The Impact of Culture on Consumers’ Perceptions of Service Recovery Efforts

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Dissatisfaction with Casual Dining

- slow service - 82%
- inattentive waiters - 69%
- forgetful waiters - 56%
- waiters don’t know the product - 55%
- unclean plates - 41%
- rushed waiters - 39%
- intrusive waiters - 32%
- incorrect billing - 14%
Unhappy Customers’ Repurchase Intentions

Unhappy Customers Who **Don’t Complain**

- 9%

Unhappy Customers Who **Do Complain**

- Complaints Not Resolved: 19%
- Complaints Resolved: 54%
- Complaints Resolved Quickly: 82%

Percent of Customers Who Will Buy Again

Source: Adapted from data reported by the Technical Assistance Research Program.
Service Recovery

An integral component of service quality and satisfaction programs

Customers expect

- distributive justice (compensation)
- Procedural justice (speedy action)
- Interactional justice (explanation and apology)

What is the role of culture on customer perceptions of service recovery?
Culture Ignored...

- Most CB research relies on theories developed in the US
- Yet, service encounters are social exchanges
  - Differences in service expectations and relational behaviors
- “Culture” defined as the sum of all behavioral norms and patterns collectively shared by a social group
- The notion of self-concept to better understand the culture-based differences
Self-construal

- **Independent self**
  - Person is a stable entity in control of his/her behavior
  - American model

- **Interdependent self**
  - Principle of holism
  - Social conceptions more situation-centered
  - East-Asian model
Attributional Processes

- Unexpected events prompt attributions
- Fundamental attribution error
  - Internal explanations for behavior
  - Underestimate situational constraints
- Less common in non-Western cultures
  - Stressing relationships and connectedness
  - Take into account the situation
Predictions

H1: A causal explanation of the service failure will have a greater (i.e. reducing) impact on American customers’ internal attributions than their East-Asian counterparts.

H2: A causal explanation of the service failure will have a greater (i.e. increasing) impact on American customers’ external attributions than on their East-Asian counterparts.
Outcomes and procedures work together to create a sense of justice.

Regulatory focus theory suggests that Asians tend to focus on avoidance of losses rather than in individual gains (e.g., Lee, Aaker and Gardner, 2000; Briley and Wyer, 2002).

Consequently, compensation should have a more positive effect on Western consumers with independent self-construal than on their Asian counterparts.

H3: Offering tangible compensation will have a more positive impact on post-recovery satisfaction among American customers than their East-Asian counterparts.
Percieved Employee Effort

Prior work in consumer behavior has demonstrated that consumer attributions are linked to customer perceptions of employee effort (Mohr & Bitner, 1995).

In Weiner’s (1980) framework, effort is considered as controllable.

Because volitional control is linked to dispositional beliefs, we argue that consumer attributions should influence their perceptions of employee effort (to resolve the problem).

H4(a): Internal and external attributions will influence customer ratings of perceived employee effort.

H4(b): Perceived employee effort will influence customers’ post-recovery satisfaction ratings.
Methodology

- 2 (culture) x 2 (causal explanation) x 2 (service recovery) quasi-experiment
  - US versus Thai and Malay consumers
    - Independent vs Interdependent Self
  - External explanation
    - Short-staffed due to last minute no-shows
  - Service recovery or compensation
    - 20% off the total bill
Translation procedures

To ensure item equivalence, a forward-translation was employed (Hambleton, 1993)

The US questionnaire was translated by bilinguals whose mother language was Malay and Thai respectively, and then a back-translation made by bilingual authors whose mother language was English (Brislin et al., 1973).
Measures

- Satisfaction – 2 item scale (Smith et al. 1999)
- Perceived employee effort – 4-item scale (Mohr & Bitner 1995) \( (\alpha = .71) \)
- Attribution (Morris & Peng 1994; Folkes et al. 1987; Bies & Shapiro 1987)
  - External attribution \( (r = .32) \)
  - Internal attribution \( (\alpha = .71) \)
- Independent-interdependent self – Singelis’ (1994) 16-item scale \( (\alpha = .77 \text{ for independent self and } \alpha = .73 \text{ for interdependent self}) \)
- Service recovery expectations – McCoullagh et al. 2001
- Propensity to complain- Blodgett et al. 1997
Pre-test

Students US (n=81) and Thailand (n=90) were randomly assigned to the four experimental conditions (tangible compensation and/no compensation or explanation/no explanation)

American students were more likely to attribute the failure to the waiter’s disposition (i.e. lazy), M=3.87 for Americans, M=3.20 for Thais

Responses to the interdependent self scale were significantly different between the two samples, t=5.8, p<.05

No significant differences in the subjects’ ratings for the importance of the service failure
Main Study

- Sample included 150 American participants from an undergraduate program at a large state university, 139 students from a private Thai university and 132 participants from a state-owned university in Malaysia.

- Fifty eight percent of the participants were female with an average age of 21 years.

- Randomly assigned to experimental conditions.
Preliminary Results

- No significant differences in reliability and variance comparisons between the four countries
  - To test the psychometric adequacy of the measures

- Manipulation checks were OK
  - Realism M=5.1; no differences between countries
  - An apology combined with a tangible compensation resulted in less anger (M=4.74) than the no compensation scenario (M=5.05).
  - Similar effects were found for explanation; M=5.00 without explanation and M=4.78 with explanation.

- Interdependent versus independent self ratings were different
To justify the pooling of Thai and Malay subjects, we conducted ANOVA analyses on our dependent variables.

The results were insignificant, $F = .71$, 173, 2.6 and 2.3 for satisfaction with problem handling, internal attribution and external attribution, respectively.

Consequently, the samples from the two Asian countries were combined.
Internal Attribution

- The main effects for compensation and explanation were significant, \( F=15.12 \) and \( F=8.59 \) respectively, \( p<.05 \).

- Qualified by a significant culture by explanation interaction, \( F=14.41, p<.05 \).

- To ensure that self-construal explains the result
  - we created a dummy variable by dividing subjects into high and low groups based on the median split on the two dimensions of self
  - the interaction term between the dummy variables and explanation was added to the ANOVA analyses.
  - The interaction between culture and explanation became insignificant (\( F=3.4, p>.05 \)) when the newly created interaction terms were included in the ANOVA.
The cultural group by explanation interaction effect was significant for the external attribution measure, \((F=3.93, \ p<.05)\)

As with internal attribution, this interaction disappeared when the new interaction terms were included \((F=.915, \ p>.05)\)

Hence, it is the notion of self accounts for the observed differences.
Results: Attribution

INTERNAL ATTRIBUTION

EXTERNAL ATTRIBUTION

No Explanation  Explanation

Internal Attribution

External Attribution

US  East Asia

US  East Asia
Perceived Employee Effort

- The main effects for explanation, compensation and culture were significant, F=4.43, 107.42 and 35.28 respectively, p<.05
- Providing an explanation for poor service increased perceived effort ratings from 3.12 to 3.51 while offering compensation had an even greater impact on perceived employee effort (M=2.74 with no compensation and M=3.89 with compensation)
- American subjects gave lower ratings for employee effort (M=2.98) than East-Asians (M=3.53)
- Internal and external attribution ratings were significant as covariates in the ANOVA (F=26.64 and F=4.52, respectively, p<.05)
- Hence, attributional processes influence perceived effort ratings
Post-recovery Satisfaction

- Culture by compensation interaction (F=4.43, p<.05)
- Compensation had a strong positive impact on satisfaction among North American participants whose satisfaction ratings increased from 2.31 without compensation to 4.08 with compensation.
- The magnitude of the impact was smaller with the East-Asians, M=2.91 without compensation and 4.11 with compensation.
- Perceived employee effort was significant as a covariate, F=92.75, p<.05, thus indicating that perceived employee effort has an impact on post-recovery satisfaction.
Discussion

- Quality of interpersonal interaction drives customer evaluations
  - Understanding of cross-cultural differences important for service recovery
- The independent cultural orientation assumes that the person is a bounded, stable entity whose behaviors reflect internal attributes
- East-Asian cultures with an interdependent view of self perceived social behaviors as a function of relationships and situational pressure
- Differential sensitivity to situational constraints influence consumer attributions for service failures
  - Causal explanation might reduce the FAE among US consumers
    - Explanation reduced internal attributions while simultaneously increasing external attributions in the North American sample
  - Moderates their service recovery perceptions
Discussion continued

- Explanation had a positive effect on perceived employee effort
  - controlled for consumers attributional processes
  - effort also linked to post-recovery satisfaction

- Satisfaction is a complex phenomenon
  - Compensation had a more positive effect on satisfaction with problem handling among North-American participants than their East-Asian counterparts.
  - culture moderates people’s perceptions of unfavorable outcomes
  - People with independent orientation tend to focus on individual gains
  - East-Asians tend to focus on avoidance of losses
    - Might prefer other compensation methods
Managerial Implications

- For US consumers, staff should be trained to provide a genuine and sincerely offered explanation
- US consumers, due to their predominantly independent self-construal are more receptive to compensation
  - empower front line employees
- For East-Asian consumers, a causal explanation has relatively little impact on blame attributions
  - other remedies needed
  - a speedy resolution to the problem and a genuine apology from a manager (rather than say a front line receptionist) in order to regain ‘face’ in the eyes of their family and friends
Limitations

- Hypothetical scenarios
- Three countries
- Self-reports
- Other compensation methods or other types explanations?
- A single service category