# Exploring the Effect of Service Recovery Strategy on Internet Consumers' Satisfaction and Word-of-Mouth

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**Abstract**
On the Internet, the consumers can easily change their mind and switch to other online shops if they encounter service failure (i.e., in appropriate packing). However, if the service failures can be recovered successfully, the customers will retain. Thus, the objective of current study was to examine the customers' satisfaction and positive word-of-mouth spread intention after the online retailers adopt different service recovery strategies when the participants experienced service failure. A laboratory experiment was conducted in which three types of service recovery strategies (correction, replacement and unsatisfactory correction) were designed to deal with the most popular online service category: the packaging problem. There are 75 subjects voluntarily participated the experiment, with 25 respondents in each experimental condition. The experimental results suggested that three types of service recovery strategy resulted in significantly different responses in satisfaction (F (72, 2) =65.907, p<0.001) and word-of-mouth spread intention (F (72, 2) =32.707, p<0.001). Specifically, correction and replacement will resulted in significantly higher satisfaction and word-of-mouth intention. While unsatisfactory correction caused the lowest responses on both dependent variables. Results from current study can provide theoretical contribution to service recovery literature in e-commerce context, as well as practical contribution to online retailers regarding the choice of appropriate service recovery strategies.

# I. INTRODUCTION

Taiwan online shopping market rapidly increases. In recent years, the domestic's Internet population continues to rise, coupled with 2010 mobile device sales began to grow significantly. Mobile Commerce and the integration of actual and virtual channel began to prevail in the e-commerce industry. According to Industry intelligence (MIC), the population of regular Internet users in Taiwan came to 1,097 million in 2011. Ever-increasing population provides excellent foundation for the development of online shopping and other commercial activities.

Many online shopping stores are of small scale and lack of enough number of employees. It is hard to avoid make mistakes in the service delivery process. Once the service failure occurs, the online stores may not be able to give consumers a timely and satisfactory service recovery. The research displayed that there are up to 50-67% of customers who experienced service with companies were not satisfied with the outcome (Zeithaml, Berry, & Parasuraman, 1991). Therefore, customers who have experienced service failure are not often satisfied about how the problems are resolved. However, complained customers who were satisfied with the service recoveries have higher repurchase intentions than those original customers who were satisfied and did not complain (Gilly, 1987).

Thus, the objective of current study was to examine the customers' satisfaction and positive word-of-mouth spread intention after the online retailers adopt different service recovery strategies when the participants experienced service failure.

# II. RESEARCH METHOD AND DATA ANALYSIS

A laboratory experiment was conducted in which three types of service recovery strategies (correction, replacement, and unsatisfactory correction) were manipulated. The focal product in the experiment is a set of personal computer (including: ASUS LCD 24 inch, ASUS Core i5/8G DDR3/500GB host hard disk drive, ASUS wired set of keyboard and mouse). The participants were exposed to a description of packaging problem, and three service recovery strategies were presented to three groups of participants. Their satisfaction and word-of-mouth spread intention were collected to indicate the effect of different service recovery strategies.
There are 75 subjects voluntarily participated the experiment, with 25 respondents in each experimental condition. There were more female (58.7%) participants than male (41.3%). The data also show that most respondents were student (98.7%) and aged 15-24 years (100%).

The Analysis of Variance (ANOVA) was used to test the main effect of service recovery strategy on two dependent variables. The results indicated that different service recovery strategies resulted in significantly different responses in satisfaction ($F_{(72, 2)} = 65.907$, $p < 0.001$) and word-of-mouth spread intention ($F_{(72, 2)} = 32.707$, $p < 0.001$). Specifically, correction and replacement will resulted in significantly higher satisfaction and word-of-mouth intention. While unsatisfactory correction caused the lowest responses on both dependent variables.

## III. CONCLUSION

The results from current study showed that both correction and replacement resulted in significantly higher satisfaction level and word-of-mouth intention than unsatisfactory correction. Thus, the result was consistent with the findings from previous study which suggested that the satisfaction level for "correction" is the highest, and no buyer was satisfied with "unsatisfactory correction" (Kuo, Yen, & Chen, 2011). In addition, although "packaging problem" is a popular and critical service failure, effective recovery strategy can actually increase the consumers' satisfaction and word-of-mouth spread intention. In the online shopping industry, there are many possible different types of service recovery strategies can be adopted, while the important thing is to choose an appropriate one so as to effectively reduce damage caused by service failures to the online retailers.

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