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# Explanation information and source in service recovery initiatives

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## Abstract

**Purpose** – The purpose of this paper is to specifically consider two interactional aspects that are likely to contribute to the success of an explanation of why a service failed: the adequacy of information provided and role of the person providing the information.

**Design/methodology/approach** – Two empirical studies were conducted using a between-subjects 2 (information: low vs high) × 2 (employee: frontline vs manager) experimental design. The first study was designed to better understand when the information provided might have a more positive impact on the customer. The second study was conducted to understand why the effects exist.

**Findings** – In Study 1, an interaction effect was seen that suggests that the most positive outcome is when the manager (vs the frontline employee) provides a full explanation (vs limited explanation) of the mishap. Results from Study 2 indicate that source credibility is in play.

**Research limitations/implications** – Participants were asked to respond to service failure and recovery scenarios using the same service context. The means of the outcome variables suggest that the recovery effort could be improved upon with other methods.

**Practical implications** – Contrary to suggestions that frontline employees be responsible to resolve service failures, our studies reveal that service recovery initiatives involving an explanation only are best received when the manager provides the customer a full account of what went wrong.

**Originality/value** – This research provides empirical evidence of when and why more information regarding the cause of a service failure is most positively received by the customer.

**Keywords** service failure, service recovery, source credibility, explanation

**Paper type** Research paper

An executive summary for managers and executive readers can be found at the end of this issue.

## Introduction

Compensation is an oft-used recovery strategy that has proven to be effective in improving consumers' perceptions of the firm (Bitner *et al.*, 1990; Smith *et al.*, 1999; Smith and Bolton, 1998). Specifically, studies have provided empirical evidence that compensation can positively enhance attitudes related to both distributive justice and complaint handling (Tax *et al.*, 1998; Smith *et al.*, 1999). In fact, according to Hoffman *et al.* (1995), compensation is the second most used service recovery initiative in restaurants after meal replacement. However, quickly turning to compensation may not be in the best interest of the firm for a variety of reasons. First, providing compensation directly reduces firm profitability (Parasuraman, 2006). While any reduction in profits due to compensation might be offset by future purchases, to date no study has provided support that this is in fact the case. Second, consumers may become conditioned to expect compensation, which could lead to higher levels of compensation

being needed to achieve the same level of recovery or the same compensation being expected for lesser failures. Therefore, consistent with Rust and Chung (2006), Tax *et al.* (1998) and others, we believe that it would be in the best interest of service providers to better understand non-compensatory service recovery methods.

One way to do this may involve the provision of a greater degree of information to the consumer concerning the cause of the failure in the form of an explanation. When service failures occur, consumers are likely to make attributions relative to the underlying cause (Weiner, 2000; McColl-Kennedy and Sparks, 2003). Furthermore, due to the uncertainty often surrounding service failures, consumers may make worst-case attributions (Bies and Shapiro, 1987). If this happens, the service provider may be forced to engage in service recovery efforts that are not commensurate with the true nature of the failure. The provision of a causal or mitigating account regarding the failure should reduce the uncertainty associated with the failure and while perhaps not overcoming all negativity associated with the failure, may at least ensure the consumer understands its true cause. This is supported by the results of a meta-analysis performed by Gelbrich and Roschk (2010). They suggest that due to the frequency and intensity of employee–customer interactions evident in service transactions, consumers are appreciative when credible employees are attentive to the situation.

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While the impact of information provided by employees relative to a service failure has been investigated previously (Grewal *et al.*, 2008; Mattila, 2006), a potentially important question that remains to be studied is how much information needs to be provided. The objective of our study is to investigate the role of information in overcoming service failures. In addition, we consider whether the party providing the information, the frontline employee or the manager (the person in charge of the establishment), makes a difference and why.

## Hypotheses

### Amount of information

Research has shown that consumers are quick to engage causal attributions when a service fails (Weiner, 2000; McColl-Kennedy and Sparks, 2003). The desire to understand leads the consumer to use whatever information is available to form a conclusion (Folkes, 1984). As Bies and Shapiro (1987) have suggested, in the absence of causal information pertaining to a service failure, consumers may jump to a worst-case assessment of what actually happened. Similarly, Baker *et al.* (2008) argue that many service failures are attributionally ambiguous, which creates uncertainty concerning the cause of the service failure. Consumers' perceptions of interactional treatment have been found to be heightened when service fails (Sparks and McColl-Kennedy, 2001). Research has demonstrated that the frontline employee's interaction with the customer in the moments immediately following a service failure is paramount to the success of the service recovery effort (Mattila and Patterson, 2004) and is a potential source of information used in the formation of causal attributions. Treating the consumer with courtesy and respect as well as offering an apology all have been found to positively impact perceptions of both interactional justice and service recovery evaluations (Blodgett *et al.*, 1997; Bies and Shapiro, 1987; McColl-Kennedy and Sparks, 2003). This body of research suggests that social elements of the recovery effort do have the potential to enhance customer perceptions (Blodgett *et al.*, 1997; Tax *et al.*, 1998).

The positive outcomes of providing explanations were shown by Tax *et al.* (1998), who found that when the firm takes responsibility for the failure and provides information to assist in understanding the service failure, consumers can be expected to express favorable feelings. Providing an appropriate explanation leads customers to reevaluate the failure by seeing things from the company's viewpoint and having confidence the incident is unlikely to reoccur. But what constitutes a good explanation? A series of three experiments conducted by Bies and Shapiro (1987) found that a causal account of mitigating circumstances is not in and of itself sufficient to enhance perceptions of interactional fairness. Rather the causal account must be perceived as being adequate. Adequacy is determined to the extent to which the explanation is clear, reasonable and detailed. In other words, there appeared to be a threshold below which the explanation had no positive impact on the outcomes. This leads us to:

*H1.* A detailed account (vs little information) of the cause of the service failure results in higher (a) satisfaction and

(b) repurchase intentions and (c) reduces the negativity associated with the failure.

### Source of explanatory information

In service recovery initiatives, the person delivering the causal explanation would generally be expected to be either the frontline employee or the manager. The question is whether it matters to the customer. The source of the information is potentially a useful cue to making sense of the situation. Several studies have suggested that the frontline employee should be responsible for redressing service failures due to his or her role in the service encounter (Boshoff and Allen, 2000). Furthermore, the frontline employee is the face of the organization and if properly trained and empowered, has the ability to resolve the issue (Sparks and McColl-Kennedy, 2001). If this is indeed true, then you would expect that in a typical service failure, information provided by the frontline employee would have the same impact as that provided by the manager. Empirical evidence, however, suggests that the importance of the person providing the information does matter relative to consumer perceptions of a service recovery effort (Patterson *et al.*, 2006). Consumers with a high-power distance orientation viewed the outcome as more fair when the employee offering the apology was higher in status (the manager). Consistent with Patterson *et al.* (2006), we hypothesize that the higher the status of the employee, the more positive the outcome.

*H2.* Information provided by the manager (vs the frontline employee) will result in improved customer (a) satisfaction, (b) repurchase intentions and (c) feelings of negativity concerning the failure.

## Methods

### Data collection

Data were collected from adults ( $n = 108$ ) and students ( $n = 41$ ). Adults were recruited similarly to that done in previously published research (Walsh and Beatty, 2007; Arnold and Reynolds, 2009). Specifically, students in a class being taught by one of the authors were asked to identify non-students (e.g. mother, father and grandparents) who would be willing to participate in the study. Students were asked to forward an e-mail written by the authors containing information pertaining to the study, a request for participation and a link to the online survey to those they identified as possible participants. The student participants came from a class being taught by one of the co-authors at a different university and who were not familiar with the study details.

### Study design

A between-subjects 2 (information: low vs high)  $\times$  2 (employee: frontline vs manager) experimental design was used. Respondents were randomly assigned to one of four scenarios which described a visit to a restaurant (Appendix). The service failure manipulation had to do with food being brought out 40 minutes late and after others who had ordered later were served. Pre-tests indicated that 40 minutes was viewed as indicative of a moderate service failure. The amount of information provided relative to the service failure was manipulated such that the low-information condition

included a very basic explanation of why the service failed, while the high-information condition provided a detailed account. Finally, the scenario also specified whether the post-failure information was provided by the frontline employee (the server) or the manager.

**Manipulation checks**

Using a scale anchored by 1 (Strongly Disagree) and 7 (Strongly Agree), the scenarios were found to be believable ( $M = 6.00$ ). Further, a 2 (server, manager) × 2 (high, low information) analysis of variance (ANOVA) was run using believable as the dependent variable, and no main or interactive effects were found, providing confidence that there were no group differences regarding the believability of the scenarios. It was also found that the high-information condition was perceived as being more sufficient relative to understanding the cause of the service failure ( $M_{high} = 5.10$ ,  $M_{low} = 3.96$ ;  $p < 0.01$ ). However, as would be expected, there was no difference between the frontline employee or manager groups in terms of sufficiency of the information provided ( $M_{server} = 4.34$ ,  $M_{manager} = 4.79$ ;  $p = 0.11$ ).

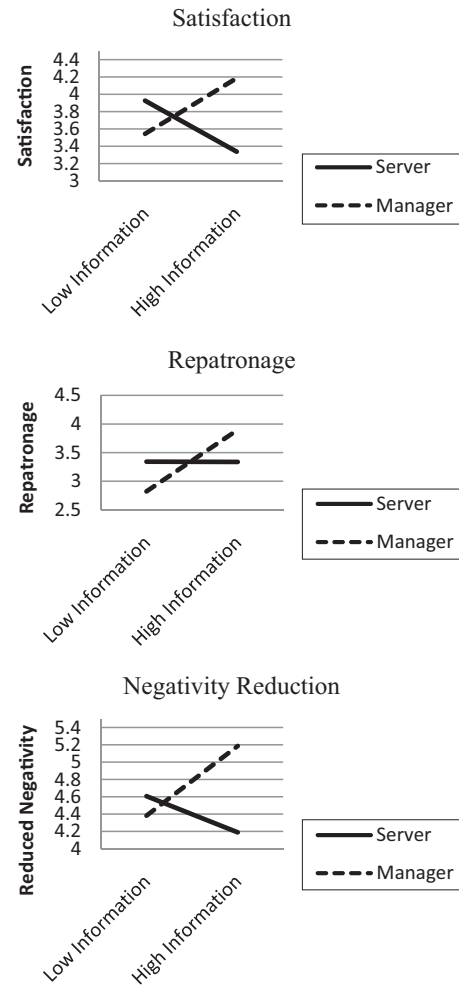
**Dependent variable measures**

Satisfaction was measured with three items that included “In my opinion the restaurant provided a satisfactory resolution to the problem on this occasion”, “I am not satisfied with the firm’s handling of this particular problem (reverse coded)” and “Regarding this particular event, I am satisfied with the restaurant ( $\alpha = 0.85$ )”. Repatronage intention was measured with three items that included “I would probably return to this restaurant”, “I would recommend this restaurant to a friend” and “If my friends were looking for a new place to eat, I would tell them to try this restaurant ( $\alpha = 0.94$ )”. The extent to which the negativity associated with the service failure was reduced was assessed using a single item which stated “The explanation given by the server (manager) helped reduce the negativity associated with the service failure”.

**Results and brief discussion**

The results are provided in Table I with interaction plots shown in Figure 1. The results provide tentative support for

**Figure 1** Interaction plots for satisfaction, repatronage and negativity reduction (Study 1)



the hypotheses. We expected that higher levels of information would act to increase satisfaction (H1a) and repatronage (H1b) as well as reduce the negativity associated with the service failure (H1c). Our results indicated this was only the

**Table I** Study 1 results

Dependent variables	Test	F-statistic <sub>(d.f.)</sub>	p-value	Means
Satisfaction	Information level	0.24 <sub>(1,147)</sub>	0.63	High info: 3.71 Low info: 3.59
	Server/Manager	0.69 <sub>(1,147)</sub>	0.24	Server: 3.54 Manager: 3.75
	Interaction	7.00 <sub>(1,147)</sub>	0.01	High info/Server: 3.28 <sub>a</sub> Low info/Server: 3.81 <sub>a,b</sub> High info/Manager: 4.13 <sub>b</sub> Low info/Manager: 3.36 <sub>a</sub>
Repatronage	Information level	4.69 <sub>(1,147)</sub>	0.03	High info: 3.62 Low info: 3.12
	Server/Manager	0.00 <sub>(1,147)</sub>	0.95	Server: 3.38 Manager: 3.36
	Interaction	6.23 <sub>(1,147)</sub>	0.01	High info/Server: 3.34 <sub>a</sub> Low info/Server: 3.41 <sub>a</sub> High info/Manager: 3.90 <sub>b</sub> Low info/Manager: 2.82 <sub>a</sub>
Reduced negativity	Information level	0.57 <sub>(1,147)</sub>	0.45	High info: 4.69 Low info: 4.49
	Server/Manager	2.26 <sub>(1,147)</sub>	0.14	Server: 4.40 Manager: 4.78
	Interaction	5.63 <sub>(1,147)</sub>	0.02	High info/Server: 4.19 <sub>a</sub> Low info/Server: 4.61 <sub>a</sub> High info/Manager: 5.19 <sub>b</sub> Low info/Manager: 4.38 <sub>a</sub>

**Note:** Interaction cell means with different subscripts differ at  $p < 0.05$

case for repatronage, which provides limited support for the hypothesis. Contrary to *H2a-c*, the person providing the information had no main effect on any of the three dependent variables included in the study. More interestingly, however, is the fact that for all three dependent variables, there was a significant interaction between who provided the information and the level of information. Furthermore, the interactions were all identical in that less (vs more) information was more effective when provided by the frontline employee while more (vs less) information was more effective when provided by the manager. As this was unexpected and there was no way to account for this within the context of our first study, we chose to conduct a follow-up study to allow us to conceptualize and test a possible reason for this finding.

## Study 2

### Source credibility

After investigating a number of possible theoretical explanations for the unexpected interactions we found in Study 1, we began to focus on source credibility. Source credibility refers to the perceived ability or motivation of the individual to provide accurate and truthful information (Kelman and Hovland, 1953). Individuals are often viewed as being high or low in source credibility (Maddux and Rogers, 1980) based on their perceived expertise and trustworthiness. Perceived expertise is the extent to which the assertions made are deemed valid. Trustworthiness refers to confidence in the communicator's intentions to convey assertions he/she considers most valid. A person high in trustworthiness is deemed to be authoritative and competent. The source of the information has been found to influence the persuasive impact of the message such that the higher the source credibility, the higher the evaluative impact (Kaufman *et al.*, 1999). Similarly, when source credibility is low, attribution theory suggests that consumers will discount the arguments in a message (Eagly and Chaiken, 1975). If the manager is thought to be higher in source credibility, this might explain why the information conveyed by the manager was more persuasive.

In a service recovery framework developed by Davidow (2003), one of the six organizational response dimensions he identified was credibility which was defined as "an organization's willingness to present an explanation or account for the problem" (p. 232). According to Davidow (2003), the offering of an explanation offers the firm an opportunity to rebuild trust and enhance the firm's credibility in the face of a service failure. The information provided has the potential to solidify the consumer's belief that the incident was one time in nature and not a reflection of poor service quality that is likely to reoccur. In an empirical study by Davidow (2000) that looked at six response dimensions, credibility was reported to have the second strongest influence on repurchase intentions (after attentiveness). Based on the arguments above, we believe that when the manager provides the information, consumers will view the manager as being credible and trustworthy, which will accentuate the effect on the outcome variables studied. Thus,

*H3.* Expertise and trustworthiness will positively mediate the relationship between who provides the information

and (a) satisfaction, (b) repatronage and (c) perceptions of reduced negativity.

### Study design and manipulation checks

Data were collected from adults in a similar manner to that described in Study 1. In this case, 89 usable responses were received. The same 2 (employee: frontline vs manager)  $\times$  2 (information: low vs high information) experimental design used in Study 1 was used. The scenarios were the same. Manipulation checks indicated the scenarios were perceived to be believable ( $M = 6.35$ ) and that there were no main or interaction effects resulting from a 2  $\times$  2 univariate ANOVA with the extent to which the scenarios were believable as the dependent variable. As in Study 1, the high-information condition was perceived as being more sufficient relative to understanding the cause of the service failure ( $M_{high} = 4.73$ ,  $M_{low} = 3.71$ ;  $p < 0.01$ ). In addition, there was no difference between the frontline employee or manager groups in terms of sufficiency of the information provided ( $M_{server} = 4.34$ ,  $M_{manager} = 4.11$ ;  $p = 0.42$ ).

### Dependent and mediator variable measures

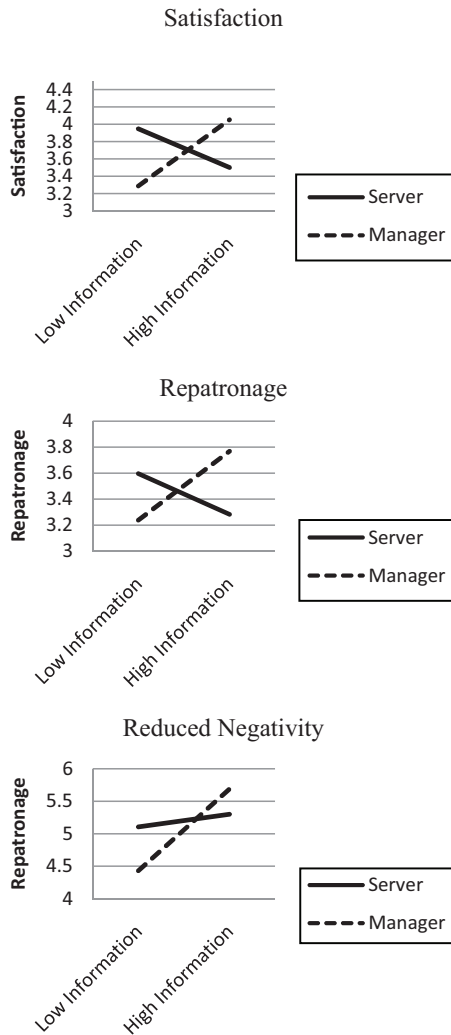
The same items from Study 1 were used to measure satisfaction, repatronage intentions and the extent to which the recovery effort reduced the negativity associated with the failure. The two dimensions of source credibility (expertise and trustworthiness) were measured using 7-point semantic differential scales (Ohanian, 1990). The trustworthiness items included dependability, honesty, reliability, sincerity and trustworthiness ( $\alpha = 0.88$ ), and the expertise items included expertise, experience, knowledge, qualifications and skills ( $\alpha = 0.77$ ).

### Results

Before assessing the potential mediation effects, which is the focus of Study 2, we first wanted to ensure that our results from Study 1 could be replicated. To that end, we conducted the same 2  $\times$  2 ANOVA conducted in the first study. The results indicate a high degree of replication. In particular, in all three cases, there was a significant interaction between who provide the information and the level of information (Figure 2). As in Study 1, there were no main effects for satisfaction. In Study 1, there was a main effect for the amount of information for repatronage, but that was not the case in Study 2. Finally, in Study 1, there were no main effects for negativity reduction, but in Study 2, there was a main effect for the amount of information, with higher levels of information leading to higher levels of reduced negativity associated with the service failure.

To test the possible mediating impact of trustworthiness and expertise on the relationship between who provided the information (frontline employee or manager) and the outcome variables (satisfaction, repatronage and reduced negativity), we utilized a procedure suggested by Preacher and Hayes (2004) which allows for a direct test of the "indirect effect" (i.e. the mediating effect). This is done via the calculation of bootstrapped confidence intervals around the indirect effect which is defined as the value for the path from the independent variable (IV) to the mediating variable (MV) multiplied by the path from the MV to the dependent variable (DV) or the difference in the path from the IV to the DV when only that path is estimated versus the value when the MV is included in the regression equation.

**Figure 2** Interaction plots for satisfaction, repatronage and negativity reduction (Study 2)



The results of our mediating tests can be found in Table II. As can be seen, there are significant mediating effects for expertise and trustworthiness for all three of the dependent variables, as evidenced by the confidence intervals (see LLCI and ULCI in Table II) not containing 0. All of the indirect (mediating) effects are positive (see column headed “Indirect Effects”), indicating that the effect of who provides the information through the mediators (expertise and trustworthiness) on the DVs is positive. Additional

information can be gleaned by examining the coefficients for the paths from the IV and the MV and from the MV to the DV. In all cases, the results are the same in that all paths are positive. As who provided the information is coded as 1 (manager) and 0 (server), this indicates that when the manager provides the information, the impact on expertise and trustworthiness is greater than when the server (frontline employee) provides the information, and that this is carried through the mediator to positively impact the satisfaction, repatronage and reduced negativity.

**Discussion**

The purpose of this research was to investigate the influence of both the information contained in an explanation and the person providing the information after a service failure. Our initial results were somewhat perplexing. Neither the person who provided the information nor the amount of information mattered directly. However, what was interesting was that for all three outcome variables studied (satisfaction, repatronage and reduction of negativity associated with the failure), there was a significant interaction effect. Specifically, higher outcomes were consistently achieved when the frontline employee provided low information or the manager provided high levels of information. Due to this unexpected finding, we conducted a second study designed to help provide an explanation to our results. We found, as expected, that two aspects of source credibility, trustworthiness and expertise, fully mediated the relationship between who provided the information and the outcome variables.

These results seem to indicate that the firm would be best served by getting the manager to address the situation directly with the customer and providing a full account of what went wrong. Thus, our findings are consistent with those reported by Bies and Shapiro (1987) and Dunning et al. (2004), who found that the adequacy of the explanation is what matters but that outcome is constrained by the person doing the talking. Managers have higher credibility in service failure scenarios. Consumers are more likely to believe what they are offered as an explanation particularly when the information provided is deemed a complete account.

However, in cases where the manager is simply not available or making him or her available is simply not practical, the results suggest that the frontline employee should be trained to provide a very short and concise description of the cause of the failure. Our results agree with advice offered by Jones and Sasser (1995, p. 93), who state, “To take full advantage of frontline employees’ interactions with customers [. . .] a company must train

**Table II.** Results of Study 2 mediation tests

Dependent variables	Indirect Effect <sup>a</sup>	Mediator variables				
		Expertise			Trustworthiness	
		LLCI <sup>b</sup>	ULCI <sup>c</sup>	Indirect Effect	LLCI <sup>b</sup>	ULCI <sup>c</sup>
Satisfaction	0.18	0.02	0.45	0.21	0.03	0.52
Repatronage	0.14	0.02	0.34	0.18	0.03	0.44
Reduced negativity	0.21	0.05	0.50	0.16	0.03	0.40

Notes: <sup>a</sup> Represents the effect of the independent variable on the dependent variable through the mediating variable; <sup>b</sup> LLCI = lower-level confidence interval (95 per cent); <sup>c</sup> ULCI = upper-level confidence interval (95 per cent)

them to listen effectively and to make the first attempts at amends when customers have bad experiences". Our results suggest that to be most effective, training should specifically include information relative to how to be concise in describing the reason for the service failure.

There are some inherent limitations relative to our research. There are always limitations associated with using scenarios, as respondents may not be able to project themselves into the situation. However, manipulation checks indicated high degree of believability, so we believe this limitation is minimal. Another potential limitation has to do with the extent to which our findings hold across different service contexts. For example, there might be a difference depending on the occasion of the restaurant visit. Would our results hold if the purpose of the visit was a normal dinner versus one that was for a special occasion (e.g. birthday, anniversary)? As many service encounters are similar to that described in our study, we believe this would be an interesting avenue of investigation.

Unfortunately, the means scores for satisfaction, repatronage and reduced satisfaction do not suggest that the recovery effort was a complete success. The best outcome in Study 2 was a mean of 5.19 (out of a 7-point scale where the higher score reflected a more positive outcome) for reduced negativity when a lot of information was provided by the manager. The means for all of the scenarios relative to satisfaction were 4.13 or below (on a 7-point scale). This suggests that although more information was perceived more favorably when received by the manager, study participants in fact were not highly pleased with the recovery effort. Thus initiatives such as compensation may be needed if the firm is to more fully recover. Research should be conducted to determine the incremental impact of multiple recovery measures including financial compensation.

In addition, consideration could be given to how the expectations created by the service provider might impact the results we report. It would be interesting to see if service providers who create high levels of expectations would be able to recover from failures utilizing less information concerning the failure, perhaps due to consumers perceiving the information as being more credible coming from such a service provider, or if our results would also hold in that case. Finally, what would be the impact of prior experience with the service provider? Our guess is that for those providers with which customers have had lengthy relationships, less information about the failure would be required to recover from a failure. However, if that is true, it would also be interesting to investigate the decay rate of that effect. In other words, if there is a great deal of prior experience which, after a service failure, allows a recovery effort to be effected utilizing less information, how long does that last before the customer begins to require greater amounts information?

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## Appendix

### Scenario 1 (low explanation)

You and three friends arrive at a casual dining restaurant for dinner. After being seated, you place your drink and food order with the server. It takes the server nearly 10 minutes to bring you your drinks. After 40 minutes you still don’t have your food but you notice that the people who arrived after you are nearly finished with their meals.

You call the server over to complain about the slow service. The server listens carefully to your complaint and is very respectful of what you have to say. The server then sincerely apologizes for the delay. The server returns with your food in a few minutes and refills your drinks. The server (manager) apologizes for the slow service and mentions they have just implemented a new process in the kitchen to handle orders. You and your friends eat, pay the bill and then leave the restaurant.

### Scenario 2 (full explanation) (italicized phrases reveal new wording from original scenario)

You and three friends arrive at a casual dining restaurant for dinner. After being seated, you place your drink and food order with the server. It takes the server nearly 10 minutes to bring you your drinks. After 40 minutes you still don’t have your food but you notice that the people who arrived after you are nearly finished with their meals.

You call the server over to complain about the slow service. The server listens carefully to your complaint and is very respectful of what you have to say. The server then sincerely apologizes for the delay. The server returns with your food in a few minutes and refills your drinks. The server (manager) apologizes for the slow service, mentions they have just implemented a new process in the kitchen to handle orders, *and states that the food order ticket was accidentally misplaced in the kitchen. The server (manager) further explains that new system requires that all orders be written on a ticket and attached to a clip that allows the orders to be presented to the cooks in the order in which they were placed. When the food order ticket was placed on the clip it apparently was not well secured because it fell off and landed behind some plates. Once the kitchen personnel noticed the ticket they immediately prepared the food.* You and your friends eat, pay the bill and then leave the restaurant.

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