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Submission date: 18-Jun-2021 02:49PM (UTC+0700)

Submission ID: 1608462887

File name: Kussusanti_cek_turnitin_JAFEB.pdf (404.55K)

Word count: 6705

Character count: 38241

Informational Justice and Post-recovery Satisfaction in E-Commerce, The Role of Service Failure Severity On Behavioral Intentions

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1. Introduction

Companies may have tried as much as they can, to prevent service failure and to serve well, but service failure can still arise. 100% service quality can't be applied, especially if the definition of service is viewed from the customer side (Fisk, Brown, & Bitner, 1993). In online transactions, as increasingly more people doing the online shopping, the possibility of service failure will also increase. Online stores will also need to develop appropriate service recovery strategies (Gohary, Hamzulu, & Alizadeh, 2016), that are different from what has been used in an offline retail (Forbes, Kelley, & Hoffman, 2005). Service recovery effort is needed to be done appropriately, in order to avoid double deviation scenario, failure in the initial service failure stage, as well as the recovery failure stage. Smith and Bolton (1998) and Bitner, Booms and Tetreault (1990) states that it was not the service failure itself, but the failure to recover that caused the customer to be more dissatisfied.

Some studies are using justice theory to explain service recovery (Kuo and Wu, 2012), but only with three dimensions, which are procedural, distributive and interactional justice. There is only one study that examine informational justice and combines the four dimensions of justice theory simultaneously (Gohary *et al.*, 2016). In the service recovery process, especially on online transactions, more attention is needed to be put in the delivery of information, since more limitations exists in the media that is being used for communicating. This makes online service recovery are somewhat more difficult (Hart, Heskett, & Sasser, 1990). Therefore, appropriate communication medium in the service recovery process (Kattara & El-Said, 2014) are required.

However, satisfied customers that receive service recovery are not guaranteed to be retained since they can still switch to another company (Forbes *et al.*, 2005; Weun, Beatty and Jones, 2004). Online customers are more prone to this, because they can easily find alternatives in the other companies, by simply opening mobile applications or other online shopping sites on their smartphones. Therefore, customer loyalty becomes more difficult to achieve in the context of online than offline (Liang, Chen, & Wang, 2008). On the other hand, Holloway and Beatty (2003) and Li (2015) state that dissatisfaction with service recovery is not enough to make customer leave a company. The customer who are disappointed with the recovery effort, still tend to be loyal and shopping at the same company in the future. Bennett (1997) also states that the repurchase rate in online retailing is still high although complaints do not result in customer satisfaction.

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Another thing that will be tested in this research is service failure severity. As a moderating variable, service failure severity affects the relationship between perceived justice and post-recovery satisfaction (Bambauer-Sachse & Rabeson, 2015). Yet, Weun *et al.* (2004) shows that the influence of satisfaction on commitment weakened when service failure severity is getting worse. Customers who are satisfied with the service recovery, do not necessarily have a high commitment to the company. However, service failure severity proved to have no significant moderation effect on the relationship between satisfaction with trust and negative word of mouth.

From this description, it can be seen that there is a wide range of research result or inconclusiveness regarding the impact of post-recovery satisfaction. Secondly, there is little research on service failure severity as a moderating variable. Specifically, study on the effect of service failure severity as moderation between post-recovery satisfaction and repurchase intentions and positive e-word of mouth intentions in online transactions has not been found. Therefore, it is necessary to conduct further research to confirm the effect of post-recovery satisfaction on behavioral intentions in online transaction, and service failure severity as a moderating variable.

While the internet offers many advantages, including interactivity, connectivity, and the ability to customize (Ching & Ellis, 2006), it turns out that e-commerce could be a double-edged sword with its dehumanization of relationship (Liang & Chen, 2009). Therefore, it becomes more important for online companies to manage and improve customer relationships (Brun, Rajaobelina, & Ricard, 2014) with different recovery strategies than the one being used in the traditional retail (Forbes *et al.*, 2005). Despite the many challenges in service recovery and the lack of human interaction in online retail, the company can still achieve effective service recovery (Sousa & Voss, 2009).

This study was conducted in Indonesia which has a population of 259.1 million, with internet users range from 88.1 million (We Are Social, 2016), while the customers who conduct online transactions is 7.4 million in 2015 and increased to 8.7 million in 2016 (Spire, 2017). The value of e-commerce transactions in Indonesia reached US\$5.78 billion in 2016 and is predicted to increase to US\$7.06 billion in 2017 and US\$8.59 billion by 2018 (Statista, 2016). Unfortunately, the rapid increase of online business in Indonesia has not been accompanied by improved services. Therefore, it is necessary to conduct research on post-recovery satisfaction in this country.

2. Literature review

2.1. Informational justice

A lot of justice theory research uses three dimensions, namely procedural, distributive and interactional justice (Kuo and Wu, 2012; Gi Park, Kim, & O'Neill, 2014). Distributive justice is defined as the fairness in giving compensation in accordance to customers' losses (Tax, Brown, & Chandrashekar, 1998), and can both be in a form of monetary and non-monetary (Smith, Bolton, & Wagner, 1999). Procedural justice is defined as the fairness in the process of delivering a result, relating to policies and procedures used to solve problems (Leventhal, 1976), such as service failure (Mattila, 2001). Duffy, Miller, & Bexley (2006) stated that customer satisfaction is strongly influenced by service recovery processes, rather than simply compensating.

Informational justice is defined as the fairness on the given and provided information (Colquitt, 2001), that has to be trustworthy, reliable (Greenberg, 1990), and sincerely delivered (Bies, Shapiro, & Cummings, 1988). In marketing, Gohary *et al.* (2016) added that the informational justice need to be considered as an important factor in the

service recovery process, particularly in Iranian online customers' context. Information must be delivered on time, in line with expectations, open, honest (Gilstrap & Collins, 2012) and accurate (Kernan & Hanges, 2002). In the organizational context, perceptions of informational justice are evidently in relation to employee job satisfaction (Colquitt, 2001). Gohary *et al.* (2016) proves that informational justice is positively related to post-recovery satisfaction, making informational justice needs to be considered as an important factor in online shopping, particularly in the service recovery process. This gives rise to the following hypothesis: **H1: Informational justice has a positive effect on post-recovery satisfaction.**

2.2. Post-recovery satisfaction

Service recovery is defined as a required active action of the service provider company. This is needed to be done immediately as a correction due to a service failure or something that is happening outside the expectation (Grönroos, 1988). Post-recovery satisfaction refers to customer satisfaction after receiving corrective action from the company due to the occurrence of service failure. It is different from customer satisfaction towards service at the first meeting (Kuo and Wu, 2012; Mattila, 2001).

Disconfirmation theory explains that customers compare their expectations of a service with what they ultimately accepted (Bearden and Teel, 1983; Oliver, 1980; 1993; 1999; Swan and Trawick, 1981). This is similar with the post-recovery satisfaction. After experiencing service failure and complaining, customer expects for a good service recovery, that is based on their personal value and view about a good service recovery (Singh & Widing, 1991). If the customer experiences a negative disconfirmation, customer dissatisfaction will then arises (Oliver, 1993; Singh and Widing, 1991; Swan and Trawick, 1981). Oppositely, customers will be satisfied if they experience a confirmation or positive confirmation. One of the customer assessment about a service is measured through behavioral intention, such as repurchase intention, and positive word-of-mouth intentions (Jeon & Kim, 2016). Behavioral intention is an indication of one's readiness to show a behavior that is the immediate cause of the behavior (Ajzen, 1985).

2.3. Repurchase intention

Repurchase intention that is the customer's interest in buying company's products or services again after receiving service recovery efforts (Smith & Bolton, 1998). Several studies have shown that service recovery are done to achieve customer satisfaction and repurchase interest (Tax *et al.*, 1998; Berry, 1995; Smith *et al.*, 1999; Smith and Bolton, 2002; Blodgett, Granbois and Walters, 1993; 1997), customer loyalty, trust and commitment, and positive word of mouth (Andreassen, 2000; Tax *et al.*, 1998; Maxham and Netemeyer, 2002).

For online services, Holloway, Wang and Parish (2005), Fang, Chiu and Wang (2011), Kuo and Wu (2012), and Chang, Lai and Hsu (2012) proved that in the recovery of online services, satisfaction with recovery actions may have a strong effect on repurchase intentions. Fang *et al.* (2011) said that the repurchase intentions are the most influenced by customer satisfaction than other factors. Holloway *et al.* (2005) affirms this, stating that satisfaction is an important determinant of repurchase intentions. Based on this description, hypotheses can be formulated: **H2: Post-recovery satisfaction have a positive effect on repurchase intentions.**

2.4. Word of mouth intention

Beside of the effect on purchase intentions, post-recovery satisfaction also affects the word of mouth intentions (Gohary *et al.*, 2016; Wirtz and Mattila, 2004), include both positive and negative (Ortiz, Chiu, Wen-Hai, & Hsu, 2017). Word of mouth is the communication between one party to another, containing information about the evaluation of a goods or service, either positive or negative (Goyette, Ricard, & Bergeron, 2010). Today, word of mouth about one's experience can spread quickly, and can even become a viral topic of discussion in the cyberspace (Stauss, 1997). The behavior of e-WOM includes the act of disseminating information about the product, giving advice, and recommendations to others through electronic media (Lii & Lee, 2012).

In term of service recovery, several studies have shown that satisfaction on service recovery has a significant positive impact on positive word of mouth (Maxham and Netemeyer, 2002; Schneider and Bowen, 1999). In the context of online services, Swansons and Kelley (2001) proved that post-recovery satisfaction has an effect on e-word of mouth, while Holloway *et al.* (2005) proved that there is a negative impact of post-recovery service satisfaction on negative word of mouth, moderated by the cumulative online purchasing experience. Anaza (2014) added that customers who are more satisfied with online shopping services are more likely to recommend the online shopping website to family or friends. Therefore, hypotheses can be formulated: **H3: Post-recovery satisfaction has a positive effect on positive e-word of mouth intentions.**

2.5. Service failure severity

Service failure severity is defined as a customer's assessment of the level of problems that occur in a service. Service failure severity proved to negatively affect satisfaction, trust, commitment and positive effect on negative word of mouth (Weun *et al.*, 2004). The severity of service failure should be taken into account (Hart, Heskett and Sasser, 1990; Kelley, Hoffman and Davis, 1993). The worse a service failure, the greater the loss customer satisfaction (Weun *et al.*, 2004). Some studies have shown that the higher the severity of the service failures, the greater the service recovery efforts is needed to be able to turn disappointment into customer satisfaction, and the more difficult for service providers to achieve total satisfaction (McCollough, 2009; Magnini *et al.*, 2007; Smith and Bolton, 1998; Weun *et al.*, 2004).

As a moderation variable, service failure severity has been shown to be able to influence the relationship between satisfaction and commitment (Weun *et al.*, 2004). These findings indicate that the effect of customer satisfaction on commitment decreases in conditions of worsening service failure. Thus, the customer that satisfied with the service recovery effort does not necessarily mean that they will have a high level of trust or commitment to the service provider company. Therefore, for this study, hypotheses can be formulated: **H4: The post-recovery satisfaction effect on repurchase intentions decrease with increasing service failure severity, and H5: The post-recovery satisfaction effect on positive e-word of mouth intentions decrease with increasing service failure severity.**

This theoretical framework is as shown in Figure 1.

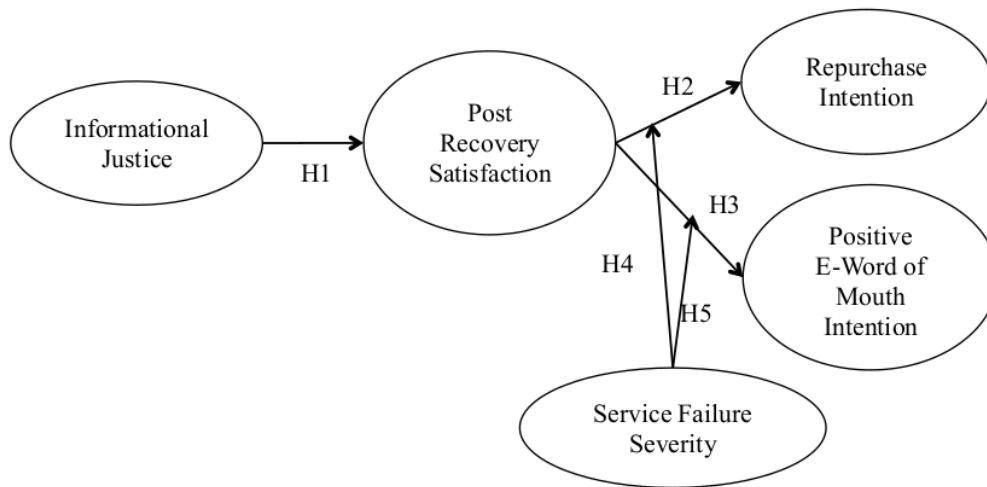


Figure 1: Conceptual Framework

3. Methodology

This research uses quantitative method to calculate data and make conclusion to the sample taken. Therefore, data collection and data analysis will be done structurally and will require a statistical analysis (Malhotra, 2010). The population for this study are online customers in Indonesia, with non-probability sampling that will be done by purposive sampling method based on predetermined criterias (Cooper & Schindler, 2014). This will be customers who were doing transactions in the Business to Consumer (B2C) online sites, experienced service failure in the last 6 months, submitted a complaint, and received a response.

This research uses online survey questionnaire in a form of Google Docs with accessible link being spread to e-mail addresses. There were 869 incoming responses, but not all of them are in accordance with the criteria of respondents. Those who did not meet the criteria of the respondents, could not continue to answer questions, and for those who meets the criteria are welcome to answer the question to completion. For 50 lucky respondents, a pre-paid phone voucher of Rp25.000 was provided.

Respondents are welcome to answer questions in the link by clicking on the available answer options. Their answers will then go straight into the Microsoft Excel data format and ready to be processed. This online survey technique is self-administered, and web-based. This is made possible since the respondent of this study are online customers who have been familiar with the internet. This data collection technique has been successfully used in several previous studies (Im and Hancer, 2014; Li, 2015). 317 respondents were collected between the first week of August 2017 until the third week of September 2017.

Data analysis method used in this research is quantitative analysis, using the Structural Equation Modeling (SEM) with Lisrel program, that combine factor analysis, structural model and path analysis. The analysis includes analysis of measurement model, structural model test, and hypothesis test. The test of moderation variables will be done with the interaction model, because both variables are continuous (Wijanto, 2015).

4. Result

A pilot study with 30 respondents is conducted to test the validity and reliability. KMO-MSA score shows 0.848 for informational justice variable, 0.812 for post-recovery satisfaction, 0.818 for service failure severity, 0.901 for repurchase intentions and 0.856 for positive e-word of mouth intentions. All of them are above 0.05, which means all the measuring tools used (questionnaire) has proven to be valid and that further testing can be done. Reliability test score using Cronbach's Alpha Based on Standardized Items shows the value of 0.973 for informational justice variable, 0.984 for post-recovery satisfaction, 0.969 for service failure severity, 0.984 for repurchase intentions and 0.974 for positive e-word of mouth intentions. All of them are above 0.6, which means that all of the four constructs with their respective items are reliable.

4.1. Descriptive analysis

Most of the respondents (66%) are between 22-36 years old. They are called generation Y or millennial, being born between 1981-1995. This is consistent with Kelly (2017) which stated that millennial spend more online shopping (67%) than offline (33%), because they use the internet more often than other generations (Valentine & Powers, 2013) and use texting more often as their communication mode compared to any other generation. The respondents of this study were quite balanced between men (54%) and women (46%). Most of them have completed the bachelor's degree (44%) and work as employees (62%).

Result shows that service failure are commonly experienced by a mismatch in the expected product quality received (30%). Fashion (clothes, shoes, and bags) is being the most purchased products (43%) that majority (34%) falls into Rp101.000 – Rp250.000 price range. When experiencing a service failure, online chat is being the most used media to voice their complaint (46%). This is not a surprise, since generation Y tends to opt for text messaging to communicate, instead of e-mail or phone (ExecutiveVoice, 2016).

4.2. Measurement model analysis

Before passing the SIMPLIS analysis program by LISREL, a preliminary test was done and shows no negative error, no standardized coefficients exceeding 1, and no extremely large standard error. In addition, the validity test was done using Standardized Factor Loading (SFL) indicator to its latent variable. The result indicates that all variables have SFL > 0.50 which means that it's very significant (Hair, Black, Babin, & Anderson, 2009), t-value > 1.96 and RMSEA < 0.08, i.e. 0.063.

Reliability test is also done to see consistency of measurement model from latent variable of research, by calculating construct reliability (CR) and variance extracted (VE) values from standardized factor loading and error variances. The result shows that all constructs meet the reliability requirements of construct reliability value ≥ 0.7 and variance extracted ≥ 0.5 . The overall fit model test is done to see how fit the data are to the model. As a result, nine of the eleven measures of Goodness of Fit show a good fit.

4.3. Structural model analysis

Two things were done in the analysis of this structural model, which are the Goodness of Fit test and hypothesis testing for causal relationships. Goodness of fit testing uses the measurement of RMSEA, NFI, NNFI, PNFI, CFI, IFI, RFI, SRMR, GFI, AGFI and PGFI. Most of the result shows a good fit. The result of hypothesis testing for causal relationships can be seen in Table 1 and Table 2.

Table 1: Summary of Structural Model

Hypothesis	Coefficient	t-value	Result
H1 Informational justice → Post-recovery satisfaction	0.71	9.33*	Supported
H2 Post-recovery satisfaction → Repurchase intentions	0.67	12.47*	Supported
H3 Post-recovery satisfaction → Positive e-word of mouth intentions	0.68	11.42*	Supported

*Significant with t-value > 1.96.

Table 2: Result of Moderator Test

IV	Moderator	DV	Coefficient	t-value	Result
H4 Post-recovery satisfaction	Service failure severity	Repurchase intentions	-0.41	-7.41*	Supported
H5 Post-recovery satisfaction	Service failure severity	Positive e-word of mouth intentions	-0.45	-7.79*	Supported

*Significant with t-value > 1.96.

Hypothesis 1 is proven, with informational justice having a significant positive effect on post-recovery satisfaction (t = 9.33, value of coefficient = 0.71), which means that there is a significant positive influence. Therefore, hypothesis 1 is supported with data in this research model. The result of significance test on hypothesis 2 also shows that there is positive significant influence. Hypothesis 2 is supported with data that are supporting the research model (t value = 12.47, coefficient value = 0.67). This means that there is significant positive effect of post-recovery satisfaction on repurchase intentions. Similarly, hypothesis 3 is also proven (t value = 11.42, coefficient value = 0.68), which means that there is a significant positive influence of post-recovery satisfaction on positive e-word of mouth intentions. Therefore, hypothesis 3 is supported with data in this research model.

For the moderation variable, there was a significant influence of service failure severity, with t value = -7.41 and coefficient value = -0.41 for hypothesis 4 and t value = -7.79 and coefficient value = -0.45 for hypothesis 5.

5. Discussion

This study proves that the informational justice has a positive effect on post-recovery satisfaction. This supports the results of Gohary *et al.* (2016) research, stating that informational justice is positively related to post-recovery satisfaction. In this research, informational justice criterion is measured from the completeness and the clarity of information, delivered transparently and immediately, also provided the further information. Informational justice is also considered good if the information provided is reasonable, appropriate to the needs, helpful, and delivered through communication media in accordance with customer choice, such as online chat, e-mail, or phone. This supports Colquitt (2001) and Gilstrap and Collins (2012), stating that information justice includes clarity, transparency, accuracy, completeness and reasonability. The effect of communication on customer satisfaction is in accordance with the statement of Ching and Ellis (2006), defining that communication openness is the process of sharing information between two parties in a timely manner. Van Vaerenbergh, Larivière, & Vermeir (2012) also stating that

communication in the service recovery process positively affects post-recovery satisfaction, and it is necessary to convey a message from one's point of view accurately.

Hypothesis 2 in this study is supported, which means that it supports Anderson and Mittal (2000), Kuo and Wu (2012), Mattila (2001), Xu, Yap and Hyde (2016), Maxham and Netemeyer (2003), Roggeveen, Tsiros and Grewal (2012), and Smith *et al.* (1999) which states that the intentions of repurchasing is the impact of customer satisfaction. In the context of online services, it supports Holloway *et al.* (2005), Fang *et al.* (2011), Kuo and Wu (2012), and Chang *et al.* (2012) which states that satisfaction with recovery actions has a strong effect on repurchase intentions. Customer satisfaction with recovery efforts is measured by the customer's perception, whether they are satisfied with the solution to the problem, complaint handling, expected service recovery and pleasant handling. Repurchase intentions is measured by an indicator that the customer will still want to transact with the same online store after receiving complaint handling, and having the intentions to repurchase at the same online store in the near future, even for the long term.

Through the test of significance on hypothesis 3, this research proves that post-recovery satisfaction has positive significant effect on positive e-word of mouth intentions. This supports several previous studies, such as Maxham and Netemeyer (2002) and Schneider and Bowen (1999) who stated that post-recovery satisfaction influences positive word of mouth. In the context of online services, the effect of post-recovery satisfaction on positive e-word of mouth has been demonstrated by Swansons and Kelley (2001), and Anaza (2014). From this research we can see that the positive e-word of mouth intentions is measured by several factors, namely through electronic media, customers will be willingly to tell others about their shopping experience, recommends to buy from the online store, even write positive reviews. They will also tell about the online store as more than any other online store. Specifically, they will tell about the handling of the complaints they received. This is in line with Orsingher, Valentini and de Angelis (2010) statement, that word of mouth includes the behavior of giving information about a company, product or service to other potential customers.

For the moderation variable, the result shows that there is a significant effect of service failure severity. It makes both hypotheses 4 and 5 are supported. It means that the more severe the failure rate of the service will make customer's satisfaction on service recovery decreases its influence in making customer to repurchase. Service failure severity also proved to have a weakening effect of post-recovery satisfaction on positive e-word of mouth intentions, especially when service failure severity increases. Balaji and Sarfar (2013) stated that satisfaction in service recovery is expected to remain positive for repurchase intentions and word of mouth, even though service failure severity increases. This is still possible because of the counterfactual thinking, such as the contrary judgment of the service recovery performance of a company. Patrick, Lancellotti and Hagtvedt (2009) described that customers who are sorry or disappointed with previous experiences do not show inertia but are more likely to try to do it again if there is a chance, as an alternative action from previous events. With counterfactual thoughts, customers are motivated to repeat similar actions in the future, in hopes of changing for the better one (Epstude and Roese, 2007; 2008).

6. Conclusions

The contribution of this research is to prove that informational justice is able to be the fourth dimension for justice theory. Through several analysis conducted on communication media, information disclosure, and the nature of two-way communication, it shows that there is a difference between information and communication. Information is a part of the communication process. Therefore, changing the dimension of informational

justice into communication justice can be proposed. The result also shows that post-recovery satisfaction has positive effect on repurchase intentions and positive e-word of mouth intentions. In addition, service failure severity has been shown to moderate the relationship between post-recovery satisfaction and behavioral intentions, both repurchase intentions and positive e-word of mouth intentions. This is a novelty contribution of this research.

As a managerial recommendation, online store management needs to ensure customer satisfaction with service recovery efforts, since it will increase customer interest in repurchasing and spreading positive e-word of mouth. In addition, online store management needs to make the failure of the service not too severe. In terms of electronic word of mouth, it can be suggested that the company should provide facilities that make it easier for customers to do e-word of mouth. For example by providing links to social media that can be used to spread positive stories with just one click. Giving rewards or points can also be given to customers who write testimonials, reviews or tell their experiences to others.

To add the research on online context, research in the C2C online store can be complementary. To add the result of this study, further research can be done by studying various forms of e-word of mouth, both positive and negative e-WOM, various media used, such as social media, e-mail, online discussion forums, customer review, as well as the effect of rewards given to the customer on customer testimonial.

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