



# How customers cope with service failure? A study of brand reputation and customer satisfaction



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## ABSTRACT

In this paper we examine the different coping mechanisms used by customers when they confront service failure. It was found that the coping mechanism used by customers changes depending on the severity of the service failure. Further, it was observed that brand reputation moderates the relationship between severity of service failure and coping strategies, customer satisfaction and behavioral intentions under different conditions. We conducted an experimental study in an airline travel context. The data supports the proposed model.

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## 1. Introduction

Failures in service delivery are inevitable and recovery of such encounters represents a significant challenge for service firms. When service failure occurs, customers experience disconfirmation and feel displeased (Smith, Bolton, & Wagner, 1999). Company's reputation in conjunction with its service offering determines customer's expectation. Prior studies report that customers maintain different levels of expectations for high and low reputed brands (Roggeveen, Bharadwaj, & Hoyer, 2007). For high reputed brands, customers have high expectations, and view them as delivering superior services. Research findings have confirmed that customers positively relate to brand reputation and this affects their perception of service performance and benefits (Brodie, Whittome, & Brush, 2009). In such instances, how brand reputation affects the evaluation of service failure is an important managerial issue. To date, little research has focused on the role of brand reputation in assessing the service failure outcomes.

Service failure elicits an internalization process of coping by which the customers attempt to mitigate the stress associated with negative experiences. During service failure, customers engage in a profile of coping strategies such as active coping, avoidance, and support seeking to overcome the undesirable state (Duhachek & Kelting, 2009; Lazarus & Folkman, 1984). However, the stress experienced is contingent upon

the expectations customers have of the service provider (Buchanan, Simmons, & Bickart, 1999). This suggests that customers might use different coping strategies depending upon the expectations associated with the service brand that has failed to deliver. However, there is little systematic research on the linkages between brand reputation, customer coping strategies, and service failure outcomes. To fill this research gap, the current study extends the service failure literature to examine the different coping strategies that customers use in managing service failure, and to determine the role of brand reputation in coping with the service failure.

In this paper we attempt to address a number of issues pertaining to our understanding of services and service failures. First, we examine the role of coping in service failure encounters. Although prior literature proposes various coping strategies to deal with stress from economic crisis, natural disasters, health-related outcomes and depression (Scheier & Carver, 1985; Skoufias, 2003), it is unclear whether they are applicable in a service failure context. Further, as consumers use distinct appraisal processes in evaluating stressful encounters, we expect evaluation of service failures to be associated with different coping strategies. Second, brand reputation impacts the customers' expectations of service performance. In this study, we show that brand reputation and the expectations thereof, influence the evaluation of service failure and customer coping strategies. Finally, this study examines the mediating role of customer coping strategies in the relationship between service failure, brand reputation, and behavioral outcomes. While prior studies have empirically shown the buffering effects of brand reputation (Brady, Cronin, Fox, & Roehm, 2008; Huang,

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2011), the process by which this occurs is not yet fully understood. Few studies that have examined the role of brand reputation using attribution perspective have produced mixed findings (Hess, 2008; Liao & Cheng, 2013). Consequently, we use coping perspective to understand the process by which brand reputation affects the service failure evaluation and its outcomes. This has important implications for the firm in understanding the customers' evaluation process and design appropriate recovery strategies.

## 2. Theoretical framework and hypotheses development

This research investigates the role of brand reputation in coping with service failure and the mediating role of coping strategies in influencing satisfaction and behavioral intentions. While the focus on research until recently has been on service failure (Mattila, 2004; Smith et al., 1999), the different coping strategies customers use to deal with the service failure have not yet been thoroughly examined. Further, Erdem, Swait, and Louviere (2002) contend that brands serve as an effective signal to communicate information and quality expectations. Thus, we study the coping strategies customers use to manage service failures occurring in the case of high reputed brands and low reputed brands. Fig. 1 presents the conceptual framework of the study.

### 2.1. Consumer coping strategies

Coping refers to the actions or thoughts that people use in dealing with stressful encounters. As Folkman, Lazarus, Gruen, and DeLongis (1986) point out, coping is the “constantly changing cognitive and behavioral efforts to manage specific external and/or internal demands that are appraised as taxing or exceeding the resources of the person (p. 993).” The coping strategies are aimed at changing the distressed customer-environment relationship by either altering the relationship and/or by regulating the emotions (Lazarus & Folkman, 1987). Most coping research has been based on Folkman and Lazarus's (1985) seminal work that classified coping into two distinct but complementary strategies: emotion-focused coping and problem-focused coping. A similar framework of coping was proposed by Duhachek (2005) consisting of expressive coping, active coping and avoidance/denial coping. While these studies have conceptualized coping with greater specificity, other researchers have argued for diverse coping strategies that are more parsimonious, empirically derived and theoretically rich (Carver, Scheier, & Weintraub, 1989; Yi & Baumgartner, 2004).

According to Lazarus (2006), the distinction of coping as problem-focused and emotion-focused is too simple, and inaccurate of the way customers use coping strategies to manage stressful encounters. Thus, in this study we propose a multidimensional measure consisting of eight coping strategies.

#### 2.1.1. Action coping (AC)

Consumers who cope with service failures through action coping think about ways to make things better, devise a plan of action, and try to resolve the problem (Duhachek, 2005). They are likely to ruminate about the stressful encounter and possibly attribute the failed encounter to the service provider (Strizhakova, Tsarenko, & Ruth, 2012). This directs the customers to directly confront the service provider to express their displeasure and seek redress.

#### 2.1.2. Rational thinking (RT)

Consumers, who engage in rational thinking, view the service failure from a realistic perspective and focus on the causes by systematically examining the problem (Lazarus & Folkman, 1987). They might attribute the failure as controllable and try to engage in problem solving (Jin & Hong, 2010). Consumers using rational thinking exhibit restraint from acting rashly and avoid showing others how they feel about the negative experience.

#### 2.1.3. Positive thinking (PT)

Positive thinking is a constructive coping response where consumers see an opportunity to learn from the stressful encounters (McCrae, 1984). They perceive the reasons for service failure as uncontrollable and unpredictable and readily forgive the service provider by continuing their patronage (Johnson & Rapp, 2010). The customers accept that the problem could have been worse and concentrate on the good to facilitate positive appraisals of the encounter.

#### 2.1.4. Emotional venting (EV)

Consumers who experience a stressful encounter may try to vent their feelings to get the attention of the service provider. It is a confrontative response in which customers ruminate about the failure and regulate their emotions by expressing their anger or displeasure to the service provider. Parlamis (2012) showed that customers are more likely to vent their anger when they emphasize internal and controllable attribution for the failed encounter.

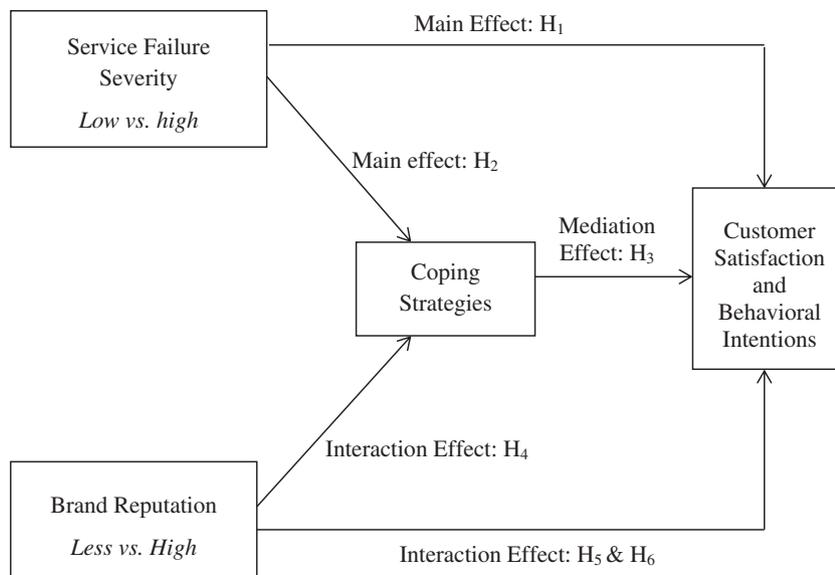


Fig. 1. Conceptual framework of the effects of magnitude of failure and reputation on coping strategies and satisfaction.

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