

The Influence of Failure Severity and Perceived Employee Effort on Consumers' Postcomplaint Negative WOM Intentions in a Service Guarantee Context

Lisa McQuilken, Deakin University

lisa.mcquilken@deakin.edu.au

This study employed a 2 x 2 full-factorial, between-subjects design experiment examining the influence of failure severity and perceived employee effort on hotel guests' negative word-of-mouth (WOM) intentions following invocation of a service guarantee. The study involved a sample of 131 online panel members. Results suggest that negative WOM intentions reduced when a greater level of effort is exerted by staff in rectifying the guest's problem and increased when a more severe failure is experienced. There is a stronger difference in guests' negative WOM intentions between the high and low employee effort conditions when a minor versus a severe service failure is experienced by guests.

Keywords: Complaints, Consumer Perceptions, Service Guarantees, Services Marketing, Service Recovery

The Influence of Failure Severity and Perceived Employee Effort on Consumers' Postcomplaint Negative WOM Intentions in a Service Guarantee Context

Literature Review and Hypotheses

Although service guarantees have been widely embraced across various industries, published studies that examine empirically the influence of service guarantees are rare; discussion of a theoretical nature is limited to relying primarily on anecdotes and industry-based studies (McColl et al., 2005). The focus of empirical research to date has been on service guarantee design issues and the benefits of implementing a service guarantee programme (Sum et al., 2002). By contrast, the equally important influence of service guarantees on consumers' postpurchase evaluations, in particular negative WOM intentions, has been subject to very limited conceptual or empirical examination (Hogreve and Gremler, 2009). Research findings in a non-guarantee context suggest that satisfied customers tell on average five people about their positive encounter (Knauer, 1992), while unhappy customers may tell between 10 to 20 people about their negative service experience (TARP Australia, 1995; Zemke and Bell, 1990). At a minimum, the hearing of negative comments will likely result in fewer purchases from new consumers (Dolinsky, 1994; Halstead et al., 1993), damage an organisation's ability to retain customers and tarnish its reputation (Lau and Ng, 2001). The hotel industry has been fast to adopt service guarantees, however, academic research lags behind current industry practices and further research is clearly needed to ensure that hotels achieve the maximum benefit from their service guarantee programme. The present study fills this void in part by examining empirically for the first time, the combined influence of perceived employee effort and service failure severity on hotel guests' postcomplaint negative WOM intentions when a full satisfaction guarantee (i.e., a guarantee incorporating the core offering and its delivery) is offered.

Given that services are, by definition, intangible, the level of effort employees are perceived to exert, can perform a key role in shaping customers' overall evaluations of the service encounter (Crosby et al., 1990). McColl-Kennedy and Sparks (2003) observed that when service providers are not seen to put the proper effort into the service recovery attempt, this leads to negative emotions such as anger and subsequent dissatisfaction with the service recovery endeavour. The motivation literature suggests that people use effort to infer motivation and that motivation is usually held in a positive light (Mohr and Bitner, 1995). Effort is also viewed generally as being controllable, and influential of the outcome (Mohr and Bitner, 1995). Whether employees appear to "put themselves out" when attempting to solve a service problem is important for effective service recovery (Johnston, 1995). Bell and Zemke (1987, p. 34) observed that it may not be necessary to correct the problem, as "there are points for good intentions and customer-driven effort." Customers are likely to perceive employees that are working hard as caring about them (Mohr and Bitner, 1995). Extant guarantee research pays little attention to the way in which service guarantees interact with employee variables during the service recovery process (Sum et al., 2002). This is disconcerting given that employees are often central to an effective service recovery. When a guarantee is invoked, do customers appreciate it when employees "go the extra mile" in attempting to rectify their problem? Presently, the influence of employee effort on consumers' negative WOM intentions when a service guarantee is offered is unknown. It is anticipated that consumers will be less likely to engage in negative WOM if they perceive employees put the proper effort into the service recovery attempt. Thus, the following hypothesis will be examined:

H₁: There is a negative relationship between the amount of perceived effort employees exert in attempting to fix the guests' problem and guests' intentions to engage in negative WOM.

While many service failures experienced by customers are regarded as mildly annoying (McDougall and Levesque, 1998), others can be extremely upsetting. Research involving service failure/recovery encounters has, for the most part, kept the severity of the service failure constant (Weun et al., 2004). Perceived service failure severity is considered to be important in determining how failure encounters will be reconciled (e.g., Levesque and McDougall, 2000; Smith et al., 1999; Zeithaml et al., 1993). More severe failures result in lower levels of customer satisfaction (Gilly and Gelb, 1982; Hoffman et al., 1995; Smith et al., 1999), and the negative influence of service failure on the customer's future relationships with the organisation is higher for a high-severity failure (Berry and Parasuraman, 1991; Levesque and McDougall, 2000; Ostrom and Iacobucci, 1995; Richins, 1987, 1983; Singh and Wilkes, 1996). For example, customers are more likely to engage in switching and complaining to the service provider and others as problem severity increases (Richins, 1987, 1983; Singh and Wilkes, 1996). In the only empirical study examining service failure severity in a guarantee setting, McQuilken and Bednall (2008) found that severe service failures have a greater negative influence on satisfaction evaluations than do minor failures. It follows that more severe service failures will also result in consumers indicating a greater intention to engage in negative WOM. Thus, the following hypothesis will be examined:

H₂: Consumers negative WOM intentions will be higher if they experience a severe, as opposed to a minor, service failure.

Major failures resulting in large losses are regarded as being more inequitable and lead to greater customer dissatisfaction (Smith et al., 1999). Prospect theory argues that people are more sensitive to losses than they are to gains (Tversky and Kahneman, 1992), and they view service failures as losses that weigh more heavily than gains in service failure/recovery encounters (Berry and Parasuraman, 1991; Kahneman and Traversky, 1979; Oliver, 1997; Smith et al., 1999; Thaler, 1985; Weun et al., 2004). Therefore, if the loss and gain are equivalent, it is likely that the loss will be emphasised and dissatisfaction will ensue (Choong, 2001). Mental accounting principles posit that the losses from a service failure and the subsequent gains from any recovery will be assessed separately (Thaler, 1985). Customers will segregate their overall evaluations, and the loss from a failure is likely to be perceived as greater than an equivalent gain from a recovery (Smith et al. 1999). It is anticipated that the effort employees exert in trying to fix guests' problems will have a greater influence on reducing guests' intentions to speak negatively about the service failure if the failure is relatively minor in nature.

H₃: Perceived employee effort has a greater (negative) effect on customers' negative WOM intentions when service failure severity is low versus when it is high.

Research Method

This paper reports on a section of a larger, experiment-based study. The study employed a 2 (service failure severity: high, low) x 2 (perceived employee effort: low, high) between-subjects full-factorial design using role-play scenarios. Scenarios enable the inclusion of a more representative set of service failure and service recovery situations than would be feasible if a design based on customer recall, such as the Critical Incident Technique, were to

be utilised (Smith et al., 1999). Web-based self-report survey data was collected from online panel members aged 18 years and over who had stayed previously in a hotel. Subjects were assigned randomly to one of the four written scenarios. Subjects were asked to imagine that they were the person depicted in the scenario and to think about how they would have felt about the encounter. They began by reading an advertisement for a full satisfaction guarantee that was adapted from guarantees offered currently by Hampton Inn and Travel Inn. The guarantee promised guests a “free night’s stay” if they are not fully satisfied. Subjects then read a scenario in which a service failure occurs involving a dirty hotel room. The failure motivates the guest to invoke the 100% satisfaction guarantee. Guarantees encourage consumer complaints as their presence suggests that the complaint will have a positive outcome (e.g., Singh, 1990; Wirtz, 1998). The manipulations for employee effort and service failure severity were achieved by altering the scenario descriptions in the following ways:

Low severity: Crumbs on the floor; and a drink mark on the coffee table.

High severity: A drink mark on the coffee table; a large stain on the carpet; food from the previous occupant in the fridge; the bin in the bathroom is full of rubbish; and a bad smell in the kitchen.

Low effort: You remain at reception while the receptionist serves the other guests that are waiting in line. She then checks the messages on her mobile phone. After about 10 minutes, and appearing very unenthusiastic, the receptionist finally makes a telephone call to house-keeping. Following a brief conversation she hangs up and says:

High effort: You remain at reception and overhear the receptionist call one member of the housekeeping team after another in an attempt to locate someone to clean your room. She keeps you informed of her progress following each phone call and appears very motivated to sort out your problem. Finally, some five phone calls and 10 minutes later, she puts down the telephone and says:

Immediately following the effort manipulation above, the receptionist says, “I am afraid that there is no-one available from house-keeping to clean your room today.” The promised guarantee compensation is forthcoming across all four scenarios, with the receptionist stating, “I will credit one night’s stay to your hotel bill right now.”

Subjects then reported on the realism of the scenarios, responded to manipulation check items and provided negative WOM ratings and demographic data. To reduce order bias in the sequencing of questions (Cavana et al., 2001), which may occur because of the placement of manipulation check items before the dependent variables, two separate questionnaires were developed. Subjects were presented (in equal numbers) with the manipulation check items either before or after the dependent variables were measured. An independent-samples *t*-test revealed that there was not a significant difference in negative WOM scores for the before ($M=4.40$, $SD=1.63$) and after [$M=4.56$, $SD=1.72$; $t(131)=.537$, $p=.592$] groups and the two data sets were, therefore, combined into one. To ensure that the employee effort manipulation was perceived as intended, subjects responded to a one-item measure (on a 1-7 scale, anchored at “Strongly disagree” to “Strongly agree”), “The hotel employee put a lot of effort into solving the problem.” An independent-samples *t*-test revealed a significant difference in scores for the low ($M=2.55$, $SD=1.69$) and high effort [$M=5.67$, $SD=1.68$; $t(131)=-10.632$, $p=.000$] conditions. To ensure that the failure severity manipulation was perceived as intended, subjects rated the severity of the failure on a three-item, seven-point semantic differential scale (Maxham and Netemeyer, 2002). An independent-samples *t*-test revealed a significant difference in scores for the low ($M=3.76$, $SD=1.73$) and high service failure [$M=5.48$, $SD=1.50$; $t(131)=6.055$, $p=.000$] conditions.

Scenario realism was evaluated using five items developed by Wilson and McNamara (1982). A reported mean of 5.56 confirms that subjects could imagine that the scenario had actually happened to them and found the scenarios to be realistic. Negative WOM was measured via a three-item, seven-point semantic differential scale developed by Blodgett, Hill and Tax (1997). The instrument had good internal consistency (Cronbach's alpha =0.83). Inspection of the correlation matrix revealed the presence of significant coefficients of 0.48 and above. The Kaiser-Meyer-Olkin value was 0.63, exceeding the recommended value of .60 (Kaiser, 1970). The Barlett's Test of Sphericity reached statistical significance ($p=.000$), supporting the factorability of the correlation matrix. The component matrix revealed the presence of one factor comprising of all three items with factor loadings ranging from 0.73 to 0.93 (total variance extracted 74.73%).

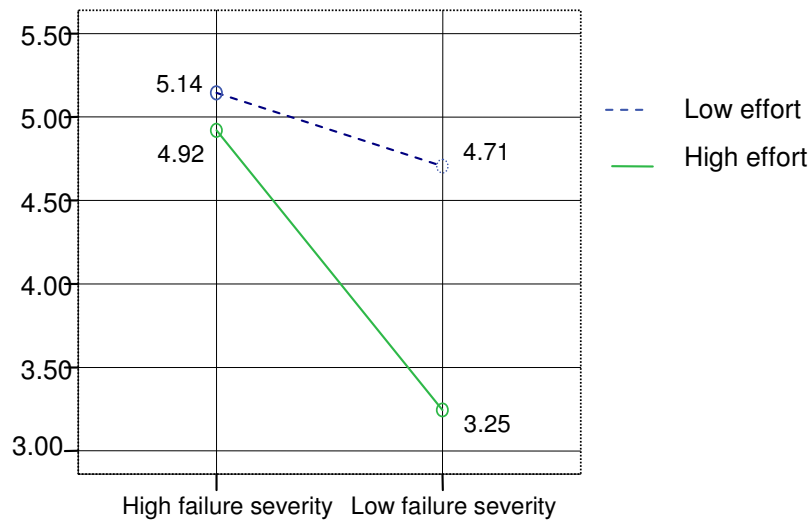
Results and Discussion

Of the 131 responses, 47.7% were male and 52.3% were female, and 93.2% were aged between 18 and 54. A between-groups ANOVA revealed that there was a statistically significant main effect for perceived employee effort on negative WOM [$F(1, 131)=10.20, p=.000, n^2=.074$], providing support for H₁. A statistically significant main effect was also uncovered for failure severity on negative WOM [$F(1, 131)=16.06, p=.000, n^2=.111$], providing support for H₂. However, the main effects described above must be interpreted in light of the significant two-way interaction between perceived employee effort and failure severity on negative WOM [$F(1, 131)=5.48, p=.021, n^2=.041$] as depicted in figure one. Employee effort was found to have a **stronger** influence on guests' negative WOM intentions when service failure severity is low, as opposed to when it is high. As the severity of the failure reduces (i.e., the guest's loss gets smaller), the added value of increasing employee effort is enhanced. This finding supports other studies that have found that for more severe failures, the influence of positive outcomes on evaluations is reduced (Levesque and McDougall, 2000; Weun et al., 2004) because customers use a non-linear value function to evaluate the recovery outcome (Smith et al., 1999).

Simple effects analysis revealed that when the hotel employee displays a high level of effort, guests' negative WOM intentions are significantly lower when a minor versus a severe service failure is experienced by the guest (M_s 3.25 vs. 4.92, $p=.000$). However, when a low degree of effort is displayed by hotel staff, there is no significant difference between negative WOM intentions in the low versus the high failure severity conditions (M_s 4.71 vs. 5.14, $p>.05$). Under the high failure severity condition, there is not a significant difference between the low versus high employee effort condition (M_s 5.14 vs. 4.92, $p>.05$). However, when a minor failure is experienced by the guest, there is a significant difference in guests' intentions to engage in negative WOM when a low level of effort, versus a high level of effort is exerted (M_s 4.71 vs. 3.25, $p=.000$). The findings of this study suggest guests' intentions to engage in negative WOM will be strongly based on how well employees respond to their complaint. Evans et al. (1996, p. 61) argued, "... a service guarantee begins with people," and they emphasised the importance of employee commitment, empowerment and training. Hotel management must be mindful of making a bad situation worse because they do not have the staff available to correct a guest's problem. Even minor problems that guests could quickly fix themselves, should they be so inclined will result in negative WOM if the problem is not fixed. This is despite the fact that the guest receives the promised guarantee payout. Sarel and Marmortstein (2001, p. 223) observed, "... guarantees are not substitutes for offering reliable service. Most customers are not interested in collecting the

compensation.” If the problem remains unresolved, guests will feel that they have not received the outcome that they deserve, that the organisations’ procedures for recovery are ineffective, and that all interactions with staff were a waste of time (Liao, 2007). While high levels of employee effort reduce, to some extent, negative WOM intentions if the failure is minor in nature, neither large nor small expenditures of effort have an influence on negative WOM intentions when a major service failure remains uncorrected. Overall, findings suggest that hotels should do their utmost to avoid major service failures however, should a failure occur, resources should be committed to ensure a fast and effective recovery.

Figure One: Means Scores for the Interaction of Effort and Severity on Negative WOM



Results should not be generalised beyond the hotel context. A weakness of experimental scenarios relates to external validity; simplistic models may fail to capture important aspects of reality (Davis et al., 2007). For example, reading a scenario may not generate the range of emotions that an actual encounter would produce (Widmier and Jackson, 2002). The use of two-level independent variables is a further limitation of this study. A binary treatment like this is a somewhat simplistic representation of true conditions consumers face. Future studies could broaden the scope of these constructs by using three levels (low, medium, high).

References

- Bell, C. R. and R. E. Zemke (1987), "Service breakdown: The road to recovery," *Management Review* 76 (10), 32-35.
- Berry, L. L. and A. Parasuraman (1991), *Marketing Services: Competing Through Quality*. New York, NY: Free Press.
- Blodgett, J. G., D. J. Hill, and S. S. Tax (1997), "The effects of distributive, procedural, and interactional Justice on postcomplaint behaviour," *Journal of Retailing* 73 (2), 185-210.
- Cavana, R. Y., B. L. Delahaye, and U. Sekaran (2001), *Applied Business Research: Qualitative and Quantitative Methods*. Milton, Queensland: John Wiley & Sons.
- Choong, P. (2001), "Preventing or fixing a problem? A marketing manager's dilemma revisited," *Journal of Services Marketing* 15 (2), 99-108.
- Crosby, L. A., Evans, Kenneth, and D. Cowles (1990), "Relationship quality in services selling: An interpersonal influence perspective," *Journal of Marketing* 54 (3), 68-81.
- Davis, J. P., K. M. Eisenhardt, and C. Bingham, B. (2007), "Developing theory through simulation methods," *Academy of Management Review* 32 (2), 480-99.
- Dolinsky, A. L. (1994), "A consumer complaint framework with resulting strategies," *Journal of Services Marketing* 8 (3), 27-39.
- Gilly, M. C. and B. D. Gelb (1982), "Post-purchase consumer processes and the complaining consumer," *Journal of Consumer Research* 9 (3), 323-28.
- Halstead, D., C. Dröge, and M. B. Cooper (1993), "Product warranties and lost purchase service: A model of consumer satisfaction with complaint resolution," *Journal of Services Marketing* 7 (1), 33-40.
- Hoffman, K. D., S. W. Kelley, and H. M. Rotalsky (1995), "Tracking service failures and employee recovery efforts," *Journal of Services Marketing* 9 (2/3), 49-61.
- Hogreve, J. and D. D. Gremler (2009), "Twenty Years of Service Guarantee Research," *Journal of Service Research* 11 (4), 322-43.
- Johnston, R. (1995), "Service failure and recovery: Impact, attributes and process," in *Advances in Services Marketing and Management*, Tersea A. Swartz, David E. Bowen, and Stephen W. Brown, Eds. Greenwich, CT: JAI Press.
- Kahnerman, D. and A. Traversky (1979), "Prospect theory: An analysis of decision under risk," *Econometrica* 47 (2), 263-91.
- Knauer, V. (1992), "Increasing Customer Satisfaction," in *United States Office of Consumer Affairs*. Pueblo, CO.

- Lau, G. T. and S. Ng (2001), "Individual and situational factors influencing negative word-of-mouth behaviour," *Canadian Journal of Administrative Sciences* 18 (3), 163-78.
- Levesque, T. J. and G. H. G. McDougall (2000), "Service problems and recovery strategies: An experiment," *Canadian Journal of Administrative Sciences* 17 (1), 20-37.
- Liao, H. (2007), "Do it right this time: The role of employee service recovery performance in customer-perceived justice and customer loyalty service failures," *Journal of Applied Psychology* 92 (2), 475-89.
- McColl, R., J. Mattsson, and C. Morley (2005), "The effects of service guarantees on service evaluations during a voiced complaint and recovery," *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behaviour* 18, 22-50C.
- McColl-Kennedy, J. R. and B. A. Sparks (2003), "Application of fairness theory to service failure and service recovery," *Journal of Service Research* 5 (3), 251-166.
- McDougall, G. H. and J. T. Levesque (1998), "The effectiveness of recovery strategies after service failure: An experiment in the hospitality industry," *Journal of Hospitality and Leisure Marketing* 5 (2/3), 27-49.
- McQuilken, L. and D. Bednall (2008), "Service Recovery in a Service Guarantee Context," in *Proceedings of the Australian and New Zealand Academy of Marketing Conference*, D. Spanjard et al. (Ed.). Sydney: University of Western Sydney.
- Mohr, L. A. and a. M. J. Bitner (1995), "The role of employee effort in satisfaction with service transactions," *Journal of Business Research* 32 (3), 239-52.
- Oliver, R. L. (1997), *Satisfaction: A Behavioural Perspective on the Consumer*. Boston, MA: McGraw-Hill/Irwin.
- Ostrom, A. L. and D. Iacobucci (1995), "Consumer trade-offs and the evaluation of services," *Journal of Marketing* 59 (1), 17-28.
- Richins, M. L. (1983), "Negative word-of-mouth by dissatisfied consumers: A pilot study," *Journal of Marketing* 47 (1), 68-78.
- Richins, M. L. (1987), "A multivariate analysis to responses to satisfaction," *Journal of the Academy of Marketing Science* 15 (30), 24-31.
- Sarel, D. and H. Marmortstein (2001), "Improving the effectiveness of banks' service guarantees: The role of implementation," *Journal of Financial Services Marketing* 5 (3), 215-26.
- Singh, J. (1990), "Voice, exit, and negative word-of-mouth behaviours: An investigation across three service categories," *Journal of the Academy of Marketing Science* 18 (1), 1-15.
- Singh, J. and R. E. Wilkes (1996), "When consumers complain: A path analysis of the key antecedents of consumer complaint response elements," *Journal of the Academy of Marketing Science* 24 (4), 350-65.

Smith, A. K., R. N. Bolton, and J. Wagner (1999), "A model of customer satisfaction with service encounters involving failure and recovery," *Journal of Marketing Research* 36 (3), 356-72.

Sum, C.-C., Lee, Yang-Sang, J. M. Hays, and A. V. Hill (2002), "Modelling the effects of a service guarantee on service quality using alternative conditional expectations (ACE)," *Decision Sciences* 33 (3), 347-83.

TARP Australia (1995), "Study of Consumer Complaint Behaviour in Australia," The American Express/SOCAP (Society of Consumer Affairs Professional in Business Australia Inc.).

Thaler, R. (1985), "Mental accounting and consumer choice," *Marketing Science* 4 (3), 199-214.

Tversky, A. and D. Kahneman (1992), "Advances in prospect theory: Cumulative representation of uncertainty," *Journal of Risk and Uncertainty* 5 (4), 297-323.

Weun, S., S. E. Beatty, and M. Jones, A. (2004), "The impact of service failure severity on service recovery evaluations and post-recovery relationships," *Journal of Services Marketing* 18 (2), 133-46.

Widmier, S. and D. W. J. Jackson (2002), "Examining the effects of service failure, customer compensation, and fault on customer satisfaction with salespeople," *Journal of Marketing Theory and Practice* 10 (1), 63-73.

Wirtz, J. (1998), "Development of a service guarantee model," *Asia Pacific Journal of Management* 15 (1), 15-75.

Zeithaml, V., L. L. Berry, and A. Parasuraman (1993), "The nature and determinants of customer expectations of service," *Journal of the Academy of Marketing Science* 2 (1), 1-11.

Zemke, R. and C. Bell (1990), "Service recovery: Doing it right the second time," *Training* 27 (6), 42-48.