

DOCTORAL THESIS

Customer-company identification in service failure context: the role of service recovery, corporate social responsibility, and customer participation

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Date of Award:
2015

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ABSTRACT

In today's competitive marketplace, simply satisfying customers is no longer sufficient to assure long-term customer-firm relationships, especially for firms that experience a service failure. Companies are now looking for additional ways to secure customer retention and raise customer loyalty. By applying social identity theory, this research empirically explores customer-company identification (customer identification) and its potential predicting factors in a service failure context.

Service failures are inevitable but create negative emotions and behaviors in consumers that are directed against service firms. Service recovery from a failure is always a vital step in pacifying dissatisfied customers and maintaining ongoing relationships with them. However, is identification among customers also influenced by service recovery? The effect of customer perceptions of service recovery on customer identification is first examined in the present research.

Moreover, given that service recovery may not always work in the desirable way that service firms expect, executing recovery is not the single solution for relationship maintenance following failed service. In contemporary marketing, corporate social responsibility (CSR) is considered a measure for rebuilding customer relationships that offers firms "insurance-like" protection against negative situations. Then, would CSR complement a recovery strategy and be effective in protecting firms from service failure? The effect of the interplay between recovery and CSR on customer identification in the advent of a service failure is examined.

In addition, today's customers are eager to participate in their service experience. Customers can now enjoy services by cooperating with service providers. Whereas the current literature emphasizes the benefits of customer participation only in routine service settings, this research attempts to further explore the potential moderating role of customer participation in service delivery (either service provision or service recovery) in influencing customer post-failure identification and subsequent responses in a failure context.

A multi-method approach has been adopted in the present research. A field survey was first conducted using a sample of 354 customers in Hong Kong; this was followed by two scenario-based laboratory studies using a total of 370 students. The research findings contribute to the literature and social identity theory by examining the interaction between recovery and CSR with respect to customer identification in a service failure. The results demonstrate that perceived recovery justice positively influences customer post-failure identification with a service firm. Also, high perceived CSR performance is more effective in fostering customer identification when customers have lower justice perceptions regarding the recovery attempt. Furthermore, the research sheds light on the value of involving customers in service delivery. Customer participation in either service provision or recovery strengthens the positive impact of CSR on customer identification and ultimately contributes to customer loyalty intentions. Therefore, involving customers in co-creating service or recovery is a cost-effective strategy to strengthen customer-firm relationships even in the advent of a service failure.

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