

Book of abstracts
of the cumulative dissertation in service management:

„New perspectives on customer experience in service recovery“

submitted by
Leonhard Raphael Mandl, M. Sc.
Schulstraße 16
85049 Ingolstadt

for the attainment of the
Doctor rerum politicarum
(Dr. rer. pol.)

According to §17 (1) 7 of the university-wide doctoral degree regulations of the
Catholic University Eichstaett-Ingolstadt and within the scope of the
doctoral procedures of the Faculty of Business Administration

First assessor: Prof. Dr. Jens Hogleve
Second assessor: Prof. Dr. Katja Gelbrich

Ingolstadt, July, 28 2017

Table of contents

	Page
Table of contents.....	II
1 Overview of articles	1
2 Abstracts	6
2.1 Unveiling the recovery time zone of tolerance: when time matters in service recovery	6
2.2 Customer conflict styles in service recovery: an empirical analysis	7
2.3 The buffering effect of brand community identification in service failure episodes: the role of customer citizenship behaviors	8

1 Overview of articles

This dissertation consists of three articles that point out new perspectives on customer experience in service recovery, and that enrich the current state of research through considerable efforts to better understand customer responses to service failure and recovery:

1. Hogueve, J., Bilstein, N., & Mandl, L. (2017). Unveiling the recovery time zone of tolerance: when time matters in service recovery. *Journal of the Academy of Marketing Science*, doi: 10.1007/s11747-017-0544-7, 1-18.
2. Mandl, L. (2017). Customer conflict styles in service recovery: an empirical analysis. In Buettgen, M. (Ed.), *Beiträge zur Dienstleistungsforschung 2016* (pp. 97-113). Wiesbaden: Springer.
3. Mandl, L., & Hogueve, J. (2017). The buffering effect of brand community identification in service failure episodes: the role of customer citizenship behaviors. Paper currently under review at the *Journal of Business Research*.

The first article takes a new perspective on recovery time and compensation, which service research commonly describes and investigates as two independent service recovery strategies. In contrast, this article discovers and specifies a direct link between recovery time and customers' compensation expectations about service failures.

The second article presents a new perspective on measuring customer responses to inadequate service recovery. Based on conflict theory, this study conceptually develops and empirically tests a model that examines a broad range of different customer responses to service recovery instead of solely measuring customers' satisfaction with service recovery.

The third article provides a new perspective on the role of close relationships in service recovery. Whereas most research focuses on the impact of strong customer-firm relationships on customer responses to service recovery, this is the first empirical study to investigate the role of strong relationships in a service recovery and brand community context.

In the following, all three articles are described in more detail.

Unveiling the recovery time zone of tolerance: when time matters in service recovery

For service firms, developing effective service recovery strategies is essential for alleviating customers' negative emotional responses to service failures and for retaining once dissatisfied customers. Therefore, companies make substantial investments in their service recovery management to respond to customer complaints and regain customers' favor. However, business studies such as the annual Customer Rage Survey among complainants of worldwide leading companies indicate that although these firms invest heavily in soliciting customer complaints, their satisfaction scores and brand loyalty indices are at an all-time low. It is hypothesized that companies fail to achieve service recovery success because they do not understand what customers expect after experiencing a service failure and how to deliver adequate service recovery according to these expectations.

However, research trying to understand the drivers and antecedents of customers' service recovery expectations remains scarce and thus does not aid firms in better addressing customers' needs in service recoveries. This article addresses this lack of research and investigates recovery time as a strategic choice in service recovery processes that directly affects customers' compensation expectations.

This study builds on an equity theory rationale and suggests that extended recovery times increase customers' efforts as a result of waiting and inconvenience and produce greater demands for financial redress. In a series of six experiments and a business study, this article highlights recovery time as evolving a non-linear effect on customers' compensation expectations and defining robust support for a "Recovery time zone of tolerance" in which compensation expectations do not change significantly. Firms are able to extend the Recovery time zone of tolerance by giving an explanation of the cause of the wait or sending updates on the current processing status of the complaint. Moreover, the length of the Recovery time zone of tolerance is shown to be dependent on the strength of the customer-firm relationship. Whereas regular customers allow a grace period without claiming higher compensation, new customers' compensation expectations significantly increase in the short term.

From a theoretical perspective, this article takes a new approach to service recovery research in highlighting recovery time and compensation as two service recovery strategies that are directly linked rather than being independent. Therefore, this article not only utilizes compensation expectations as a new outcome variable for service recovery research, but also specifies the link between recovery time and compensation expectations.

This article has important managerial implications. Firms must keep track of their recovery time and adapt their compensation strategies to match the time they actually need to recover. If firms cannot provide compensation rapidly, this article recommends two communication initiatives (explanations and status updates) to limit customers' compensation claims. Additionally, this article makes recommendations for managing recovery times according to the strength of the customer-firm relationship.

Customer conflict styles in service recovery: an empirical analysis

Understanding and measuring the variety and quality of how complainants respond to inadequate service recovery is essential for service providers who are seeking to limit instances of conflicts during or after complaint handling. To identify arising conflicts early, service research and practice rely on post-recovery customer satisfaction constructs, which examine the customer's overall assessment of service recovery following a service failure. However, qualitative studies suggest that satisfaction constructs seem to be limited in their explanatory power of customer-driven conflicts in service recovery because complainants show large differences in their reactions if a firm provides inadequate service recovery.

This article supplements previous qualitative studies with a quantitative approach and reflects a detailed picture of emotion-laden customer responses when a firm's delivered service recovery does not meet a customer's expected compensation. Building on conflict theory, this empirical study provides and tests a conceptual model that investigates five different customer conflict styles in response to a gap between a customer's compensation expectation and the firm's delivered financial redress: obliging, dominating, compromising, integrating, and avoiding.

This article reveals that customer conflict styles have great explanatory power in regard to customer responses to disconfirmed compensation expectations. Customers show high volatility in their responses to a disconfirmation of service recovery expectations and call on service research to rethink the conventional measurement of customer responses to service recovery with customer satisfaction constructs. More deep-lying constructs, in the form of conflict styles, seem to assist in making better predictions about potentially harmful customer responses than is the case with more general assessments.

The results of this article are conducive to practical implementation. With the measurement of customer conflict styles, service firms are able to identify signs of customer conflicts as well

as develop intervention mechanisms and strategies to interrupt the progression of potential damage at an early stage of the service recovery process. Moreover, firms can segment their customer base according to complainants' prospective conflict behaviors and more accurately adapt different compensation strategies to these segments. Proper training can also help with developing empathy and anger management skills to more quickly suppress rage-related behaviors as well as to accurately compensate failed service encounters and inadequate service recovery.

The buffering effect of brand community identification in service failure episodes: the role of customer citizenship behaviors

Communities around service brands became an integral part of firms' long-term profitability. A brand community unites members in strong relationships with the service, the brand and other brand community members, and it engenders feelings of connection to a vibrant “family.” This feeling is captured by the theoretical concept of brand community identification, which reflects the strength of the relationship between a customer and other customers in the same brand community.

Yet, the role of close relationships in service recovery encounters has received little attention in the context of brand communities. Instead, most studies investigate the effect of strong customer-firm relationships on customer responses to service failures and subsequent recoveries. As a result, the research does not transfer knowledge about the role of customer-customer relationships in service recovery in the context of brand communities, nor does it empirically test the effects of strong brand community identification in service recovery contexts. To address this gap in service research, this article quantifies the effect of customers' brand community identification on repurchase intentions and explores the moderating effect of brand community identification on the negative effect of service failure on repurchase intentions.

Based on two large-scale field studies, this research reveals two crucial results. On the one hand, this study examines the positive effect of brand community identification on customers' repurchase intentions as mediated by customer citizenship behavior. In other words, a customer's strong brand community identification drives customers' citizenship behaviors, such as customer-customer helping, tolerance, feedback, and advocacy, which in turn enhance customers' repurchase intentions. On the other hand, this study examines the buffering effect of brand community identification on the negative effect of service failures on repurchase

intentions. Thus, customers who have a strong relationship with fellow customers in the same brand community seem to perceive service failures as less severe than do customers who do not have a strong connection with other brand community members.

This article considerably extends prior knowledge on brand community identification and its impact on purchase-related outcomes, customer behaviors within a brand community, and its role in service failure episodes. On the one hand, previous studies deliver inconsistent results on the impact of brand community identification on post-purchase intentions. This article directly links brand community identification to brand-related repurchasing and explains this link with the multidimensional construct of customer citizenship behaviors. On the other hand, previous research has not investigated the effect of brand community identification in the context of service failures. This research reveals that strong brand community identification buffers the negative effect of service failures on repurchase intentions and thus, successfully transfers knowledge about the role of close relationships in customer responses to service failures from the context of customer-provider to that of customer-community relations.

To benefit from the positive effect of brand community identification on repurchase intentions, firms might rethink their investments in customers' brand identity building, as such investments are legitimized by customers' increased repurchase intentions. Therefore, firms might invest in both the development of interaction platforms and internal and external marketing communication tools to promote and engage the brand community.

2 Abstracts

2.1 Unveiling the recovery time zone of tolerance: when time matters in service recovery

Jens Hogueve, Nicola Bilstein, Leonhard Mandl

Abstract: This article examines the link between recovery time and customer compensation expectations for service failures that cannot be immediately redressed. First, we show that the relationship between recovery time and compensation expectations is nonlinear. Initially, in a recovery time zone of tolerance, compensation expectations do not increase. Beyond this zone, the relationship follows an inverted U-shape, such that compensation expectations first increase but decrease in the long run. Second, our results show that long recovery times are accompanied by additional negative effects, including lower satisfaction with the recovery and negative word of mouth, so postponing service recovery represents a poor option. Third, relationship strength functions as a moderator. First-time customers expect higher compensation earlier; relational customers display a recovery time zone of tolerance but claim considerably higher compensations afterwards. Fourth, communication initiatives like the separate provision of status updates or an explanation may limit increases in compensation expectations over time. Still, their joint usage creates a “too-much-of-a-good-thing” effect, suggesting that if the usage of communication initiatives is taken too far it may lead to negative outcomes such as increasing compensation expectations.

Keywords: Service recovery; Customer relationships; Service failure; Customer betrayal; Customer anger; Explanation; Equity theory; Complaint status updates

Published in: Journal of the Academy of Marketing Science, doi: 10.1007/s11747-017-0544-7, 1-18.

2.2 Customer conflict styles in service recovery: an empirical analysis

Leonhard Mandl

Abstract: This article examines the effect of a disconfirmation of compensation expectations in service recovery on customer conflict styles. Understanding the variety and quality of emotionally laden responses to service recovery is key to preventing firm-damaging conflicts arising from inadequate service recovery. This study builds on conflict theory and contains a scenario-based experiment which manipulates the level of disconfirmation and measures the effect on different dimensions of conflict styles (avoiding, integrating, compromising, dominating and obliging). Results show a negative relationship between disconfirmation and obliging and avoiding behaviors as well as a positive impact of disconfirmation on dominating behavior. The relationship between disconfirmation on compromising is characterized by an inverted-u function. This study provides an important avenue for examining customer responses to service recovery, independent of the traditional focus on customer satisfaction. Service research and managers might not only rely on customer satisfaction exclusively. In addition, more deep-lying constructs are helpful in measuring and predicting conflict-related behaviors in service recovery.

Keywords: Service recovery; Service failure; Customer conflict styles; Conflict theory; Disconfirmation; Customer expectations

Published in: Buettgen, M. (Ed.), Beiträge zur Dienstleistungsforschung 2016 (pp. 97-113). Wiesbaden: Springer.

2.3 The buffering effect of brand community identification in service failure episodes: the role of customer citizenship behaviors

Leonhard Mandl, Jens Högrove

Abstract: Through two field studies this research highlights the role of brand community identification (BCI) as a source of customers' repurchase intentions and reveals how brand community identification evolves a buffering effect against the negative repercussions of service failures on repurchase intentions. The first study builds on social identity theory and investigates brand community identification as a driver of repurchase intentions; it explains this positive relationship by customer citizenship behaviors. In the second study, we establish that brand community identification mitigates the negative effect of service failures on customers' repurchase intentions. These results call attention to building and maintaining customers' strong brand community identification because this kind of investment is legitimized by favorable citizenship behaviors that in turn drive repurchase intentions. Moreover, strong brand community identification may positively affect a firm's service recovery efforts, since customers with strong BCI perceive service failures less negatively.

Keywords: Brand community identification; Customer citizenship behavior; Service failure; Repurchase intentions; Mediation analysis

Paper currently under review at the Journal of Business Research