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3K. Customer Experience and Value

How sophisticated servicescape can reduce negative feelings when a failure occur?

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Introduction

When providers fail to meet consumers' expectations, service failures occur (Zeithaml et al. 2011), with adverse effects on consumer behavior, emotions, intentions to switch providers, and intentions to repurchase services (Bonifield and Cole 2007; Hocutt et al. 1997; Liao et al. 2015; McColl-Kennedy and Sparks 2003; Patterson et al. 2006; Smith et al. 1999; Zeelenberg and Pieters 2004).

Servicescapes (i.e. service environments) are a combination of ambient conditions (e.g. temperature, music, odor), space (e.g. equipment, furnishing), and signs, symbols and artifacts (e.g. personal artifacts, style of décor) in service environments designed to create physical surroundings (Bitner 1992). Pleasant servicescapes build sensory impressions that improve service experiences (Berry et al. 2002; Bitner 1992; Chang 2016; Dean 2014; DiPietro and Campbell 2014; Durna et al. 2015; Kotler 1973; Walsh et al. 2011). More than a component of the service production, servicescapes are part of the service itself (Bitner 1992) and serve as clues for consumers to use in building their pre-purchase (Shostack, 1977) and post-purchase quality evaluations (Bitner 1990; Hooper et al. 2013; Kearney et al. 2013; Westbrook and Oliver 1991).

Based on this literature, this research explores the effects of service environment in determining how consumers react to service failures. That is, a positive service environment can generate positive assessments by evoking impressions of service quality (Zeithaml et al. 2011).

Study 1: Servicescapes and Failure Consequences

One hundred and fifty-three U.S. residents (56.9% men, MTurk). The study had a 2 (service environment: sophisticated vs. simple) x 2 (failure consequences: low vs. high) role-playing design randomly assignment between subjects. In low failure consequences dinner was a common occasion and in high failure consequences, the dinner was a highly consequential business meeting. For the service environment, they read online reviews in restaurant evaluations such as TripAdvisor. Manipulation checks indicated that both scenarios worked correctly.

We verified the manipulation of the service environment using environment ($\alpha = 0.951$, 4 items), design ($\alpha = 0.983$, 9 items), and social factors ($\alpha = 0.970$, 7 items) (Baker et al. 2002; Bitner 1990, 1992; Bojanic and Rosen 1994; Fu and Parks 2001; Madanoglu 2005). To measure high and low failure consequences participants evaluated four items ($\alpha = 0.952$) from Moss-Morris et al. (2002) scale. The dependent variable negative emotions ($\alpha = 0.938$) was measured in four statements regarding regret over the choice of restaurant (Bonifield and Cole 2007).

A 2 x 2 ANOVA testing the relationship between the service environment and consequences of failure on negative emotions showed that service environment interacted with failure consequences to influence negative emotions ($F_{(1, 149)} = 4.47, p < 0.05; M_{\text{simple}} = 2.8$ vs. $M_{\text{sophisticated}} = 1.4$) as can be seen in Figure 1.

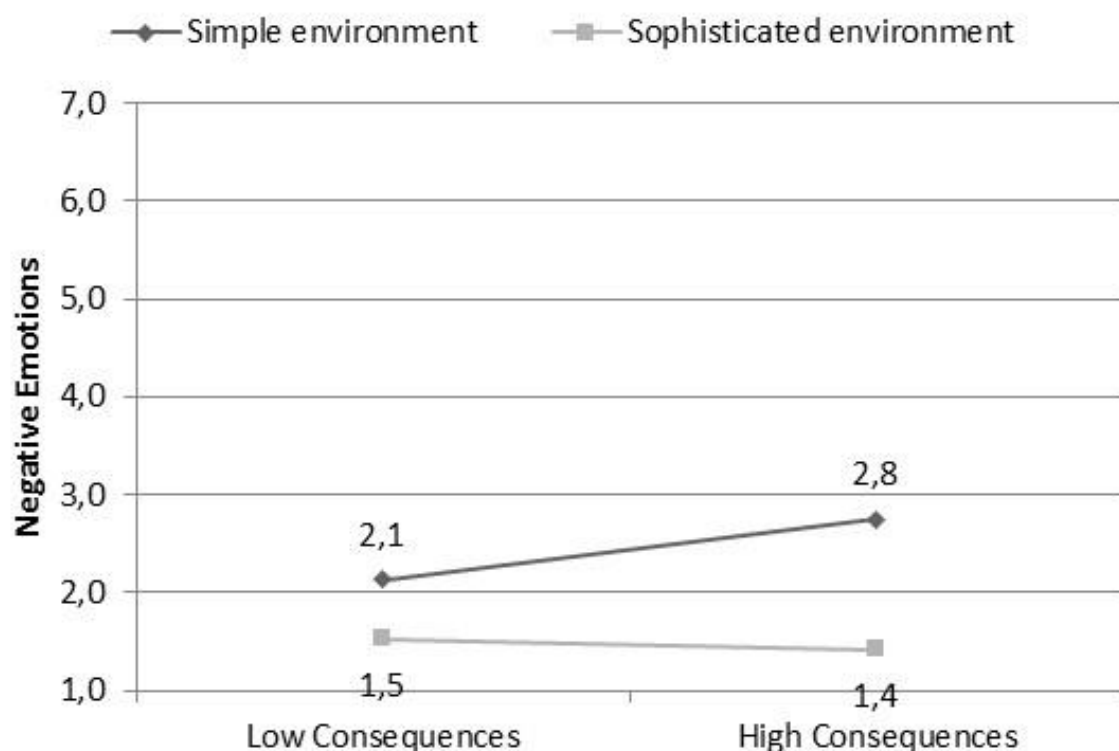


Figure 1: Consumer Negative Emotions Related to the Exchange Consequences and Service Environment

Study 2: Service Environment and Failure Control

For Study 2, 129 undergraduate students from a major university (37.9% men) between-subjects 2 (service environment: simple vs. sophisticated) x 2 (failure control: low vs. high). We randomly assigned participants to one of two scenarios describing a party featuring either a simple or sophisticated servicescape and asked them to imagine that they were party guests. In a field provided, they described their impressions of the room. We then randomly assigned participants to a low (i.e. electricity company was doing maintenance) or high (i.e. the party

organizers had neglected to provide a generator) failure control. In both cases, the party organizers were embarrassed and apologized for the inconvenience.

To check the manipulation effectiveness, we used the items from Study 1 to measure servicescape. To measure high and low failure control, we used items adapted from Magnini et al. (2007). The dependent variable negative emotions ($r = 0.291$, $p < 0.001$) was measured in two statements regarding guilt over the choice of party (Graham and Juvonen 1998). Manipulation checks indicated that both scenarios worked correctly. To test the relationship between the service environment and failure control, a 2 x 2 ANOVA using negative emotions as the dependent variable showed that service environment interacted with failure control marginally influence on negative emotions ($F_{(1, 121)} = 6.98$, $p < 0.01$; $M_{\text{high}} = 6.2$ vs. $M_{\text{low}} = 5.3$) as can be seen in figure 2.

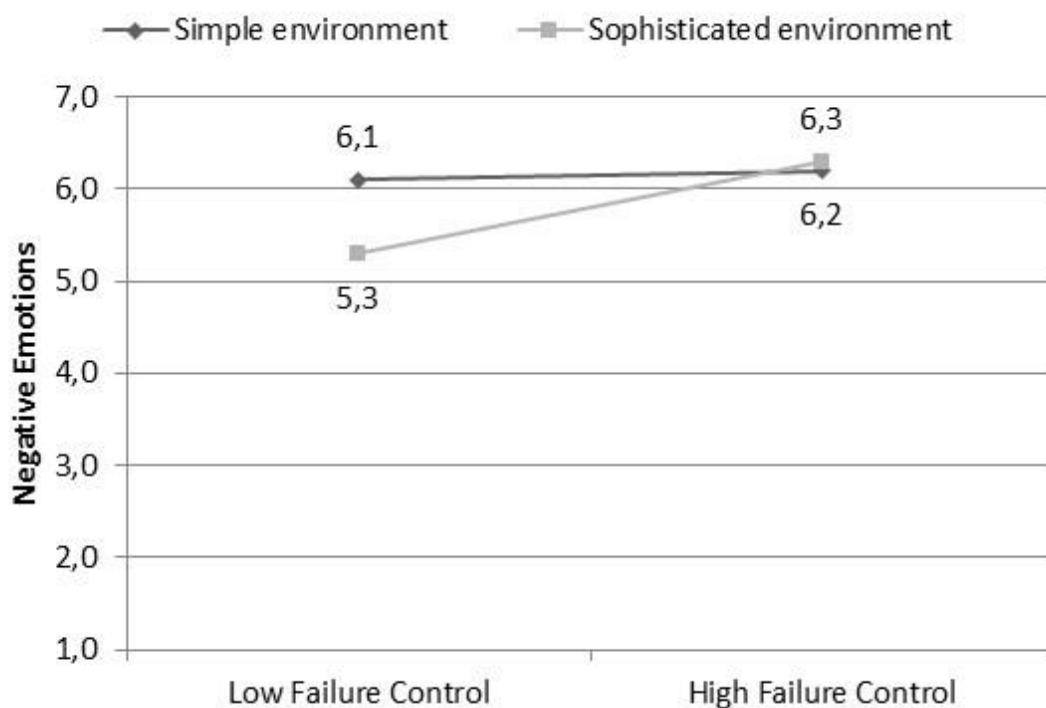


Figure 2: Consumer Negative Emotions Related to the Failure Control and Service Environment

Study 3a: Service Environment and Failure Compensation

For Study 3A, 101 undergraduate students (52.5% men) from a major institution were randomly exposed to one of the scenarios. This study was a between-subjects 2 (service environment: simple vs. sophisticated) x 2 (failure compensation: absent vs. gift) design.

As Study 2, we chose a party context because it should be a familiar context of service to student participants. We randomly assigned participants to one of two scenarios describing a party taking place in a simple or sophisticated servicescape. Then we randomly assigned participants to a low (i.e. party organizers apologized for the inconvenience and continued the

event) or high (i.e. party organizers invited customers to return another day and receive a free drink).

To check the effectiveness of the manipulation, we measured the servicescape using the items adopted in the earlier studies: environmental ($\alpha = 0.904$, 4 items), design ($\alpha = 0.962$, 9 items), and social ($\alpha = 0.948$, 7 items) factors. Failure compensation was checked using distributive ($\alpha = 0.824$, 4 items), procedural ($\alpha = 0.858$, 2 items), and interactional ($\alpha = 0.484$, 3 items) justice factors (Smith et al. 1999; Mattilla and Wirtz 2004). As in Study 2, the dependent variable negative emotions ($r = 0.250$, $p < 0.05$) was measured in two statements regarding guilt over the choice of party (Graham and Juvonen 1998). Manipulation checks indicated that both scenarios worked as expected.

A 2 x 2 ANOVA was conducted using negative emotions as the dependent variable: service environment interacted with failure compensation to influence negative emotions ($F_{(1, 99)} = 6.62$, $p < 0.05$). Results indicated that under the sophisticated service environment, failure compensation influenced negative emotions ($F_{(1, 99)} = 5.21$, $p < 0.05$): participants in the present compensation condition had less negative emotions than those in the absent failure compensation condition ($M_{\text{present}} = 5.6$ vs. $M_{\text{absent}} = 6.3$) as can be seen in Figure 3.

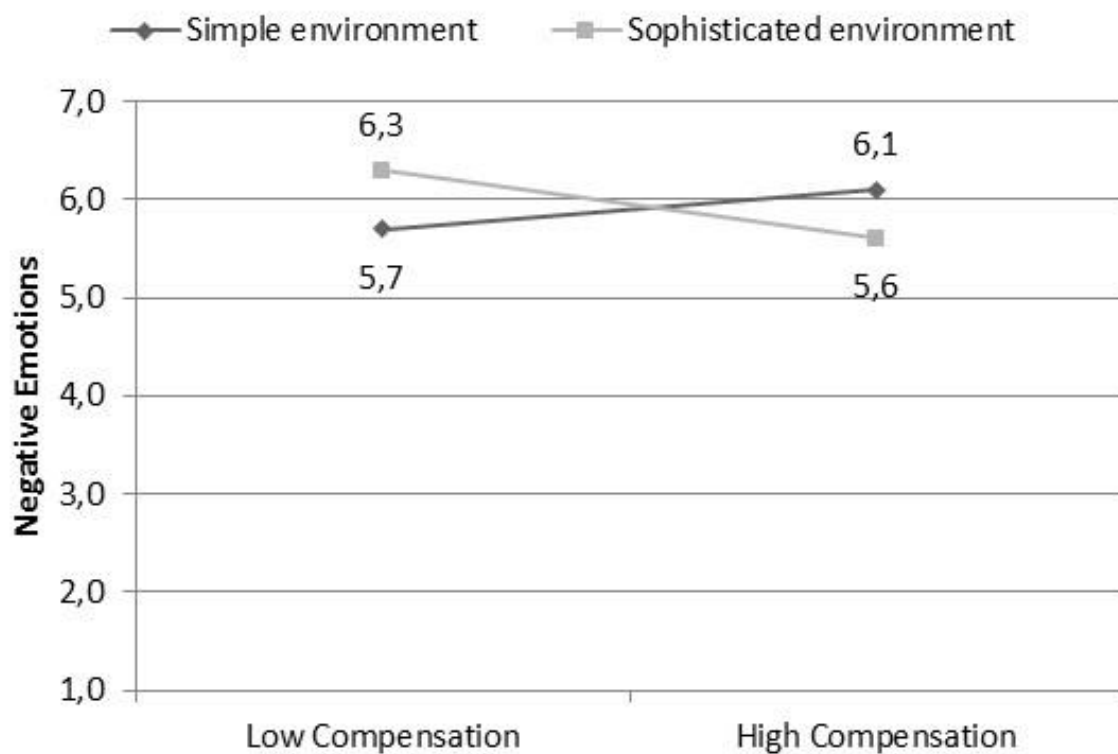


Figure 3: Consumer Negative Emotions Related to Failure Compensation and Service Environment

Study 3b: Service Environment, Compensation, and Intentions to Repurchase and Retaliate

For this study, 162 U.S. residents (63.0% men, MTurk). Study 3B is a between-subjects 2 (service environment: sophisticated vs. simple) x 2 (failure compensation: high vs. low) design. First, they read a scenario about a college student needing a haircut before attending an award ceremony. They then read one of two scenarios in which netizens commented about the hairdressing service environment was simple (sophisticated). The scenario explained that the student had to wait 40 minutes before she was served. Participants were randomly assigned to low (i.e. hairdresser did not apologize or express concern about the delay) and high compensation (i.e. apology and 20% off discount) condition.

The same items used previously were used to measure the manipulation check of the servicescape: environmental ($\alpha = 0.914$, 4 items), design ($\alpha = 0.950$, 9 items), and social ($\alpha = 0.917$, 7 items) factors. Failure compensation was measured by using distributive ($\alpha = 0.908$, 4 items), procedural ($\alpha = 0.886$, 2 items), and interactional ($\alpha = 0.851$, 3 items) justice factors (Smith et al. 1999; Mattilla and Wirtz 2004). Two items from Zeithaml et al. (1996) were used to measure repurchase intentions ($\alpha = 0.858$). Two items from Zeelenberg and Pieters (2004) were used to measure intentions to retaliate ($\alpha = 0.857$). Manipulation checks indicated that both scenarios worked as expected. We conducted a 2 x 2 ANOVA and found that service environment and failure compensation interacted to influence retaliation ($F_{(1, 158)} = 8.89$, $p < 0.01$) and repurchase intentions ($F_{(1, 158)} = 4.62$, $p < 0.05$) (figures 4 and 5).

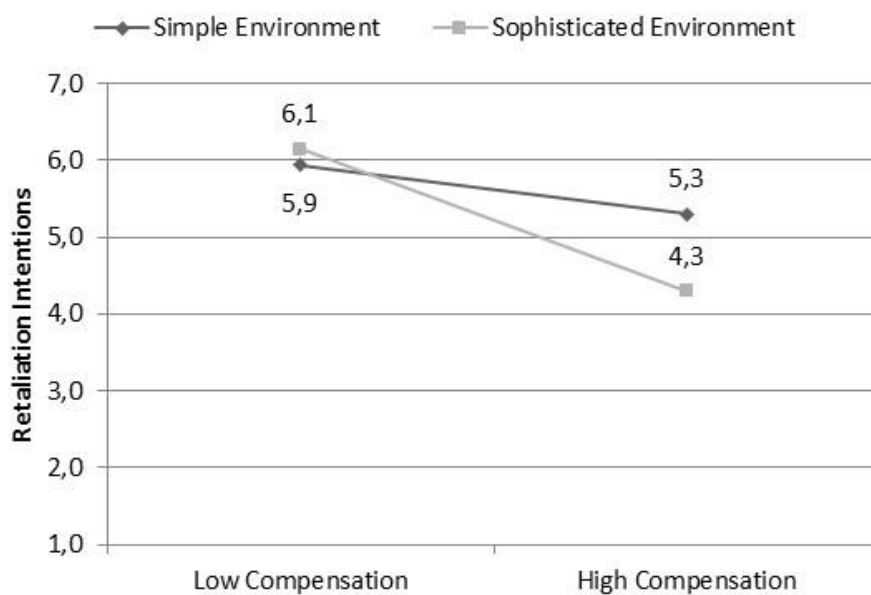


Figure 4: Retaliation Intentions Related to Failure Compensation and Service Environment

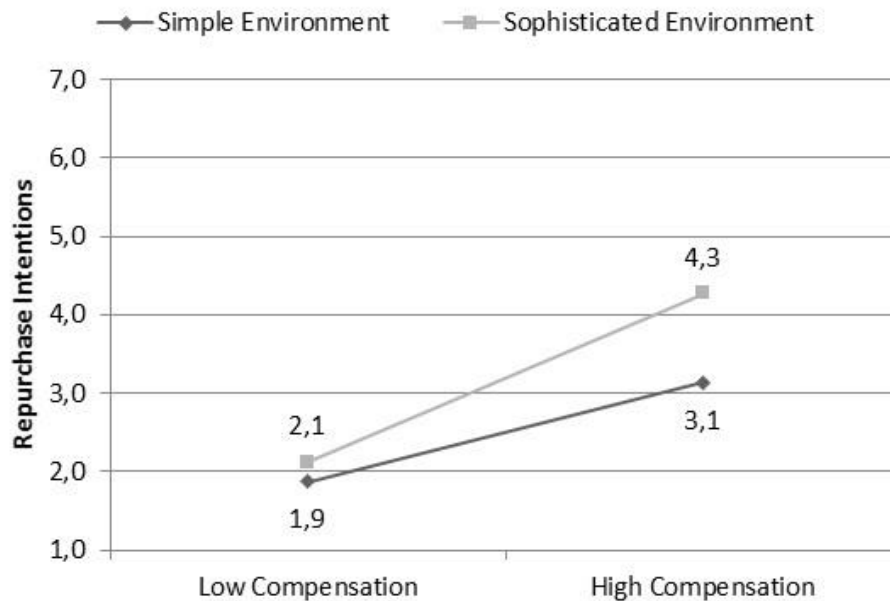


Figure 5: Repurchase Intentions Related to Failure Compensation and Service Environment

Conclusions

Our investigation of the influence of service environment fills important gaps in the literature of service recovery. Our results demonstrate that service environments are essential in provider/customer communication (Kotler 1973) and service experiences (Bitner 1992; Shostack 1977). This research complements previous studies and provides additional information on failure control in service settings (Bitner 1990; Choi and Mattila 2008; Sparks and McColl-Kennedy 2003). Although previous studies have shown that consumers will be angry and dissatisfied with a transgressing provider when they perceive that the provider could have avoided the failure, we highlight the importance of service environment in reducing negative emotions, especially when the company has high control over the failure.

Finally, we fill a gap in the literature regarding service environment as a strategic element in service recovery. Companies must manage failure skillfully if they are to maintain customer loyalty and avoid retaliation (Hocutt et al. 1997). Previous research demonstrates different strategies to compensate consumers after service failure (Gelbrich 2010; Gelbrich et al. 2015; Gelbrich and Roschk 2010; Gelbrich and Roschk 2011; McCollough et al. 2000; Noone 2012; Wirts and Mattila 2004) but none of them show the effects of service environment on effectiveness of post-failure compensation.

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