Cultural Differences in the Effect of an Explanation on Consumers' Perceived Justice and Post-Recovery Satisfaction

Boo Huey Chern and Ting Lee Hui
University Putra Malaysia, MALAYSIA

ABSTRACT

Service failure is an unavoidable reality faced by many service businesses today. A failure in service delivery leads to dissatisfied customer behaviors such as switching and spreading negative word-of-mouth. Therefore, service providers need to be actively involved in returning customers' negative perceptions to a state of satisfaction. This study was conducted to specifically examine the effect of an explanation in mitigating the ill effect of unfavorable outcomes. In addition, the present study extended previous cultural research by focusing on the three major Eastern cultures (i.e., Chinese, Indian, and Malay/Muslim). The results of this study reveal that an explanation is associated with procedural justice. The provision of an explanation actually backfires in the Eastern cultures. Furthermore, perceived interactional justice and post-recovery satisfaction are lower among the Chinese than the Malay, while the Indian is indifferent. This study contributes to the cross-cultural relationship marketing literature. In addition, it is also provide guidance to industry practitioners in using this simplest and the most cost-effective tool as a service recovery initiative in managing customer perception.

***Keywords**: culture, service recovery, explanation, service failure, perceived justice, post-recovery satisfaction.*

INTRODUCTION

Marketing literature lacks supporting evidence on the relationship between service quality and customer satisfaction, as well as the behavioral consequences

of customer satisfaction. In the services industry, however, the occurrence of service failure is unavoidable owing to the inseparability and heterogeneity of service. When service fails, consumers feel that they are deprived of a satisfactory experience. Thus, it is important that service providers rectify the situation. They must be involved actively in anticipating the appropriate needs for recovery in order to stay competitive in today's marketplace.

The "service recovery paradox" suggests that service recovery is significant in changing customers' negative perceptions to a state of satisfaction in an unfavorable consumption experience (Sparks and McColl-Kennedy, 2001). Effective recovery initiatives or strategies can restore customer satisfaction and prevent customers from switching and spreading negative word-of-mouth (Bitner et al., 1990; Holloway and Beatty, 2003). Numerous service recovery initiatives were suggested in the previous literature, such as discount, apology, replacement, or refund. An explanation appears to be the simplest and cheapest tool to restore customer satisfaction.

Weiner (2000) reported that when negative service encounters occur, consumers tend to seek an explanation. Mattila (2006) also demonstrated that offering an explanation for a service failure can positively influence customer distributive perceptions. Even in organizational settings, causal explanations have been widely used in order to moderate the ill-effects of unfavorable outcomes (Shaw et al., 2003). An explanation elicits favorable feelings as it helps consumers to understand the service failure and reduce their inferences about potential causes for poor performance.

While research on service recovery in the West has long begun, the field of cross-cultural services research has only gained the attention of academic research recently (Mattila, 2006; Sparks and McColl-Kennedy, 2001). Christensen (2007) argued that consumers' cultural models are vital to create unique recovery preferences and expectations after a service failure. To be successful in the global market, a solid understanding of the uniqueness of the specific cultures in which the firm competes is needed. Acknowledging the importance of service recovery and the possible different effects of culture, this study examines how an explanation influences the post-recovery satisfaction and perception of justice of service failures among the different Asian cultural groups. Malaysia, a multiracial society comprises three major cultural groups in Asia - Chinese, Indian, and Malay/Islamic, providing a good platform for sub cultural studies on Asian customers.

LITERATURE REVIEW

Service recovery refers to actions that are taken by the service provider in order to change customers' negative perceptions to state of satisfaction in an unfavourable consumption experience (Sparks and McColl-Kennedy, 2001).

Service recovery is important for the "service recovery paradox" phenomenon. More positive consumers' post-consumption behaviours, such as increasing the satisfaction level and building loyalty faster, were reported than when no failure had occurred at all (Blodgett et al., 1997; Hart et al., 1990; Kelley et al., 1993). Previous studies also showed that customers expect to receive some forms of service recovery initiatives to compensate for their loss and to increase their satisfaction towards the restaurant (Smith et al., 1999; Tax et al., 1998). As a result, many service organizations offer various forms of recovery initiatives.

Nevertheless, customer satisfaction and loyalty will be determined by whether customers feel they have been treated fairly throughout the complaint handling process (Liao, 2007). Previous research has demonstrated strong relationships between customers' justice perceptions and their satisfaction with service recovery and willingness to do business with the service company again (Goodwin and Ross, 1992; Smith and Bolton, 1998; Smith et al., 1999; Sparks and McColl-Kennedy, 2001). Clemmer and Scheider (1993) claimed that customers care about justice and expect to be treated fairly in service encounters. In addition, satisfaction with complaint handling has been found to increase customer trust and retention (Kelley and Davis, 1994) and to mediate the relationship between customer fairness perceptions and post complaint commitment to a long-term relationship with the service provider (Tax et al., 1998).

The notion of fairness is important as consumers expect "fair" resolutions to product and service failures. According to Tax et al.'s (1998) justice framework, customers normally use three constructs of justice to evaluate the fairness of the complaint management process. The three types of fairness are distributive, procedural, and interactional fairness. Specifically, distributive justice focuses on the perceived fairness of the outcome of the process and includes providing compensation to the dissatisfied customers. Procedural justice involves the perceived fairness of procedures, that is the process employed in resolving the service failure. Whereas interactional justice refers to the manner in which the customer is treated throughout the recovery process.

There are many service recovery initiatives, such as credit discounts, refunds and apology to make peace with dissatisfied customers. An explanation appears to be the simplest and cheapest tool to restore customers' satisfaction. Explaining to customers what might have caused the service failure may also enhance customer satisfaction. This open communication may alleviate customers' bad feelings about the service failure. An explanation itself may also be viewed by customers as an important piece of information, a valuable outcome, and a means to understand and control their service environment, thereby enhancing customers' perceived justice.

There is evidence supporting the effect of an explanation on people's fairness perceptions (Bies and Moag, 1986; Bies and Shapiro, 1987; Shaw et al., 2003). For example, Tax et al. (1998) reported higher levels of customers'

perceived interactional justice when they were provided with explanations about what had gone wrong in their encounters with one of the four industries (i.e., telecommunications, health care insurer, bank, and providers of ambulatory and emergency services). Similarly, the meta-analysis conducted by Shaw et al. (2003) also demonstrated that explanations influenced the perceived fairness of outcomes or distributive justice (Shaw et al., 2003).

Cross-cultural studies, however, reveal that recovery initiatives may exhibit different effects on consumers in different cultures. For example, Mattila and Patterson (2004a, b) found that compensation (e.g., discount and apology) was more effective in restoring a sense of justice to the American respondents than to the East Asian (Thai and Malaysian) respondents. The researchers asserted that the difference could be attributed to the highly independent self-view among the Americans. On the other hand, the East Asian culture places more weight on equal treatment than equity. Although Eastern culture is more collectivist compared to the Western in general, treating the heterogeneous Eastern culture as one in operating a global business could be disastrous. This is reflected in the different reactions by the Chinese and the Muslim towards several incidents happening around the world. Taken together, we hypothesize the following:

H1: Consumers' justice perceptions are different among the three cultures.
H2: An explanation increases customer-justice perceptions.
H3: Providing an explanation is positively related to customer satisfaction with service recovery through the mediation of customer-perceived justice.

METHODOLOGY

This research employed a 3 (culture: Malay vs. Chinese vs. Indian) × 2 (causal explanation: present or absent) between-subjects design. In this study, a scenario description was used to operationalize the causal explanation effect. The reasons for using the scenario are that this method avoids the problems of intentionally imposing service failures on customers and it minimizes memory-bias, which is common in self-reports of service failures (Smith et al., 1999). Moreover, the use of the scenario is supported by Weiner (2000) and Goodwin and Ross (1992).

There were altogether six treatment groups. Each subject from the three cultural backgrounds was randomly assigned to one of the two scenarios (explanation or without explanation). In the explanation present condition, the service failure (long wait) was described as being caused by situational factors (i.e., the restaurant was short-staffed owing to two of the workers calling in sick at the last moment). Conversely, in the no explanation condition, no justification for the failure was given. The two levels of explanation were crossed with the three cultures.

In both of the scenarios, casual dining restaurants were chosen as the target service category for two reasons. First, a service failure such as a long wait was commonplace in the restaurant industry (Tax et al., 1998). Second, Malaysian consumers are highly exposed to food and beverage outlets and experience the same problems, thus simplifying the stimulus development.

The sample was composed of workers from the banking industry. This group was targeted primarily because they fitted the profile of the typical restaurant customer. They are potential customers of the casual dining restaurant owing to their higher monthly income level. This purposive sample was selected with attention paid to control their age and gender.

The manipulation of the scenario was checked with three items adapted from Goodwin and Ross (1992) and Smith et al. (1976). Subjects were asked to indicate the realism of the scenario description (1 = highly realistic, 7 = highly unrealistic), the importance of the service failure described (1 = not important, 7 = very important), and their frustration with the service breakdown (1 = not at all, 7 = very).

This study employed six 7-point Likert scale items (1 = strongly disagreed and 7 = strongly agreed), adapted from Smith et al. (1999), to capture the subjects' satisfaction with service recovery. Subjects were also asked to indicate their perceived fairness of the service recovery. The scale for the justice dimensions was also adapted from Smith et al. (1999). The nine items were measured using 7-point scale with 1 = strongly disagreed and 7 = strongly agreed.

RESULTS

Of the 267 bank workers approached, 187 (70.04%) responses were used. The rejection of questionnaires was due to incomplete questionnaires. From the survey, the distribution of male and female respondents was approximately equal (56.1% females and 43.9% males). The average age of the respondents was 30 and the overall range was from 20 to 48. The majority of the respondents were single (52.9%), earned more than RM2000 per month (59.4%), had at least a certificate/diploma (84.3%) and had never worked in restaurant (69.6%).

Manipulation Checks

The results of manipulation checks (Table 1) reveal successful operationalization of the scenarios. Specifically, the scenario realism was not significantly affected by culture and explanation ($F (5, 181) = 1.021$, $p = .407$). A similar result was observed for the service failure criticality ($F (5, 181) = 1.863$, $p = .103$), and emotional response ($F (5, 181) = 1.889$, $p = .098$).

Table 1: Mean ratings for scenario realism, service importance,
and emotional response

Treatment	Mean (standard error)		
	Realism	**Importance**	**Rage**
Without explanation			
Malay	5.065 (.158)	5.806 (.179)	5.839 (.161)
Chinese	5.362 (.163)	6.034 (.185)	5.466 (.166)
Indian	5.152 (.153)	5.667 (.173)	5.515 (.156)
With explanation			
Malay	5.129 (.158)	6.323 (.179)	5.887 (.161)
Chinese	5.364 (.153)	6.152 (.175)	5.348 (.156)
Indian	4.967 (.161)	5.867 (.182)	5.483 (.163)

Hypothesis Testing – Justice Perceptions

A factor analysis was performed on the perceptions of nine fairness items. The result confirmed three underlying factors (a) distributive justice, (b) procedural justice, and (c) interactional justice. The reliability statistic, Cronbach's α of the three types of justice measurement were .622 (distributive), .802 (procedural), and .811 (interactional).

The overall F tests of analysis of variance (ANOVA) revealed insignificant results of the full model for both distributive justice (F $(5, 181)$ = 1.439, p = .212.) and interactional justice (F $(5, 181)$ = 2.009, p = .079). Hence, H1 and H2 are not supported. Table 2 shows the mean ratings of distributive and interactional justice perceptions among the six treatment groups.

Table 2: Mean ratings for the perceptions of distributive, procedural,
and interactional justice

Treatment	Mean (standard error)		
	Distributive justice	**Interactional justice**	**Procedural justice**
Without explanation			
Malay	4.903 (.221)	4.828 (.184)	4.452 (.178)
Chinese	4.500 (.229)	4.333 (.190)	3.802 (.184)
Indian	4.667 (.214)	4.354 (.178)	3.932 (.172)
With explanation			
Malay	4.871 (.221)	4.784 (.184)	3.960 (.178)
Chinese	4.470 (.214)	4.192 (.178)	3.447 (.172)
Indian	4.200 (225)	4.511 (.187)	3.775 (.180)

On the other hand, the ANOVA results for procedural justice failed to reject the full model (F(5, 181) = 3.499, p = .005). The interaction effect between explanation and race was not significant (F (2, 181) = .347, p = .636). However, the main effect of explanation (F (1, 181) = 5.344 p = .022) and race (F (2, 181) = 5.434, p = .005) was found to be significant. Specifically, the procedural justice perception was significantly lower (p = .003) among Chinese respondents (M = 3.624) than their Malay counterparts (M = 4.206) who were significantly different from the Malay community (p < .05). However, the Indian result (M = 3.853) was indifferent compared to their counterparts, Chinese (p = .353) and Malay (p = .122). Table 2 shows the mean ratings of procedural justice perceptions among the six treatment groups. Contradicting the hypothesis, an explanation was found for reducing the perception of procedural justice among the three cultural groups (M = 4.062 for no explanation; M = 3.727 for explanation). Taken as a whole, the findings are inconsistent with H2 but support H1.

Hypothesis Testing – Post-recovery Satisfaction

H3 asserted that providing an explanation is positively related to customer satisfaction with service recovery through the mediation of customer-perceived justice. A factor analysis was performed on three satisfaction items that suggested a single underlying factor with the scale reliability coefficient of .859.

The ANOVA yielded a significant result of the full model (F (6, 180) = 15.187, p = .000). Procedural justice was a significant covariate (F (1, 180) = 70.425, p = .000). The interaction effect between explanation and culture was also significant (F (2, 180) = 3.166, p = .045) for the post-recovery satisfaction. However, the main effects of an explanation (F (1, 180) = .468, p = .495) and culture (F (2, 180) = 1.339, p = .265) were found to be indifferent. Specifically, the Chinese satisfaction level was significantly lower (M = 3.425) than the Malay's (M = 4.048) when an explanation was provided (p = .014). However,
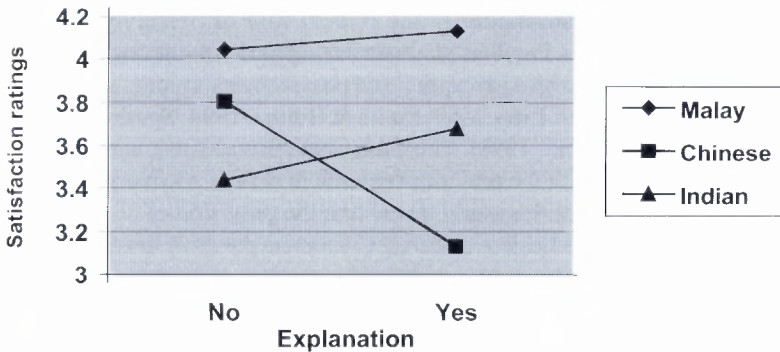

Figure 1: Post-recovery satisfaction ratings by explanation and culture.

the satisfaction level was not different among the three cultural groups when no explanation was offered (ps > .05). Thus, H3 is partially supported.

DISCUSSION

This study adds to our understanding of cultural influences on customer perceptions of service recovery initiatives. It is generally recognized that culture shapes consumer behaviour (Maheswaran & Shavitt, 2000). Previous studies have mainly focused on the effect of an explanation in western and eastern contexts. In this research, we further examine fairness judgments and the role of culture on customers' satisfaction. The results of this study revealed several important implications.

Firstly, the findings of this study suggest the provision of an explanation did not affect the perception of distributive and interactional justice but rather procedural justice. This contradicts many of the previous findings (e.g., Mattila & Patterson, 2004; Mattila, 2006). According to McColl-Kennedy and Sparks (2003), distributive justice refers to "what the customer receives as an outcome of the recovery process". On the other hand, interactional justice concerns "the manner" in which the service problem is dealt with. Furthermore, previous studies also demonstrated that procedural justice evaluations may be affected by an explanation that justifies the process used to allocate outcomes (Conlon & Murray, 1996; Tax et al., 1998). We, therefore, argue that since an explanation does not provide any tangible return to consumers, it is not regarded as distributive justice. While the tone or manner in explaining the service situation may be related to interactional justice, the act of explaining is not. In fact, it is part of the service process. In the collectivism culture such as the Eastern society, explanation is commonly used as a means to resolve conflict and to preserve the harmony of society. Hence, it is not surprising that an explanation is associated with the procedural justice dimension.

Second, the mediation effect on procedural justice on customers' post recovery satisfaction substantiates the critical role of perceived justice in handling service failures. Previous literature has supported the strong relationship between the customer justice perception and post recovery attitude and behavior (Goodwin & Ross, 1992; Liao, 2007; Smith & Bolton, 1998; Sparks & McColl-Kennedy, 2001; Tax et al., 1998). Thus, this result is consistent with the justice theory and is in line with the previous research in service recovery.

Third, the results of this study reveal that the provision of an explanation actually backfires in the Eastern cultures. Customers perceive lower procedural justice when an explanation is provided. This result may be rationalized from the perspective of how consumers perceived the explanation. Following Shaw et al. (2003), an explanation may be viewed as a justification or an excuse. If consumers considered the explanation to be an excuse (a lack of a feasible

option) for the wrong doing, then an explanation will have a more beneficial effect. Hence, explanations might backfire if regarded by customers as the service organization's attempts to justify poor service delivery and to place rather than take blame (Liao, 2007).

Fourth, the negative effect of an explanation in recovering from a service failure is more profound among the Chinese compared to the Malays. One plausible reason may be the operationalization of the scenario. In this study, the service failure was recovered with an explanation, as well as an apology. The Chinese culture holds to the belief that apologies mean "confessions of responsibility for negative events which include some expression of remorse" (Tedeschi & Norman, 1985, p. 299). However, the acknowledgement of responsibility is reduced when the service providers try to make causal explanations. On the other hand, the apology may have soothed the dissatisfaction among the Malays. As for Indians, the indifferent ratings compared to their Malay and Chinese counterparts may be due to their political, economic and social experiences. Specifically, the Indians are the smallest of the three main ethnic groups and are often regarded as a minority race. Given this unique position in the country, the Indians in Malaysia hold to a middle ground generally between the Malay and Chinese communities.

Managerial Application

The findings suggest a number of important managerial implications for understanding the role of cultural influences on consumers' perceptions and responses in a service failure situation. In fact, the staff might avoid offering an explanation to the Chinese consumers as the act might backfire. Chinese consumers may perceive that the staff or the firm is trying to deny any responsibility for the service failure instead of solving the problem. The service provider needs to be aware that the three cultural groups are likely to prefer other remedies, such as 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. Overall, a word of caution should be noted. That is, any explanation that is perceived to be less than genuine to deflect responsibility from the firm can backfire and have a particularly damaging impact on the firm's perceived service quality efforts.

REFERENCES

Bies, R. J. & Moag, J. S. (1986). *Interactional communication criteria of fairness*. Research in Organizational Behavior, JAI Press, Greenwich, CT.

Bies, R. J. & Shapiro, D. L. (1987). Interactional fairness judgements: The influence of causal accounts. *Social Justice Research*, **1**, 199-218.

Bitner, M. J., Booms, B. H. & Tetreault, M. S. (1990). The service encounter: Diagnosing favorable and unfavorable incidents. *Journal of Marketing*, 54, 71-84.

Blodgett, J. G., Hill, D. J. & Tax, S. (1997). The Effects of Distributive, Procedural and Interactional Justice on Postcomplaint Behavior. *Journal of Retailing*, 73(2), 185-210.

Clemmer, E. C. & Schneider, B. (1993). *Managing customer dissatisfaction with waiting: Applying social–psychological theory in a service setting*. In T. A. Swartz, D. E. Bowen & S. W. Brown (Ed.), Advances in service marketing and management, 2, 213-229. Greenwich, CT: JAI Press.

Goodwin, C. & Ross, I. (1992). Consumer responses to service failures: Influence of procedural and interactional fairness perceptions. *Journal of Business Research*, 25, 149-163.

Hart, C.W. L., Heskett J. L. & Sasser, W. E. Jr. (1990) The profitable art of service recovery. *Harvard Business Review*, 68, 148 -56.

Holloway, B. B. & Beatty, S. E. (2003). Service failure in online retailing. *Journal of Service Research*, 6(1), 92-105.

Kelley, S., Hoffman, D. & Davis, M. (1993). A typology of retail failures and recoveries. *Journal of Retailing*, 69, 429-452.

Liao, H. (2007). Do it right this time: The role of employee service recovery performance in customer-perceived justice and customer loyalty after service failures. *Journal of Applied Psychology*, 92(2), 475-489.

McColl-Kennedy, J. R. & Sparks, B. A. (2003). Application of fairness theory to service failures and service recovery. *Journal of Service Research*, 5, 251-67.

Shaw, J., Wild, E. & Colquitt, J. (2003). To Justify or Excuse? A Mete-Analytic Review of the Effects of Explanations. *Journal of Applied Psychology*, 88(3), 444-458.

Smith, A., Bolton, R. & Wagner, J. (1999). A model of customer satisfaction with service encounters involving failure and recovery. *Journal of Marketing Research*, 34, 356-372.

Sparks, B. A., McColl-Kennedy, J. R. (2001). Justice strategy options for increased customer satisfaction in a services recovery setting. *Journal of Business Research*, 54, 209-18.

Tax, S., Brown, S. W. & Chandrashekaran, M. (1998). Customer evaluations of service complaint experiences: implications for relationship marketing. *Journal of Marketing*, 62, 60-76.

Weiner, B. (2000). Attributional thoughts about consumer behavior. *Journal of Consumer Research*, 27(3), 382-7.