, A. (2021), “Remedy management for product recalls in the automotive industry: How service firms should time the repair and communicate its outcome”, submitted to the *Journal of Service Research*.
- **Paper 2:** Gelbrich, K., Voigt, S., & Pizzutti, C. (2021), “The remedial effect of complaint process recovery (CPR) after a double deviation”, submitted to the *Journal of Services Marketing*.
- **Paper 3:** Voigt, S. (2021), “When service providers need to adapt their service due to social distancing: Influences on customers’ zone of tolerance”, submitted to *Marketing ZFP – Journal of Research and Management*.

Each paper addresses one specific crisis context that a company may face. The focus hereby is on the service processes implemented to overcome these negative events and to maintain positive firm–customer relationships during and after a crisis. The first paper investigates effective product recall management during a *product-harm crisis*. The second paper addresses effective service recovery after a *double deviation*. The third paper focuses on service adaptations due to an *unexpected crisis*, specifically the COVID-19 pandemic.

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## **I Motivation and overall aim of the dissertation**

In the daily news, we can read about products being recalled due to safety issues or about businesses being affected by the COVID-19 pandemic. On social media, we can read customers' complaints about insufficient customer service. From a customer point of view, such negative events are omnipresent in today's business world. From a firm's point of view, they constitute crisis situations that need to be managed.

In marketing research, events such as product-harm crises, service failures, and other incidents that affect the relationship between customers and the firm can be summarized under the discipline of negative events (Khamitov et al., 2020). As such, negative events can easily destroy firms' relationships with their customers. Therefore, the focus of firms' strategies to overcome such crises should be on maintaining a strong relationship with customers. This is because investing in the retention of existing customers is more cost-effective than investing in the acquisition of new customers (Reinartz et al., 2004).

According to attribution theory, negative events can have a different locus of control (Weiner, 1980). The source of the negative event can be categorized as an external attribution (i.e., caused by other units), an internal attribution (i.e., caused by the affected unit itself), or as an uncontrollable situational circumstance (Gelbrich, 2010). Each is addressed in this dissertation (see Fig. 1).

This dissertation deals with the effective management of different negative events in marketing from a service research perspective. Not only does the tertiary sector have high economic relevance, which is emphasized by it accounting for 70.4 percent of the GDP in Germany (Statistisches Bundesamt, 2020), but it is also acknowledged by the service-dominant logic (Vargo and Lusch, 2004, 2008) that services act as enablers for any economic activity, even in goods-dominant industries (e.g., selling consumer electronics or cars requires retailers that provide transportation or aftersales services).

Taking the perspective of a service organization, externally attributed events can be caused by other actors in the supply chain. In this dissertation, the focus will be on a product-harm crisis caused by the manufacturer of a product. In such crisis situations, the service organization (i.e., the retailer) becomes an important player in the management of product recalls. This is because retailers function as an interface between manufacturers and customers (Ni et al., 2014).

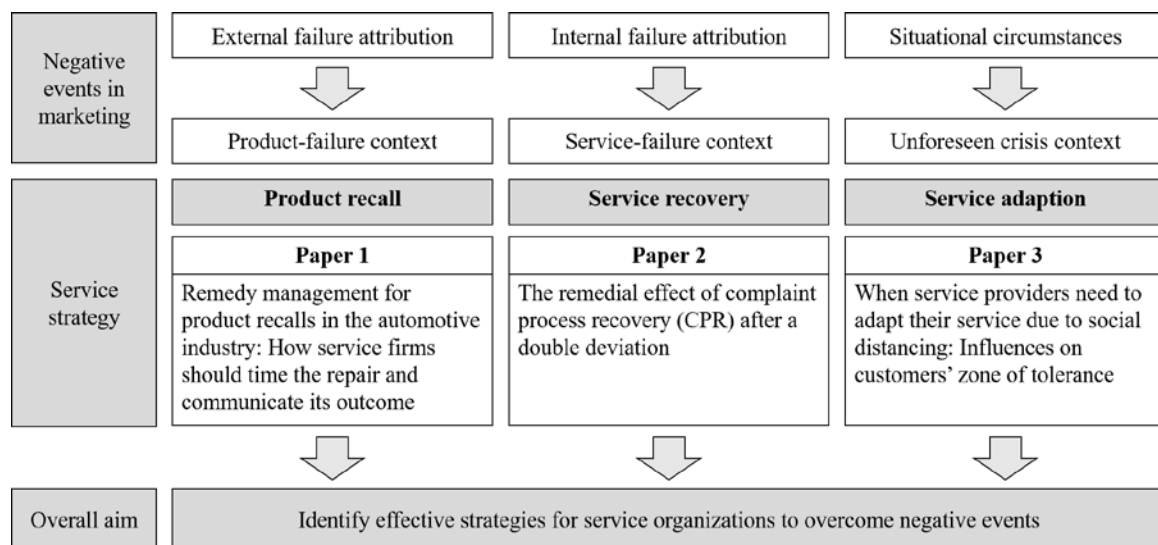
Moreover, internally attributed negative events are caused by the service organization itself. Due to the nature of services, failures in the service delivery process are practically unavoidable. This can be attributed to the fact that intangibility and factors such as co-production with customers make standardization difficult (Grönroos, 1988). Therefore, customers might face service encounters that fall below their expectations (Smith et al., 1999). After such service failures, it is necessary to take action to address the inconveniences or losses that customers face, which is known as service recovery in the service research (Khamitov et al., 2020).

The third aspect that is taken into consideration in this dissertation is that organizations can also be affected by situational circumstances. At the time of submission of this dissertation, the COVID-19 pandemic has created an unforeseen crisis with dramatic impacts on business operations. Service organizations relying on close customer contact are especially affected by social distancing rules (Kabadayi et al., 2020). In such cases, a service adaptation (i.e., adjusting service delivery to obey social distancing guidelines) is the most important business strategy, because firms need to adapt to changing circumstances in their business environment to enable service continuity and to keep in touch with their customers (Heinonen and Strandvik, 2020).

## **II Summary of the cumulative dissertation**

Each of the three papers of this dissertation focuses on a different crisis context with different attributions (see Fig. 1). The overall research question is not how to avoid the occurrence of negative events, but more importantly, how service organizations should handle such crises

evoked by a negative event. In particular, the first paper addresses external failure attributions by focusing on a *product-failure* context. It examines strategies for effective remedy management during a product recall. The second paper addresses internal failure attributions by focusing on a *service-failure* context. The third paper focuses on situational attributions by concentrating on an *unforeseen crisis* context.



**Figure 1.** Overview of the three papers of this cumulative dissertation and the overall research aim

All three papers answer their own research question that is specific to the chosen context, but taken together, they contribute to the overall research aim of elaborating on strategies for service organizations to overcome negative events and to maintain valuable customer relationships. Table 1 further presents an outline of the different papers with their corresponding research questions, related literature, methodology, and key findings. Afterwards, every paper will be briefly summarized.

Table 1. *Outline.*

| Focal negative event   | Research question   | Related literature   | Methodology  | Key findings   |
|--|---|--|--|--|
| <b>Paper 1: Remedy management for product recalls in the automotive industry: How service firms should time the repair and communicate its outcome</b> |   |  |  |  |
| Product failure  | (1) When should firms conduct the repair service? (2) How should firms communicate the outcome of the repair service?   | Cleeren et al. (2017), Connelly et al. (2011), Lindell and Perry (1992), Lindell and Perry (2012)  | Multi-method: Qualitative expert interviews (1 study), archival data (1 study), scenario-based experiments (2 studies) | Customers' risk perceptions are the main driver to take the extra effort to have the recall repair done immediately and not only with the next planned service visit; After the repair, service providers should provide information about risk-reduction measures and not divert attention away from the negative event   |
| <b>Paper 2: The remedial effect of complaint process recovery (CPR) after a double deviation</b>   |   |  |  |  |
| Service failure / Double deviation   | Does complaint process recovery (CPR) have a remedial effect on customer relationships after double deviations?   | Basso and Pizzutti (2016), Fiske et al. (2002), Fiske et al. (2007), Van Vaerenbergh et al. (2012) | Scenario-based experiment (1 study), longitudinal field-experiments (2 studies)  | Addressing the recovery failure after a double deviation by providing CPR communication increases repatronage through re-establishing customer trust, mediated by competence perceptions; the same effect is found for providing CPR verification after another service failure; CPR communication reinforces the effect of CPR verification   |
| <b>Paper 3: When service providers need to adapt their service due to social distancing: Influences on customers' zone of tolerance</b>                |   |  |  |  |
| Unforeseen crisis (i.e., pandemic)   | (1) How do customers react to a service adaption due to social distancing, and how does their zone of tolerance for service quality change as a result? (2) How do perceptions of the service quality of the adapted service lead to customers' satisfaction and repatronage intentions after the pandemic? | Heinonen and Strandvik (2020), Parasuraman et al. (1988), Zeithaml et al. (1993)                   | Field study (1 study)  | The zone of tolerance for service quality narrows due to increasing expectations on minimum tolerable service levels; If the minimum tolerable service level is exceeded with the adapted service, satisfaction with the adapted service increases; satisfaction with the adapted service has a positive effect on repatronage intentions after the pandemic, mediated by usage frequency of the adapted service |

## **Paper 1: Remedy management for product recalls in the automotive industry: How service firms should time the repair and communicate its outcome**

This paper investigates a crisis in a product-failure context, also known as a product-harm crisis in the literature (Cleeren et al., 2017). Such product failures range from simple violations of customers' expectations (e.g. by limited functionality) to the potential for serious harm to the customers (Liu et al., 2016). If a manufacturer has knowledge about such a product failure, it has to manage a product recall to eliminate the defect and provide a remedy to the customers.

The focus of this paper is on the remedy management of a product recall in the automotive industry. As remedies for defective vehicles are usually undertaken by retailers who are not responsible for the product failure, it is important to take a service-oriented perspective on remedy management (i.e., free repair). We claim that if retailers take customer needs into account, they can turn this service encounter into a positive additional customer touch point. To achieve that, we consider two core marketing decisions: the timing of the repair and the communication of its outcome. Therefore, this research seeks to answer the following two research questions: (1) When should firms conduct the repair service? (2) How should firms communicate the outcome of the repair service?

With a multi-method approach, including qualitative expert interviews, archival data, and two scenario-based experimental studies, this article seeks to combine the practitioners' and the customers' points of view. By drawing on the Protective Action Decision Model (Lindell and Perry 1992, 2012), this article shows that risk perceptions resulting from the product defect mainly determine the customers' decision to take immediate protective action (i.e., an immediate repair). This finding contradicts the practitioners' current focus on customer convenience, as they usually postpone the recall repair until the next regular service visit (i.e. a delayed repair) to avoid any extra effort for customers. However, our findings show the following: The longer the risk exposure time (i.e., the time until the next regular inspection)



and the higher the customers' perceived risk, the higher the probability that customers will prefer to take the extra hassle to have the recall defect repaired right away. The effect of customer convenience was nonsignificant.

Besides the customers' decision regarding protective action before the recall repair, this article also considers the period after the recall repair was done. As the Protective Action Decision Model entails a feedback loop after making a decision (Lindell and Perry 2012), we further draw on Signaling Theory (Spence, 1973) to examine the communication of the outcome of the recall repair. Here, a distinction between need signals (i.e., a risk-reduction message addresses the customers' concerns about the former defect) and camouflage signals (i.e., the service provider tries to divert attention away from the former safety risk toward an additional benefit) is made (Connelly et al., 2011). It was found that customers appreciate receiving need signals instead of camouflage signals. The latter only leads to customer reactance (i.e., consumer resistance toward persuasion attempts). Providing a need signal instead serves to enhance the credibility of the retailer, which further leads to encounter satisfaction and customer loyalty as an important downstream variable, ensuring long-term profitability.

This article presents three contributions to the literature. The first contribution relates to the research topic in general: It enriches prior research on product-harm crises by taking a *service-oriented perspective* on product recalls, explaining how car dealers can manage free repairs to remedy product-harm crises and therefore deal with directly affected customers (i.e., customers who possess a defective product) instead of with a broader audience (i.e., customers of the firm who learn about the product recall from the media but do not possess a defective product). Further, the crucial role of service providers in recall remedy management is highlighted. The two other contributions relate to remedy management and two important factors that play a key role in this context: the timing of the remedy and the communication of its outcome. The second contribution refers to the adequate timing of the repair. Existing research only focused on the

period between a product's initial sales and the announcement of a recall (e.g. Eilert et al., 2017; Hora et al., 2011). This paper concentrates on a more important time frame from the customer's point of view; that is, the time between the recall announcement and the repair of the defect, during which customers are aware of the safety risk. Hereby, we show that, in contrast to the practitioners' beliefs and existing research findings, convenience is not the driver when deciding on the timing of a protective action, and it becomes irrelevant when safety concerns occur. Third, research on general recall strategies is enriched by examining the outcome message for the repair. The findings show that, contrary to findings on general recall strategies where a passive strategy, such as camouflaging a product-harm crisis (Cleeren et al., 2008; Klein and Dawar, 2004; Wei et al., 2016), might work from the industry-level perspective, but this type of strategy does not work from an individual customer-level perspective after firms have decided on an active strategy. Here, it is more important to stay consistent and address the responsible handling of the former safety risk instead of camouflaging it.

## **Paper 2: The remedial effect of complaint process recovery (CPR) after a double deviation**

This paper investigates a specific crisis in a service-failure context. If customers experience a service failure, service organizations should provide service recovery. However, if the company fails to recover the customer (Michel et al., 2009), a double-deviation scenario arises (Bitner et al., 1990). Such double deviations can be defined as two consecutive failures: first, the initial service failure (i.e., a failure happening during service delivery), and second, the recovery failure (i.e., a failure during complaint handling). Therefore, they have detrimental effects on customer trust, and it is necessary to provide a service recovery tactic that is adapted to the context of double deviations (Basso and Pizzutti, 2016).

This paper introduces a new strategy for service recovery after double deviations, which is labeled as complaint process recovery (CPR). CPR refers to improvements in the complaint-

handling processes in a way that avoids a recovery failure and thus another double deviation in the case of uncontrollable service failures in the future. Hereby, the paper presents a differentiation between CPR communication (i.e., informing the customers about these changes) and subsequent CPR implementation (i.e., applying the changed processes to future interactions with customers).

With three quantitative studies, one scenario-based experiment, and two realistic longitudinal experiments, this research shows that CPR helps to enhance customer trust and repatronage intentions. This mechanism is explained by drawing on the Stereotype Content Model (Fiske et al., 2002). As CPR communication provides a promise followed by the steps undertaken to change the recovery process in a beneficial way, it increases customers' perceptions of the firms' competence. After another service failure, the provision of CPR verification further increases competence perceptions, as they reflect the firms' ability to deliver on its promises. This effect is further enhanced through prior CPR communication.

The paper presents four contributions to the service marketing literature. First, it introduces CPR as a new tactic in service recovery after double deviations. CPR extends prior research, which aimed to remedy the initial service failure. However, this tactic does not provide a solution for uncontrollable failures. CPR instead addresses this situation by reassuring customers that satisfactory complaint-handling processes will be offered in the future, regardless of the type of failure. Second, this research examines the actual implementation of upgraded recovery processes once another failure has occurred. It therefore responds to a call for research on customer reactions to complaint-based process improvements (Van Vaerenbergh and Orsingher, 2016). Third, this research identifies competence perceptions as the underlying mechanism behind the trust-building process in a double-deviation context and rules out the effects of warmth perceptions. It therefore enriches service recovery research by using the Stereotype Content Model instead of the often used Justice Theory. Fourth, the

robustness of the results is shown across different levels of failure severity and relationship strength.

### **Paper 3: When service providers need to adapt their service due to social distancing: Influences on customers' zone of tolerance**

The outbreak of the novel coronavirus in early 2020 has had a dramatic impact on the business world. In the service industry, it has caused mega-disruptions. Such service disruptions are defined as “unforeseen service market disturbances caused by a pandemic” (Kabadayi et al., 2020, p. 810). Disturbances have occurred on a massive scale and have affected multiple stakeholders in service ecosystems simultaneously.

The focus of this paper is on people-intensive services that are affected by social distancing guidelines imposed by authorities due to a pandemic. Here, service adaptation plays a critical role in ensuring the survival of the firm (Heinonen and Strandvik, 2020). Examples of service adaptations range from general hygiene rules for firms that were still allowed to stay open—that is, minor adaptations—to complete spatial distancing through switching to virtual channels—that is, major adaptations.

Such service adaptations have two main benefits: enabling a continued income throughout a pandemic and helping firms to maintain a close relationship with existing customers. However, as adaptations in a traditional service have a significant impact on the customer experience, customers' expectations and evaluations of the provided service quality may change considerably. To ensure customer loyalty in the long run—and therefore even after a pandemic—firms have to take those customer expectations into account.

Two research questions are examined in this paper: (1) How do customers react to a service adaptation due to social distancing, and how does their zone of tolerance for service quality

change as a result? (2) How do the perceptions of the service quality of the adapted service lead to customers' satisfaction and repatronage intentions after the pandemic?

Drawing on the zone of tolerance concept (Zeithaml et al., 1993), this paper shows that customers' zone of tolerance for service quality becomes narrower for the adapted service context. As this zone of tolerance is defined as the area between the minimum acceptable (i.e. lower threshold) and the desired service level (i.e. upper threshold), it is also necessary to determine which of these thresholds is responsible for the narrowing effect of customer expectations. As suggested by the existing literature, the upper threshold remains rather stable and only the lower threshold of customer expectations changes: In this case, the minimum desired service level rises for the adapted service delivery. Further, it was shown that the SERVQUAL dimensions of reliability and empathy had a significant effect on satisfaction with the adapted service. Thus, these two dimensions were identified as playing an important role in customer loyalty after the pandemic. To ensure satisfaction—and therefore customer loyalty in the long run—it was found that minimum desired service levels have to be fulfilled by the adapted service.

The paper presents three contributions to the service marketing literature. First, this is the first study to take the customer perspective into account when evaluating the effect of service providers being forced to adapt their service provision due to social distancing rules. Second, this paper extends the findings on the concept of the zone of tolerance by directly comparing customer expectations of the same service provider with different (i.e., traditional vs. adapted) modes of delivery. Third, the downstream perspective of providing high-quality service during the pandemic was taken into account, and this paper shows that customer satisfaction with an adapted service is an important determinant of customer repurchase intentions after the pandemic, mediated by the usage frequency of the adapted service.

### **III Conclusion**

To sum up, all three papers and their corresponding research questions contribute to the overall research question of this dissertation on how service organizations can overcome negative events. By using different methodological approaches and theoretical backgrounds, it not only shows the crucial role of service organizations in crisis management but also provides concrete strategies to handle different kinds of crises. Here, it was shown that it is important to actively handle the crisis and not just wait for the crisis to pass. If the crisis is handled effectively, it is an important factor in building and maintaining customer relationships.

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## **V Abstracts Paper 1 – 3**

**Remedy management for product recalls in the automotive industry:  
How service firms should time the repair and communicate its outcome**

|  |  |  |   |
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Submitted to the *Journal of Service Research*

**Abstract**

This paper examines how service firms (i.e., car dealers) should manage the remedy for a recalled vehicle, specifically the timing of the repair and the message on its outcome. Drawing on the Protective Action Decision Model (PADM), we consider the repair for a recalled product as a protective action and propose a central role of customers' risk concerns for managing this process. Across multiple studies (including interviews with car dealers, archival data, and experiments with car owners), we show that firms' service processes are not well-aligned with these concerns. Regarding the timing, firms often delay the repair service until the next regular inspection for convenience, while customers prefer an immediate repair if they perceive a high risk and if risk exposure time (time until next inspection) is long. Regarding the outcome message, firms often communicate a benefit such as a value increase (a camouflage signal), which is ineffective. Instead, customers' satisfaction and loyalty with the service firm are increased by communicating a risk reduction (a need signal), mediated by perceived credibility. We recommend that service firms should let customers choose the timing for the repair and frame its outcome as a risk reduction, rather than concealing it as a benefit.

**Keywords**

Product recall, remedy management, risk perceptions, protective action, product harm crisis

**The remedial effect of complaint process recovery (CPR)  
after a double deviation**

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**Abstract**

This paper examines the remedial effect of complaint process recovery (CPR) on customer outcomes (trust and repatronage intentions) after double deviations. CPR refers to improvements in complaint-handling processes aimed at avoiding another recovery failure. Drawing on the stereotype content model, we propose that CPR communication (i.e., informing customers about the improved complaint-handling processes after a double deviation) and CPR verification (i.e., providing evidence of these improvements when customers experience another service failure) foster repatronage intentions, serially mediated by perceived competence and trust. Further, it is proposed that CPR communication reinforces the latter mediation effect. Findings from one scenario-based experiment and two longitudinal field experiments support these hypotheses. Further, the effects of CPR communication and verification are robust across different levels of perceived failure severity and across strong- vs. weak-relationship customers. As a major managerial takeaway, firms learn how to signal their competence and remedy a double deviation, even when accepting and admitting that service failures can reoccur.

**Keywords**

Complaint process recovery, double deviation, service recovery, customer trust, repatronage intentions

**When service providers need to adapt their service due to social distancing:  
influences on customers' zone of tolerance**

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Submitted to *Marketing ZFP – Journal of Research and Management*

**Purpose:** This paper examines how customer expectations of service quality change if a service provider is forced to adapt its service provision due to the social distancing rules applied during pandemic times.

**Design/methodology/approach:** This research draws on the concept of zone of tolerance for service quality, using field data to determine the zones of tolerance for different service quality dimensions in traditional and adapted service settings for mass events. Customers' zones of tolerance are compared through repeated measures analyses of variance. Further, the effect of perceived service quality on customer outcomes (i.e., satisfaction with the adapted service and repatronage intention after the pandemic) is examined through a mediation analysis, with usage frequency as the mediating variable.

**Findings:** This paper shows that customers' zones of tolerance narrow following service adaptations, which can be explained by rising expectations of minimum tolerable service levels. If the perceived service exceeds this lower threshold of the zone of tolerance, customers show higher satisfaction with the adapted service. Additionally, satisfaction with the adapted service has a positive effect on repatronage intention for the traditional service (i.e., after the pandemic), mediated by usage frequency of the adapted service.

**Originality:** The topic of service adaption is examined from a customer point of view.

**Practical implications:** The findings of this study provide important implications for service providers about how to handle service adaption during times of social distancing.

**Keywords:** service adaption; service quality; zone of tolerance; customer expectations; customer satisfaction; repatronage intention