Customer-company identification in service failure context: the role of service recovery, corporate social responsibility, and customer participation

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CUSTOMER–COMPANY IDENTIFICATION IN SERVICE FAILURE CONTEXT: THE ROLE OF SERVICE RECOVERY, CORPORATE SOCIAL RESPONSIBILITY, AND CUSTOMER PARTICIPATION

KWAN HO YAN
Ph. D. Thesis

HONG KONG BAPTIST UNIVERSITY
2015
Customer–Company Identification in Service Failure Context: 
The Role of Service Recovery, Corporate Social Responsibility, and 
Customer Participation

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A thesis submitted in partial fulfilment of the requirements 
for the degree of 
Doctor of Philosophy

Principal Supervisor: Dr. SIU Noel Yee-Man
Hong Kong Baptist University
July 2015
DECLARATION

I hereby declare that this thesis represents my own work which has been done after registration for the degree of PhD at Hong Kong Baptist University, and has not been previously included in a thesis or dissertation submitted to this or any other institution for a degree, diploma or other qualifications.

Signature: ______________________

Date: July 2015
ABSTRACT

In today’s competitive marketplace, simply satisfying customers is no longer sufficient to assure long-term customer-firm relationships, especially for firms that experience a service failure. Companies are now looking for additional ways to secure customer retention and raise customer loyalty. By applying social identity theory, this research empirically explores customer–company identification (customer identification) and its potential predicting factors in a service failure context.

Service failures are inevitable but create negative emotions and behaviors in consumers that are directed against service firms. Service recovery from a failure is always a vital step in pacifying dissatisfied customers and maintaining ongoing relationships with them. However, is identification among customers also influenced by service recovery? The effect of customer perceptions of service recovery on customer identification is first examined in the present research.

Moreover, given that service recovery may not always work in the desirable way that service firms expect, executing recovery is not the single solution for relationship maintenance following failed service. In contemporary marketing, corporate social responsibility (CSR) is considered a measure for rebuilding customer relationships that offers firms “insurance-like” protection against negative situations. Then, would CSR complement a recovery strategy and be effective in protecting firms from service failure? The effect of the interplay between recovery and CSR on customer identification in the advent of a service failure is examined.

In addition, today’s customers are eager to participate in their service experience. Customers can now enjoy services by cooperating with service providers. Whereas the current literature emphasizes the benefits of customer participation only in routine service settings, this research attempts to further explore the potential moderating role of customer participation in service delivery (either service provision or service recovery) in influencing customer post-failure identification and subsequent responses in a failure context.

A multi-method approach has been adopted in the present research. A field survey was first conducted using a sample of 354 customers in Hong Kong; this was followed by two scenario-based laboratory studies using a total of 370 students. The research findings contribute to the literature and social identity theory by examining the interaction between recovery and CSR with respect to customer identification in a service failure. The results demonstrate that perceived recovery justice positively influences customer post-failure identification with a service firm. Also, high perceived CSR performance is more effective in fostering customer identification when customers have lower justice perceptions regarding the recovery attempt. Furthermore, the research sheds light on the value of involving customers in service delivery. Customer participation in either service provision or recovery strengthens the positive impact of CSR on customer identification and ultimately contributes to customer loyalty intentions. Therefore, involving customers in co-creating service or recovery is a cost-effective strategy to strengthen customer-firm relationships even in the advent of a service failure.
ACKNOWLEDGEMENTS

Foremost, I wish to express my deepest gratitude to my two supervisors, Dr. Noel Y. M. Siu and Dr. Tracy J. F. Zhang, for their excellent guidance, patience, and continuous support of my PhD study and research. Without their guidance, I would never have been able to finish my thesis.

I would also like to thank my thesis committee, Prof. Douglas West, Prof. Zhou Nan, Prof. Gerard P. Prendergast, Dr. Alex S. L. Tsang, Dr. Henry Fock, and Dr. Candy K. Y. Ho, for their insightful comments and feedback on this PhD thesis.

My sincere thanks also go to Danielle Au, Erato Ho, Sandra Lee, Bryan Lo, Tina Low, Niko So, Miko Tse, and Wilson Wong for helping me collect samples in the field. My research would not have been possible without their help.

Finally, I would like to thank my family members for their love and support throughout my life.
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1.1 Research Background

Building and retaining strong customer relationships is one of the most challenging tasks facing service businesses today, especially when a service failure occurs. Simply satisfying customers is no longer sufficient to sustain long-lasting relationships in a highly competitive service market. Service firms should thus look for additional ways to manage customer relationships. Based on social identity theory (Tajfel, 1978; Tajfel & Turner, 1985), customer–company identification (customer identification in this research) is an important relational factor that represents “a different aspect of the customer-firm relationship than the classic customer satisfaction construct” (Homburg, Wieseke, & Hoyer, 2009, p. 39). Although the significance of identification in the customer realm has been highlighted (e.g., Dutton, Dukerich, & Harquail, 1994; Homburg et al., 2009, Keh & Xie, 2009), a paucity of studies has discussed the role of customer identification and its potential drivers in non-routine situations such as a service failure.

According to Bhattacharya, Rao, and Glynn (1995), customer identification is based on customers’ perceptions of the firm and its offerings. Service firms always aim to provide customers with high-quality services. However, due to the high level of human involvement in service delivery, service failures, such as provision errors or service delays, are inevitable (Patterson, Cowley, & Prasongsukarn, 2006). Ample evidence suggests that service failure leads to customer dissatisfaction (Hess, Ganesan, & Klein, 2007; Smith & Bolton, 1998; Smith, Bolton, & Wagner, 1999) and negative emotions (Bougie, Pieters, & Zeelenberg, 2003; Sánchez-García & Currás-Pérez, 2011); it also contributes to customer complaint behavior (Tax, Brown, & Chandrashekaran, 1998), negative word-of-mouth, and switching behaviors (Bolton, 1998; Keaveney, 1995; McCollough, Berry, & Yadav, 2000). Given these negative customer responses to service failure, service recovery, defined as actions taken by a service provider in response to a service failure (Grönroos, 1988), is an important step for not only correcting a service problem, but also retaining affected customers and preventing customer defections caused by the service failure. The significance of service recovery has been acknowledged in prior research. For instance, superior recovery can overcome customer disappointment, create greater satisfaction, and ensure
customer loyalty (Hart, Heskett, & Sasser, 1990; McCollough et al., 2000; Smith & Bolton, 1998). However, because the vast majority of service recovery research has focused on customer satisfaction evaluations and immediate reactions such as word-of-mouth communication and repurchase intentions (e.g., Hess et al., 2007; McCollough et al., 2000; Smith & Bolton, 1998), little is known about how customer perceptions of recovery attempts following a service failure influence customers’ identification with the service provider or how customer identification influences customer loyalty in a service failure-recovery encounter.

In addition, the recovery from a service failure may not always work as service providers expect, and ineffective recovery can exacerbate the negative situation and intensify customer dissatisfaction, negative emotions, and defections (e.g., Bitner, Booms, & Tetreault, 1990; Keaveney, 1995; Smith & Bolton, 1998; Tax et al., 1998). Given the varying effects of recovery on customer post-failure responses, executing recovery is not the single strategy to retain customer relationships and secure customer loyalty after a service failure.

Considerable research has been conducted in recent years to examine the benefits of corporate social responsibility (CSR) initiatives with regard to corporate financial performance (Barnett & Salomon, 2006; Brammer & Millington, 2008) and consumer attitudes and evaluations of a firm, including consumer satisfaction (Luo & Bhattacharya, 2006) and loyalty (Du, Bhattacharya, & Sen, 2007). Beyond the context of routine settings, recent research has found that CSR can act as insurance protecting firms from unfavorable situations (Eisingerich et al., 2011; Klein & Dawar, 2004). Researchers have argued that engaging in CSR activities helps firms generate goodwill and moral capital (Godfrey, 2005; Godfrey, Merrill, & Hansen, 2009). Such CSR-driven goodwill can reduce the overall severity of sanctions and temper stakeholders’ negative judgments toward firms. Although marketing research pertaining to service failure has long emphasized the importance of service recovery in restoring customer satisfaction (e.g., Kelley & Davis, 1994; Smith et al., 1999), to date, no empirical studies have examined customer identification in the service failure context by simultaneously addressing the protective roles of service recovery and CSR. This research attempts to fill the gap by investigating the role of CSR in the context of service failure and recovery encounters and to explore whether CSR is a strategic complement to service recovery in the service failure context and in what ways
CSR can be effective in protecting firms from a failed service encounter.

Furthermore, today’s customers are eager to participate in the service provision and delivery process due to advances in technology and knowledge. Customers themselves can participate in creating service outcomes and ensuring their satisfaction (Bitner et al., 1997). The early work identified the benefits of engaging customers in the production process. For instance, customer participation is related to perceptions of service quality and customer satisfaction (Dellande, Gilly, & Graham, 2004; Gallan et al., 2013; Kelley, Skinner, & Donnelly, 1992), as well as increased productivity (Bowers, Martin, & Luker, 1990). However, these studies tended to emphasize customer participation in routine production situations with successful outcomes. Limited attention has been given to the influence of customer participation in situations where the failure is co-created by the customers (e.g., Bendapudi & Leone, 2003). Would customers’ level of participation affect their evaluation of the failed service and responses toward the service firm? Moreover, following a service failure, customers can act as co-creators in the service recovery and participate in taking actions to resolve the service problem. Dong and colleagues (2008) were the first to explore customer participation in service recovery. They found that customers who participate in co-created service recovery have greater satisfaction with the service recovery experience. Although considerable research has examined factors that influence the effectiveness of service recovery, little is known about the role of customer participation (in either service provision or service recovery) in moderating the recovery impacts on post-failure customer relationships. Given that the benefits of customer co-creation of value have been well recognized, this lack of research on the participatory role of customers in the service failure and recovery process indicates a gap in the literature. Thus, to address this research gap, an investigation of the moderating role of customer participation in service co-creation is important and necessary.

Therefore, the present research proposes a model that helps address the above knowledge gaps and contributes to the literature in several ways. First, considering the notion of customer identification in the context of service failure, the model examines the interaction between *perceived recovery justice* and *perceived CSR performance* on *customer–company identification* and consequently customers’ *loyalty intentions* (i.e., loyalty to company and loyalty to
company-initiated CSR activity). This enriches our understanding of the protective role of CSR in failed service encounters. Second, the moderating roles of customer participation in service delivery (in either service provision or service recovery) in recovery-CSR interaction affecting customer identification are explored, providing a clear picture of the strategic value of involving customers in service co-creation.

1.2 Significance of the Research

The present research attempts to fill several research gaps uncovered in the literature and contribute to the managerial practices of services industries.

First, although considerable work has documented the benefits of customer identification, limited research has considered and applied the concept to non-routine situations. Addressing customer identification in the context of service failure is therefore of great interest to academics. This research extends the identification literature by establishing the predictors and outcomes of customer identification when a service failure occurs.

Second, given the significance of service recovery from failure, extensive studies have been carried out to explore its impacts on customer satisfaction, repurchase intentions, and other behavioral outcomes (e.g., Andreassen, 2001; Maxham & Netemeyer, 2002; Maxham & Netemeyer, 2003). However, little attention has been given to how recovery influences customer-company relationships from a psychological perspective. This study thus enriches the literature by exploring how customer perceptions of recovery influence their post-failure identification with a service firm.

In addition, though service recovery is considered an essential strategy to retain customer relationships following a service failure, it may not always work as effectively as service providers predict and expect. The effectiveness of recovery can vary depending on many factors, including failure severity, customer perceptions of the recovery effort, and levels of perceived justice (DeWitt, Nguyen, & Marshall, 2008; Kau & Loh, 2006; Smith & Bolton, 2002). Therefore, what will complement a recovery strategy in customer relationship maintenance in a service failure? Previous research has demonstrated the active role of company image in mitigating negative impacts resulting from service failures (e.g., Sajtos, Brodie, & Whittome, 2010). Company image is shaped by different factors,
including market performance and corporate social performance. Recent research has explored the protective role of CSR in brand evaluations in the context of a product-harm crisis (Klein & Dawar, 2004). Some studies have suggested that consumer resistance to negative information can be induced and strengthened when consumers perceive a firm as socially responsible (Eisingerich et al., 2011; Klein & Dawar, 2004). However, to the best of our knowledge, there is a paucity of studies exploring the impact of CSR on consumer identification in a service failure and recovery encounter. To address this gap, this research aims to investigate the role of CSR in shaping customers’ post-recovery evaluations of service providers. Also, research on CSR has mostly focused on tangible goods industries (e.g., Sen, Bhattacharya, & Korschun, 2006) rather than services (Vlachos et al., 2009). This research provides a new perspective in service research by addressing both service recovery and CSR simultaneously and helps answer the following questions: Does CSR work with service recovery as an insurance policy and is it effective in protecting firms from failed service encounters? Under what situation does the insurance effect of CSR disappear? Is it worthwhile for firms to invest in and implement CSR for long-term sustainability?

Furthermore, in considering a large body of literature on service recovery, the impact of customer co-creation of services on customer-company relationships in the context of a service failure-recovery has not been well studied. It remains unclear how customers’ participation in service provision or co-created recovery influences their perceptions and reactions toward service firms following a service failure. In this research, the moderating role of customer participation in service delivery is studied. The research advances academics and practitioners by providing a better understanding of the customer participatory role in customer relationship maintenance in the context of a service failure and recovery.

Last but not least, building strong customer-firm relationships and customer loyalty are ultimate goals for service organizations. However, these organizations may face challenges when service failures occur. This research enables managers to better understand customer responses in service failure and recovery encounters and provides them with valuable guidelines for designing effective service recovery strategies. This research also highlights the strategic role of CSR in the service failure context and sheds light on its significant contribution to long-term
sustainability.

The marketing literature does not provide a complete and clear picture of the psychological process that underlies how service recovery and CSR interplay to secure and maintain strong customer relationships with service providers. Extending the existing literature, the current research contributes by proposing an integrated model of factors that influence customer evaluations of firms in a service failure-recovery context. Specifically, this research examines how the interaction between perceived justice in the recovery and CSR performance is related to customer identification; this is followed by an investigation of the moderating roles of customer participation in service delivery (participation in either service provision or co-created recovery) in the recovery-CSR effect toward customer post-failure identification. In addition, the relationship between customer identification and customer loyalty intentions is examined, which also enriches our understanding.

1.3 Research Objectives
This study aims to:

- Extend the identification literature by empirically testing the role of customer–company identification in the context of a service failure.
- Investigate the interaction effect between service recovery and CSR on customer identification and consequently customer loyalty intentions (loyalty to company and loyalty to corporate-initiated CSR activities) in a service failure context.
- Examine the moderating role of customer participation in the relationship between recovery-CSR interaction and customer post-failure responses.
- Advance the knowledge of corporate leaders and managers on the merits of CSR in building and ensuring long-term relationships with customers, even in a service failure.
- Provide practitioners with managerial insights into the value of involving customers in service co-creation and considering such involvement a cost-effective strategy for sustainable customer-company relationships.

1.4 Outline of Thesis
The present study is organized into six chapters. Chapter 1 introduces the
research background, research objectives, and research gaps. Chapter 2 presents a theoretical framework based on social identity theory, stakeholder and social exchange theories, and theories of justice and attribution within service failure and recovery encounters; these theories serve as the foundation for hypotheses development.

Following the theories, Chapter 3 provides a detailed literature review on focal constructs, including service recovery, corporate social responsibility, and customer participation in service delivery, customer identification, and customer loyalty. Chapter 4 provides details on the research methodology comprising the study procedures, sampling, measurement, and data analysis methods of both the field survey and experimental studies, followed by the research findings and results presented in Chapter 5. Finally, this study concludes with a discussion of the theoretical and managerial implications of the findings, presented in Chapter 6.
CHAPTER 2 THEORETICAL BACKGROUND

This chapter discusses a number of theories that have been applied and used to underpin the theoretical model and hypotheses of this research.

2.1 Social Identity Theory

First proposed by Tajfel (1978), social identity theory is a social psychological-related theory to explain and predict one’s cognitions and behaviors with the help of group processes. It is based on the assumption that in addition to a personal identity, the self-concept of an individual is partly defined by his or her belonging to social groups. According to Tajfel and Turner (1979), a social group comprises people who perceive belongingness to a particular group and define themselves as a member of that group. In other words, individuals define themselves according to “both individualizing attributes and collective attributes of the social groups to which they belong” (Homburg et al., 2009, pp. 41-42).

Social identity theory has been further discussed and developed by academic scholars, including John Turner. Based on the understanding of social groups, Turner (1987) proposed self-categorization theory, which emphasizes how and when a person defines himself or herself as an individual and part of a group entity. It contributes to explaining the functioning of one’s mind and behavior (Turner & Reynolds, 2011). The theory of self-categorization suggests that human beings categorize people into groups (e.g., gender, occupation, nationality) to simplify and make sense of their social world (Turner et al., 1987). The process of self-categorization often relies on similarities among people. When individuals perceive a group that shares their values, norms, and behaviors, they are likely to self-categorize as a member of that group.

Based on the theories of social identity (Tajfel, 1978; Turner, 1984) and self-categorization (Turner, 1987), people always go beyond their personal identity to develop a social identity by identifying with particular organizations or groups with the aim of articulating their sense of self (Bhattacharya & Sen, 2003; Kreiner & Ashforth, 2004). According to Tajfel and Turner (1985), developing social identifying relationships with organizations with shared attributes allows individuals to distinguish themselves from other out-group people. This in turn helps enhance their self-esteem and satisfy their self-definitional needs.
Social identification has been regarded as the extent to which individuals perceive themselves and the focal social group as sharing common defining attributes. It is the perception of oneness with a group (Ashforth & Mael, 1989). Organizational identification is one form of social identification in which people define themselves in terms of membership in an organization. It is formed when the organizational identity is perceived as having attributes consistent with the perceiver’s self-concept. Organizational identification has been widely studied in the areas of management and organizational behavior (Dutton et al., 1994; Riketta, 2005). For instance, prior research has demonstrated that identification of organizational members such as employees contributes to organizational citizenship behaviors (Bergami & Bagozzi, 2000), member loyalty (Mael & Ashforth, 1992), and reduced turnover (Mael & Ashforth, 1995).

In addition, the concept of social identification has been extended in customer contexts. Given that business organizations have their own image, values, and identity, they can serve as meaningful and significant categories with which customers can identify, which helps customers define their own self-concepts (Bhattacharya & Sen, 2003). The Nike athlete and Apple owner are well-known examples. Customers’ self-definitional needs can thus be partly satisfied by affiliating with business companies they patronize (Homburg et al., 2009). Consistent with the predictions of social identity theory, customers are motivated to act favorably toward a firm with which they identify as they are prone to conform to its norms and to maintain congruence between their sense of self and the firm’s desirability (Bhattacharya et al., 1995). Customer identification is therefore considered an important psychological substrate for building strong customer relationships. Business firms should go beyond the traditional focus of customer satisfaction and devote more attention to customer identification.

2.2 Stakeholder Theory

From a corporate perspective, business survival, growth, and success are major goals for any business organization. Traditional theories in the literature posit that maximizing the return on investment for corporate shareholders (the owners of the business) is the primary business function (Friedman, 1970). The ideology of shareholder-value maximization has been entrenched as a principle of corporate governance in the United States and United Kingdom over the past two
decades (Lazonick & O’Sullivan, 2000). However, merely pursuing shareholder value may no longer be an appropriate strategy for corporate sustainability in today’s competitive business world. Stakeholder theory, on the other hand, has been widely applied and used to address the changing demands in contemporary environments. As stakeholder theory (Freeman, 1984) suggests, corporate leaders should make decisions that consider and balance the interests of all the stakeholders in the company. According to Jensen (2002), stakeholders include all groups or individuals who can affect or be affected by the actions and achievements of the firm, including not only shareholders, but also customers, employees, suppliers, local communities, and governments (see also Freeman, 1984). Stakeholder management has become increasingly important to business and society (Carroll, 1989) and many corporations have been developed and operated in ways highly consistent with stakeholder theory (Freeman, Wicks, & Parmar, 2004).

Originally proposed by Freeman (1984), stakeholder theory of the firm has long been discussed and conceived as a theory of strategic management. Going beyond the interests of shareholders (Friedman, 1970), Freeman (1984) argued that corporate management should satisfy the interests of all other stakeholder groups in a business; this is essential to effective strategic management and corporate performance.

A corporation has been regarded as a vehicle for coordinating stakeholders’ interests (Evan & Freeman, 1993). Clarkson (1995) defined a corporation as a system of stakeholder groups and a complex set of relationships between and among groups with diverse expectations and objectives. The ability to create value and satisfaction for those stakeholder groups determines corporate survival and success (Freeman & Evan, 1990). Also, based on resource dependence theory (Pfeffer, 1981; Pfeffer & Salancik, 1978), stakeholders are contingencies providing resources that are important to a corporation (Hill & Jones, 1992). The relationship quality between a corporation and its key stakeholders influences business sustainability (Pfeffer & Salancik, 1978). Corporations should be operated and managed for the benefit of their stakeholders.

Stakeholder theory has been further discussed and advanced in the management literature. Donaldson and Preston (1995) posited that stakeholder theory attempts to “explain and to guide the structure and operation of the
established corporation” (p. 70). They clarified three aspects of the theory: descriptive (to describe and explain the nature and operations of a firm), instrumental (to identify relationships between stakeholder management and desired corporate objectives such as corporate performance), and normative (to explain the function of corporations and identify the moral or philosophical guidelines they should follow in corporate operation and management). Among all three aspects, the normative approach is the core of stakeholder theory (Donaldson & Preston, 1995), which emphasizes corporate responsibility with respect to stakeholders. Overlooking stakeholders is considered unwise and ethically unjustified (Mayer, 2014).

Stakeholder theory has also been developed as a theory of business ethics (Maignan & Ferrell, 2004; Phillips, 2003). Based on stakeholder theory, expectations regarding corporate behaviors differ across stakeholder groups (Fombrun & Shanley, 1990). Organizations should consider the preferences and expectations of stakeholders (Windsor, 2006) and reach a balance of well-being among different groups (Aguilera, Rupp, Williams, & Ganapathi, 2007). It is important for firms to demonstrate social responsiveness to their communities by engaging in socially responsible activities. Prior work has argued that firms benefit from socially responsible activities that non-financial stakeholders perceive as important, in which favorable relationships with primary stakeholder groups can be promoted. This is because stakeholders believe that firms behave in accordance with their expectations and in turn increase their willingness to participate in organizational activities. Without such socially responsible activities, those stakeholders may withdraw their support for the firms (McWilliams, Siegel, & Wright, 2006). Therefore, stakeholder theory provides fundamental theoretical grounds to explain the need for corporations to consider stakeholders’ expectations and demands. Corporate performance and activities in response to stakeholders affect the relationships between stakeholders and the corporation and ultimately determine long-term business survival and success.

Among all stakeholder groups, customers are the primary stakeholders (Clarkson, 1995); they provide important resources (e.g., money) for a firm’s survival through product purchases. For service industries, customers consume services and support service firms by paying the firms in exchange for the services they need. Such service encounters are viewed as exchanges between service
firms and customers. A successful exchange influences the relationship between the exchange parties (i.e., service firms and customers).

2.3 Social Exchange Theory

Social exchange theory is widely used to explain individuals’ behaviors and social interactions. It was first introduced by Homans (1958), who considered social behavior as an exchange of goods either tangible or intangible (e.g., symbols of approval or prestige). He suggested that when a person is engaged in an exchange, what he or she gives will be considered as a cost, while what he or she receives will be a reward/benefit.

Social exchanges are the result of resource scarcity (Levine & White, 1961). According to Blau (1964), social exchanges are “voluntary actions of individuals that are motivated by the returns they are expected to bring and typically in fact bring from others” (p. 6). He referred social exchanges as relationships that involve unstated future obligations. Blau (1964) differentiated social exchanges from economic exchanges. In contrast to economic exchanges which are based purely on transactions, social exchanges involve a series of interactions and are based on an individual’s trust that the exchange parties will discharge their obligation fairly in the long run (Holmes, 1981). That is, when one party contributes something to another party, he or she generates an expectation of some future return. The party who receives something of value builds a sense of obligation through reciprocity. These social interactions are viewed as interdependent and contingent on the behaviors of another party, thus influencing the relationships between the exchange parties (Blau, 1964). An individual becomes committed to exchange parties as a result of a successful social exchange (Blau, 1964).

The social exchange perspective has been widely applied in the fields of economics, psychology, sociology, and organization and management. For example, in the organization and management literature, organizations are viewed as forums for transactions (Randall, Cropanzano, Bormann, & Birjulin, 1999) wherein individuals exchange work for pay. Social exchange theory has been used to explain the exchanges between superiors and subordinates (Marcus & House, 1973; Organ, 1988) and within work groups (Molm, Peterson, & Takahashi, 1999). Consistent with social exchange theory, service encounters and service recovery
are also essentially social exchanges between a service provider and customers (Patterson et al., 2006). Customers regard service encounters as exchanges. They compensate service providers for costs (monetary and non-monetary) in exchange for services they desire at an equivalent level or amount. The exchanges between service providers and customers are not limited to economic exchanges, but also include social exchanges. According to Czepiel (1990), “the social content of service encounters often seems to overshadow the economic” (p. 14). The social content is an essential determinant of customer satisfaction, which leads to a long-term customer-company relationship. In particular, a failed service encounter (service failure) is an exchange in which “a customer perceives loss due to a failure on the part of the service provider” (Patterson et al., 2006, p. 264), resulting in customer dissatisfaction (Tax et al., 1998). Service recovery from failure is a crucial means of rebuilding and maintaining customer relationships with service firms (McCollough, Berry, & Yadav, 2000). Service failure and recovery thus create an exchange in which the customer experiences a loss derived from a service failure while the service provider tries to make up that loss through a recovery (Patterson et al., 2006; Smith et al., 1999).

Successful social exchanges always lead to favorable relationships between exchange parties. Blau (1964) suggested that trust, loyalty, and commitment are the essential elements in maintaining social exchange relationships, and how trust and loyalty emerge in these relationships depends on factors such as the perceived justice in the exchange (e.g., Konovsky & Pugh, 1994). Individuals generate perceptions as to the justice/fairness of exchanges and transactions. For example, employees’ feelings of being treated fairly by their employers determine employment relationships built on social exchanges and in turn influence trust between employers and employees (Aryee, Budhwar, & Chen, 2002; Lind & Tyler, 1988). Similarly, consistent with social exchange theory, perceptions of justice regarding recovery following a service failure serve as important determinants of customer-company relationships. Providing a fair and just recovery that equitably compensates for the perceived loss due to the service failure helps firms restore positive relationships with customers (Grewal, Roggeveen, & Tsiros, 2008; Kwon & Jang, 2012; Smith et al., 1999). The concept of justice or fairness will be discussed based on the theory of social exchange.
2.4 Justice Theory

Justice has been a popular topic in organizational psychology to explain individuals’ reactions to conflict situations over the past decades. The concept of justice is grounded in social exchange theory and the equity literature (Patterson et al., 2006). Equity theory emphasizes the fairness of a situation or decision perceived by an individual (Adams, 1965). In general, individuals evaluate a situation by comparing the ratio of their outputs (e.g., tangible or intangible benefits) to inputs (e.g., financial and non-financial costs) to the ratio of another party. Inequity exists when the output-to-input ratios are unequal (Huseman, Hatfield, & Miles, 1987) and results in negative reactions (Scheer, Kumar, & Steenkamp, 2003). According to equity theory, individuals feel disappointment and anger when their inputs exceed the outputs they receive. Such inequity also affects expectations for relationship continuity (Hogg & Abrams, 1988) and individuals may be motivated to either restore equity in a relationship or exit the relationship (Scheer et al., 2003). Based on social exchange theory (Blau, 1964), human relationships are regarded as social exchanges. Individuals continue to engage in social situations (e.g., relationships) as long as they perceive equitable benefits derived from their participation.

Adapted from social exchange and equity theories, the theory of justice (Rawls, 1971) has been applied to social settings. Researchers have discussed and used the theory of justice as a theoretical framework for studying service recovery following a failed service encounter (e.g., Ha & Jang, 2009; Smith et al., 1999; Tax et al., 1998). Fairness perceptions regarding recovery are central to customers’ evaluations of service recovery and influence their levels of satisfaction and loyalty to service firms. Customers expect to be treated fairly (Clemmer & Schneider, 1993). Customers always evaluate service recovery as just or unjust following a service failure. Using justice theory, previous literature has conceptualized justice into three dimensions: distributive justice, procedural justice, and interactional justice (e.g., DeWitt, Nguyen, & Marshall, 2008; McColl-Kennedy & Sparks, 2003; Patterson, Cowley, & Prasongsukhan, 2006).

Blodgett, Hill, and Tax (1997) regarded distributive justice as the perceived fairness of tangible outcomes compared to inputs. Distributive justice is related to the objective outcomes of service recovery, such as the compensation (including refunds and discounts) offered to customers. Unlike distributive justice, which
focuses on the fairness of the distribution, procedural justice involves perceptions of the fairness of the process in allocating rewards. Procedural justice relates to the policies, procedures, and criteria by which decisions are made and conflicts resolved (Lind & Tyler, 1988), such as the convenience of the process and the timeliness, flexibility, and responsiveness of the firm’s recovery actions (McColl-Kennedy & Sparks, 2003). According to Blodgett, Hill, and Tax (1997), fair procedures are unbiased, impartial, and consistent and based on ethical standards. Interactional justice concerns the manner in which individuals are treated during the process. That is, it relates to how customers are treated throughout the service recovery process (Smith et al., 1999; Tax et al., 1998). Interactional justice relates to the interaction quality (e.g., courtesy, empathy, friendliness) exhibited by service staff to customers during the recovery process. Each justice dimension is influenced by the actions of service providers in executing the recovery.

Extant research has independently investigated the impacts of these dimensions on customer outcomes (e.g., Maxham & Netemeyer, 2003; Wirtz & McColl-Kennedy, 2010). For example, Karande, Magnini, and Tam (2007) supported the argument that customer perceptions of procedural justice driven by the recovery voice are positively related to customer post-failure satisfaction. Blodgett, Hill, and Tax (1997) studied three dimensions of justice in a service recovery setting by employing an experimental methodology. Their findings suggested that customer perceptions of distributive, procedural, and interactional justice significantly influence customers’ repatronage and negative word-of-mouth intentions. Of the three dimensions, interactional justice had the greatest effect on customer behavioral intentions.

Despite some researchers agreeing that the three justice dimensions are independent, customer evaluations of these three dimensions are highly correlated (Colquitt & Shaw, 2005) and they determine customers’ overall perceptions of justice. Liao (2007) conceptualized customer perceptions of justice as a higher order factor driving different dimensions of justice. Prior research has integrated the three justice dimensions and used a compensatory model to arrive at an overall global justice perception for service recovery evaluation (e.g., DeWitt et al., 2008; Liao, 2007; Smith et al., 1999; Tax et al., 1998).

Scholars have asserted the importance of justice (e.g., Clemmer, 1993; Ha & Jang, 2009; Oliver & Swan, 1989). In the context of service failure, customer
perceived justice in recovery affects customers’ satisfaction with the recovery and their subsequent behaviors toward the service firm (e.g., Belén del Río-Lanza, Vázquez-Casielles, & Díaz-Martín, 2009; Liao, 2007; Smith & Bolton, 1998; Sparks & McColl-Kennedy, 2001). According to Cropanzano et al. (2001), individuals’ perception of justice serves as their fundamental psychological need to manage the environment, acquire economic benefits, sustain positive self-regard, and maintain status and esteem from others. Being treated unfairly damages any of these psychological needs and leads to an individual’s “defensive cognitive, negative affect, and coping behaviors” (Cropanzano et al., 2001, p. 175). Therefore, justice theory provides fundamental theoretical grounding to explain why customers should be treated fairly in service encounters.

2.5 Attribution Theory

In addition to the justice concept, social exchange relationships are determined by the attributions customers make regarding the social exchanges as well as their exchange parties. Such attributions influence customers’ feelings and beliefs toward their exchange parties (i.e., service providers).

The concept of attribution began with the work of Fritz Heider (1958). It was then advanced and developed by Harold Kelley (1967) and Edward Jones et al. (1971). Attribution theory has been widely used in the marketing literature to understand and predict consumer judgments and behavior under different attributions.

Attribution theory emphasizes how individuals interpret events and how such interpretations relate to their thinking and behaviors (Kelley & Michela, 1980). According to attribution theory, individuals are rational information processors; they engage in causal thinking to ascertain why an event or behavior occurs (Bettman, 1979; Folkes, 1984). Kelley and Michela (1980) referred attribution as the perception or inference of cause.

Consistent with Kelley and Michela (1980), Folkes (1984) re-emphasized that attribution theory provides a useful framework for determining and explaining consumer responses to product failures. Following a failure, consumers engage in causal thinking to ascertain why the failure occurred (Weiner, 2000).

Prior research in service settings has examined how customer causal attributions serve as determinants of customer outcomes, including customer
satisfaction and repurchase intention (e.g., Folkes, 1984; Folkes, Koletsky, & Graham, 1987; Pham et al., 2010; Van Raaij & Pruyn, 1998). Understanding cause categorization is important in predicting individuals’ responses and behaviors (Yen, Gwinner, & Su, 2004). Three primary attribution dimensions, including stability (i.e., the degree to which the cause is temporary or permanent), locus (i.e., whether the cause resides within or outside the actor), and controllability (i.e., the extent to which the cause is volitional), have been classified and discussed in the literature (Folkes, 1984; Hess, Ganesan, & Klein, 2003; Tsiros, Mittal, & Ross, 2004; Weiner, 2000). Of the three aspects, attributions about locus (responsibility) and stability are most salient in explaining individuals’ post-consumption behaviors (Weiner, 2000), in which the locus of causality is an important determinant of customer satisfaction.

According to Pham, Goukens, Lehmann, and Stuart (2010), customer satisfaction with a product/service performance depends on whether customers perceive that the cause of success or failure is located with customers themselves or with the service provider. Under a situation of disconfirmation, Tsiros, Mittal, and Ross (2004) provided similar support for the notion that following a product/service failure, the locus of the cause (whether it is a firm-related failure or a customer-related failure) determines customers’ affective responses and also affects whether and to what extent individuals blame an actor or firm for the failure.

Services are based on contributions of the service provider and customer, and the locus of attributions customers make about a failure in service can be influenced by the different degrees of customer participation. Maxham and Netemeyer (2002) defined attribution of blame as the extent to which customers hold the seller responsible for failures. The level of blame attributed to a service firm for failure is determined by customers’ perceived control over the service (Mattila & Cranage, 2005). Customers’ perceived control is formed based on their involvement in the service. Individuals who are less involved in service production perceive less control over the service experience and are more likely to blame the firm for the failure when a service failure occurs. Customers who consider failures to be the service firm’s responsibility are likely to expect redress from the firm (e.g., apologies, refunds). On the other hand, satisfaction with the service provider is likely when the failure is attributed to customers themselves.
Therefore, attribution theory provides theoretical support in arguing that customer causal inferences regarding an event or outcome determine their responses toward the event or the actor who carries out the event. Also, building on the attribution literature, the proposed influence of customer participation in service on customers’ attributions of failure and their subsequent evaluations of the firm are discussed in this research.

2.6 Chapter Summary
This chapter has reviewed several important theories from both individual customer and corporate perspectives: theory of social identity, stakeholder and social exchange theories, and justice and attribution theories. These theories serve as the foundation for hypotheses development, which will be presented in the next chapter.
CHAPTER 3 LITERATURE REVIEW AND HYPOTHESES

3.1 Customer–Company Identification

Business companies build deep and long-term relationships with customers by enhancing customer identification with the companies. According to social identity theory (Tajfel, 1978; Turner, 1984), individuals strive for positive self-esteem and need to differentiate themselves from others by attaching to groups that are perceived to have distinctive characteristics they value (Tajfel & Turner, 1985). Not limited to employees of an organization or members of institutions, social identification—an individual’s perception or sense of belonging to a group as a result of identifying with that group—also occurs in the customer domain. Customers can identify with a business firm they patronize; such identification is motivated by the fulfillment of self-definitional needs (Bhattacharya & Sen, 2003; Homburg et al., 2009). By extending the notion of identification, Bhattacharya and Sen (2003) developed a framework of customer–company identification (customer identification in this research). According to Du, Bhattacharya, and Sen (2007), customer identification refers to “consumers’ psychological attachment to a company based on a substantial overlap between their perceptions of themselves and their perceptions of the company” (p. 227). When customers perceive that the image, features, and characteristics of a firm are consistent with their own self-concept, they tend to generate more favorable perceptions of the firm and are likely to identify with that firm. Based on the framework developed by Bhattacharya and Sen (2003), the term “customer identification” was later used by researchers to explain the relationship between customers and business organization (e.g., Keh & Xie, 2009; Martínez & del Bosque, 2013; Press & Arnould, 2011).

The level of customer identification can be influenced by company image attractiveness, contact frequency, and affiliation visibility (Bhattacharya, Rao, & Glynn, 1995; Dutton & Dukerich, 1991; Mael & Ashforth, 1992). For instance, in the context of service encounters characterized by mutual involvement of customers and service employees during the service delivery process, employees serve as the agents of a service firm transporting core defining characteristics to customers (Homburg et al., 2009). Service employees’ performance signals the
character and quality of the service firm they represent (Ahearne, Bhattacharya, & Gruen, 2005). When customers interact with high-performing employees, they generate positive attitudes and perceive the firm as more prestigious and attractive, which contributes to customer identification (Bhattacharya et al., 1995). Customers also feel more attached to a service firm when they are “embedded in the folds of the organization through frequent interaction with the offering and frequent contact with the company and its agents” (Ahearne et al., 2005, p. 576). This in turn increases customers’ likelihood of viewing and designating the service firm as a viable social category, thus shaping their social identity (Ahearne et al., 2005). In other words, customers’ self-continuity, self-distinctiveness, and self-esteem can be developed and enhanced through identification with a high-performing service firm (Dutton et al., 1994).

Previous literature has supported the positive impact of customer identification on outcomes of customer loyalty (e.g., Ahearne et al., 2005; Homburg et al., 2009; Martínez & del Bosque, 2013). Researchers generally agree that customers who identify with a firm are more emotionally connected to that firm and are motivated to act favorably toward the firm (e.g., providing word-of-mouth recommendation, being willing to pay for its product or service). Customer identification is thus considered a psychological substrate for long-term and committed relationships between a firm and its customers (Bhattacharya & Sen, 2003).

### 3.2 Service Failure and Service Recovery

Service failure and recovery have been of great importance to corporate leaders and have received considerable interest from scholars in past decades. The goal of providing error-free service to customers is difficult to achieve due to the inseparability of service production and consumption (Parasuraman, Zeithaml, & Berry, 1985). Given that service production and delivery always involve both service providers and customers (Zeithaml, 1981), the quality of service delivery largely depends on the attitudes and actions of service employees (Brady & Cronin, 2001), the expectations of customers, and the behaviors of other customers (Patterson, Cowley, & Prasongsukarn, 2006). Service failures are inevitable in service settings even for the best service providers.

Service failure refers to a breach of the central promise in a prospective
relationship. A failure occurs when a firm’s service performance falls below a customer’s expectations (Hoffman & Bateson, 1997) and results in customer dissatisfaction (Hess, Ganesan, & Klein, 2007; Smith, Bolton, & Wagner 1999), distrust, negative emotions (Andressen, 1999; Bougie, Pieters, & Zeelenberg, 2003), negative word-of-mouth (Weun, Beatty, & Jones, 2004), and customer switching behavior (Bougie et al., 2003; Roos, 1999). Previous studies have demonstrated a number of factors influencing customer response to a service failure, including failure attribution (e.g., Smith & Bolton, 1998; Smith et al., 1999). For example, Smith, Bolton, and Wagner (1999) suggested that failure type and severity determine customer evaluations and satisfaction judgments following a service failure. Customer attributions about the service failure also act as important determinants of customers’ reactions toward service providers (e.g., Dunn & Dahl, 2012; Folkes, 1984; Hess et al., 2003; Smith & Bolton, 1998).

Following a service failure, service recovery is critical in rebuilding or regaining customer satisfaction and loyalty. According to social exchange and equity theory (e.g., Homans, 1961; Walster, Berscheid, & Walster 1973), customers perceive a service failure as a “loss” due to the imbalance between what customers get (i.e., unsatisfactory service performance) and what they give up (i.e., costs). To offset the loss, service providers attempt to provide a gain through the recovery effort. Service recovery refers to the actions an organization takes in response to a service failure or defect (Grönroos, 1988). Service recovery strategies include problem acknowledgments, prompt problem responses, explanation provisions, apologies, and compensation offerings (Blodgett, Hill, & Tax, 1997; Patterson, Cowley, & Prasongsukarn, 2006; Smith et al., 1999).

Recovery is regarded as “an integral part of a service company’s strategy” (Hart, Heskett, & Sasser, 1990, p. 156). As Kelley, Hoffman, and Davis (1993) suggested, service providers should attempt to overcome the customer disappointment and dissatisfaction resulting from a service failure. Superior recovery can restore customer satisfaction (Loveland & Wirtz, 2011) and reinforce customer-company relationships (Smith & Bolton, 1998; Tax et al., 1998). McCollough, Berry, and Yadav (2000) suggested that customers’ post-recovery satisfaction is higher than their pre-failure satisfaction when customers experience high recovery performance (see also Maxham & Netemeyer, 2002; Smith & Bolton, 1998). However, poor recovery engenders higher levels of customer
dissatisfaction and drives customer defection (Bitner, Booms, & Tetreault, 1990; Keaveney, 1995; Tax et al., 1998). A service firm’s actions in response to a failure have the potential to either regain customer satisfaction and loyalty or intensify the negative situation and lead to unfavorable customer behaviors directed against the service firm (Patterson et al., 2006).

Justice theory has been widely used in the service recovery literature (e.g., Ha & Jang, 2009; Smith et al., 1999; Tax et al., 1998); justice theory posits that fairness perceptions regarding recovery are fundamental to customers’ evaluations of service recovery. In other words, customers focus primarily on the perceived justice associated with recovery attempts (e.g., DeWitt, Nguyen, & Marshall, 2008; Homburg & Fürst, 2005). According to Liao (2007), perceived justice plays an important role in evaluation of the recovery experience, contributing to both customer satisfaction and repurchase intention. Customers perceive a recovery effort as just or unjust based on their concept of justice. Prior literature has conceptualized perceived justice as a three-dimensional construct, including procedural, interactional, and distributive justice (DeWitt et al., 2008; Maxham & Netemeyer, 2002; McColl-Kennedy & Sparks, 2003; Tax et al., 1998). Procedural justice reflects the perceived fairness of procedures and processes by which a recovery attempt is conducted. Process control (i.e., allowing customers to voice their feelings about the failure) (Homburg & Fürst, 2005) and cognitive control (e.g., keeping customers informed during the recovery process) influence procedural justice. Interactional justice emphasizes the manners and behaviors that employees exhibit during a service recovery process. For instance, perceptions of employee politeness, empathy, and courtesy affect customer evaluations of interactional justice. Distributive justice concerns the perceived fairness of the actual and tangible outcomes of the recovery effort, such as refunds, discounts, and coupons (Blodgett et al., 1997).

Numerous studies have examined how the three justice dimensions affect customer outcomes independently (e.g., Karande, Magnini, & Tam, 2007; Wirtz & McColl-Kennedy, 2010; Tax et al., 1998). Although researchers have agreed that the three justice dimensions are independent, customer evaluations of these three dimensions are highly correlated (Colquitt & Shaw, 2005), indicating high interdependence among the justice dimensions. An unfair event may “create a series of ripples” that reverberate from one justice type to another, generating
compounding effects (Cropanzano et al., 2001). Thus, rather than using the three dimensions independently, an overall sense of justice perception is formed in evaluating service recovery performance (Blodgett et al., 1997; DeWitt et al., 2008; Liao, 2007; Tax et al., 1998), which subsequently influences customer attitudes and reactions toward the service firm.

Consistent with equity theory (Adams, 1965), individuals are more satisfied with an equity exchange in which there is more or less a balance between the amounts of individuals’ input and output in the exchange. Andreassen (2000) argued that the perceived fairness of the recovery attempts that a customer experiences influences that customer’s satisfaction with the recovery. Within a service failure-recovery encounter, customers perceive service recovery to be highly just when they believe the benefits obtained from the recovery (i.e., outcome) fully compensate and recover their costs incurred in the failure (i.e., input) or perceive an extra gain from the recovery. Prior literature has provided evidence that higher levels of perceived justice contribute to greater customer post-recovery satisfaction (e.g., Hoffman, Kelly, & Rotalsky, 1995; Liao, 2007; Sparks & McColl-Kennedy, 2001) and elicit positive customer emotions (DeWitt et al., 2008). Thus, building on justice theory and the service recovery literature, the higher the perceived justice of the service recovery is, the more favorable the customer post-failure responses and evaluations of the service firm.

3.3 Effect of Perceived Justice of Service Recovery on Customer Identification

The importance of service recovery following a service failure has been widely discussed in the literature. Hart, Heskett, and Sasser (1990) suggested that a good recovery can benefit service firms by turning disappointed customers into loyal ones while a poor recovery engenders greater customer dissatisfaction and drives customer defection (Bitner, Booms, & Tetreault, 1990; Keaveney, 1995).

The effectiveness of a service recovery relies on customer perceptions of fairness or justice regarding the firm’s recovery effort. As mentioned earlier, due to the high correlations among the three justice dimensions, one single global construct is used in this research to assess the overall customer perception of justice in a service recovery (DeWitt et al., 2008).

Considerable research has demonstrated strong relationships between
customer perceptions of justice in a recovery and customer satisfaction evaluations (e.g., Hoffman et al., 1995; Smith et al., 1999; Sparks & McColl-Kennedy 2001). Liao (2007), for instance, showed that higher ratings of perceived justice are associated with higher customer satisfaction with service recovery following a service failure and subsequently influence repurchase intention. High perceived justice in a recovery also increases post-recovery satisfaction, the likelihood of positive word-of-mouth (Karande, Magnini, & Tam, 2007; Maxham & Netemeyer, 2003), and re-patronage intention (e.g., Smith et al., 1999; Sparks & McColl-Kennedy, 2001) and generates positive customer emotions (DeWitt et al., 2008).

Apart from the classic customer satisfaction construct, psychological responses such as customer identification can also be shaped by the evaluations of perceived justice associated with recovery attempts. Customer identification refers to the customer’s psychological bond with a company based on the perceived similarity between the customer’s and the company’s identities (Bhattacharya & Sen, 2003; Dutton et al., 1994). The level of customer identification is related to the perceived favorability of a firm and its performance. Service recovery following a failed service encounter is considered a service performance (Oliver, 1997) designed to manage customers’ impressions of a service firm (Weiner, 2000). In other words, perceptions of recovery performance affect customers’ evaluations of a firm’s overall service performance and subsequently influence their identification with the firm.

In response to a service failure, recovery outcomes, procedures, and policies serve as signals reflecting the culture, characteristics, and strategies of a service firm. Service firms that provide fair recovery to customers are more likely to have favorable company prestige and a positive image. For example, when customers receive equitable or sufficient compensation for a failed service, such as monetary refunds, discounts, or coupons, they are likely to perceive that service firm more favorably. Offering customers a desired and fair distributive outcome in recovery enables service firms to enjoy a positive company image, which in turn enhances their distinctive corporate identity. Customers who believe that a firm has distinctive characteristics they value find that firm to be an attractive target for identification (Ahearne et al., 2005). Also, customers are likely to attach to a firm when they are satisfied with the benefits offered by that firm. In other words, in
the context of a service failure, customers who receive extra or fair compensation are likely to consider the service firm as having a desirable corporate identity, which subsequently contributes to their identification with the firm.

Apart from the distributive outcomes, customers are also concerned with the manner in which they are treated throughout the recovery process. Customers are more likely to identify with an organization if they are treated fairly by the organization’s employees. In a service failure, customers tend to evaluate a firm favorably when its service employees are perceived as apologetic, empathetic, and responsive (McCollough, Berry, & Yadav, 2000). Such desirable employee performance signals the quality and character of the service firm to customers (e.g., Ahearne et al., 2005) and contributes to the attractiveness of the corporate identity, thereby resulting in stronger customer identification with the service firm. Therefore, consistent with social identity theory, which suggests that corporate status and image are positively related to an individual's identification with a corporation (Carmeli, Gilat, & Waldman, 2007; Mael & Ashforth, 1992), customers’ desire to maintain a positive relationship with the firm increases if they believe that the firm and its employees have put in extra effort by offering customers adequate and fair recovery. Such practice signals positive corporate image to customers.

Higher perceptions of justice in the recovery following a service failure can strengthen the bond between a customer and a service organization (Hart, Heskett, & Sasser, 1990). This is because customers are likely to be satisfied with a superior recovery offered by the organization, which reinforces their psychological attachment to the firm. Identifying with a service firm that has a distinctive and prestigious image/character can help customers satisfy their need for self-enhancement (He & Li, 2011). In contrast, consumers are unwilling to attach to a relationship with a service provider when they find the exchange is unfair; that is, the quality of services delivered and the recovery received (e.g., outcome, procedure, manners of employees) are insufficient in comparison to what the consumer paid. Thus, consumers find the firm unattractive as a target for identification.

Therefore, when a service failure occurs, service firms that provide customers with a recovery that has higher levels of perceived justice are more likely to enjoy favorable company prestige and image, subsequently leading to
higher customer identification with the firms.

\[ H_1: \text{Perceived justice of the service recovery positively affects customer identification following a service failure.} \]

3.4 Corporate Social Responsibility and Its Interaction with Service Recovery on Customer Identification

Building on stakeholder and resource-dependence theories (e.g., Donaldson & Preston, 1995; Freeman, 1984), corporate management should look beyond shareholders and be concerned with all a firms’ stakeholders. These theories posit the importance of firms demonstrating their social responsiveness to the society by engaging in socially responsible activities with the aim of meeting stakeholders’ expectations (Windsor, 2006).

CSR refers to the company’s activities and status related to its perceived societal or stakeholder obligations (Brown & Dacin, 1997). Corporate philanthropy, cause-related marketing, environmental responsibility, and human employee treatment are some examples of CSR (Sen & Bhattacharya, 2001). CSR has traditionally been conceptualized rather broadly as “the managerial obligation to take action to protect and improve both the welfare of society as a whole and the interest of organizations” (Davis & Blomstrom, 1975, p. 6). A more recent comprehensive “proactive social responsiveness view” that articulates a company’s long-term role in a dynamic social system (McGee, 1998, p. 379) is discussed in the literature. This has provided a useful starting point for subsequent CSR research in marketing.

The significance of CSR in customer-related outcomes affects consumer satisfaction (Luo & Bhattacharya, 2006), customer identification (Bhattacharya & Sen, 2003), consumer loyalty (Du et al., 2007), and positive attitudes toward a firm and purchase behaviors (Beren, van Riel, & van Bruggen, 2005; Berger, Cunningham, & Drumwright, 2006; Brown & Dacin, 1997; Lichtenstein, Drumwright, & Braig, 2004; Luo & Bhattacharya, 2006; Mohr & Webb, 2005; Sen & Bhattacharya, 2001; Yoon, Gürhan-Canli, & Schwarz, 2006). The findings are consistent with Sen, Bhattacharya, and Korschun (2006), who argued that awareness of a company’s CSR is related to four company-specific outcomes (beliefs, attributions, attitude, and identification) that are internal to customers. Those internal outcomes, in turn, promote certain customer behavioral outcomes.
such as the desire to buy the products of that company.

Aside from these desirable effects in routine settings, CSR may also play a role in customer reactions in non-routine situations, such as when a service failure occurs. Following a service failure, customers may not always be satisfied even if recovery is offered. Executing recovery is thus not the only and single strategy to maintain positive relationships with affected customers. In this situation, CSR may serve as protection against the damaging effects of a service failure.

First, engaging in CSR can enhance a company’s image and improve customer evaluations of a service firm. Company image—overall customer attitude toward a firm (Klein & Dawar, 2004; Sajtos, Brodie, & Whittome, 2010)—can be shaped by a company’s actions taken toward its employees, customers, and society (Belt & Paolillo, 1982), including corporate performance in delivering service offerings as well as CSR performance with respect to the company’s societal or stakeholder obligations (Brown & Dacin, 1997). According to Riahi-Belkaoui and Pavlik (1992), corporate social performance is an important indicator used by firms to create a good reputation. Being socially responsible thus benefits firms via a better company image (Brammer & Pavelin, 2006; Stanaland, Lwin, & Murphy, 2011; Turban & Greening, 1997; Vanhamme et al., 2012). Such a socially responsible company image can further exert a halo effect on firm evaluation and reinforce customer confidence in the firm. For example, the enhanced company image can serve as a signal for quality (Sajitos et al., 2010) and contribute to customer value and trust (Brodie, Whittome, & Brush, 2009; Klein & Dawar, 2004).

The enhanced company image driven by CSR has a spillover effect that helps mitigate negative customer impacts resulting from a failed service encounter. This is because being socially responsible allows service firms to enjoy heightened goodwill and develop more moral capital among many of their customers and other stakeholders (Godfrey, 2005; Godfrey et al., 2009); it also signals the firms’ commitment to society and reflects the firm’s level of social conscientiousness. Such a CSR-driven reputation creates value for service firms and operates as an insurance-like policy against negative events in a service failure. This is consistent with prior research suggesting that customers’ resistance to negative information can be induced and strengthened when they perceive a
firm to be socially responsible (Eisingerich et al., 2011; Klein & Dawar, 2004). The notion is also supported by the work led by Tax, which reported that company image helps moderate the negative impact of poor complaint handling following a service failure (Tax et al., 1998). Thus, the protective role of CSR is expected to temper customers’ negative sanctions and judgments toward a firm in the context of a service failure.

In addition, as a corporate association, a CSR association is more likely to be activated in response to a negative event and could exhibit a spillover influence on company evaluations (Brown & Dacin, 1997; Klein & Dawar, 2004) as well as reduce customer defections in the face of negative events. Berens and his colleagues (2007), for example, suggested that high CSR performance compensates for relatively weak corporate abilities. In accordance with the previous literature, in the context of a service failure, CSR associations are likely to be activated and used for firm evaluation by customers. Due to the CSR halo effect driven by high CSR performance (Klein & Dawar, 2004), service firms can benefit from CSR initiatives because such initiatives can compensate for an ineffective recovery attempt following a service failure.

Based on social identity theory, consumers are more likely to identify with firms involved in discretionary citizenship (Bhattacharya et al., 1995). As a key element of corporate identity (Bhattacharya & Sen, 2003), engaging in CSR initiatives contributes to customer identification (He & Li, 2011; Lichtenstein et al., 2004; Martínez & del Bosque, 2013). Identifying with such a socially responsible firm helps customers satisfy their need for self-enhancement. Stronger customer identification occurs when customers find that a firm engaging in CSR has distinctive traits or identity overlaps with their self-concept and become more supportive of that firm (Lichtenstein et al., 2004). Based on this logic, following a service failure, higher perceived CSR performance creates a CSR halo effect and benefits service firms by mitigating customer negative attitudes and perceptions when facing a poor recovery (low perceived justice).

H2: Following a service failure, the positive effect of perceived CSR performance on customer identification is more pronounced among customers who experience a service recovery with low perceived recovery justice than those who have high justice perceptions of the recovery.
3.5 The Moderating Role of Customer Participation in Service Delivery

Previous studies have primarily focused on the role of service providers in retaining customer-firm relationships when a service failure occurs. Service recovery attempts by service providers are regarded as essential corporate strategies to recover customers after a failure. However, the participatory role of customers in the service delivery within a service failure and recovery encounter has been overlooked. Specifically, it remains unclear whether and how customer participation in either service provision or the recovery process influences customers’ post-failure evaluations of a firm.

With significant changes in today’s marketplace, consumers have started to play an active role in the creation of service outcomes rather than being passive recipients of a service (Payne, Storbacka, & Frow, 2008; Xie, Bagozzi, & Troye, 2008), which is consistent with the service-dominant logic that views customers as proactive co-creators. According to Chan, Yim, and Lam (2010), customer participation is the degree to which customers provide or share resources of a service organization in the form of either information or effort and “become involved in decision-making during service co-creation and delivery process” (p. 49).

The notions of customer co-production and value co-creation derived from customer participation have gained increasing attention in recent years (e.g., Bendapudi & Leone, 2003; Etgar, 2008). Considerable attention has been given to investigating the benefits of customer co-creation. From the management point of view, customers are viewed as organizational members or partial employees (Kelley, Donnelly, & Skinner, 1990; Mills & Morris, 1986). Getting customers to participate in the service production and delivery process enhances overall service quality and productivity (Kelley et al., 1990), achieves better service control (Xie, Bagozzi, & Troye, 2008), and influences customers’ own satisfaction and value received during the service creation process (Baron, Harris, & Harris, 2001; Chan et al., 2010). Also, companies benefit from customer participation in achieving a competitive advantage by leveraging customer competence (Prahalad & Ramaswamy, 2000). Thus, engaging customers in value co-creation is considered a strategic practice for long-term business success.

Within service failure and recovery encounters, customers can act as service
co-creators by either participating in the service provision or cooperating with service providers in a co-created recovery following a service failure. *Customer participation in service provision* in this research refers to the level of customer involvement in producing and delivering initial service offerings (Dabholkar, 1990); for example, a weight-reduction program requires active customer effort to co-create the service outcome. *Customer participation in service recovery* is defined as the extent to which the customer is engaged in the actions taken in response to a service failure (Dong, Evans, & Zou, 2008). Customers, for instance, can resolve an internet problem via instructions and guidance provided through a call center of the internet service provider. These two types of customer participation influence customer post-failure perceptions and evaluations of a firm. In this research, their independent moderating roles in affecting the relationship between service recovery and CSR with respect to customer identification are investigated.

### 3.5.1 Customer Participation in Service Provision

Though the importance of service recovery by service providers in managing customer relationships following a service failure has been well researched, the effectiveness of recovery can vary depending on how customers make attributions about the failure they experience (e.g., Mattila & Patterson, 2004). Customers’ attributions about a failure affect their attitudes and behaviors toward a service firm (e.g., Dunn & Dahl, 2012; Folkes, 1984; Hess, Ganesan, & Klein, 2003; Smith & Bolton, 1998). Attribution theory regards people as rational information processors whose actions are influenced by their causal inferences (Folkes, 1984). When a service failure occurs, customers think about the cause of the failure (Weiner, 2000). Such causal attribution about the failure is an important determinant of customers’ reactions to feedback (Weiner, 1986).

In a service failure, causal attribution about the failure depends on the level of customer participation in the service provision process (Swartz & Iacobucci, 1999). Customer participation consists of various forms and degrees, including firm production, joint production, and customer production (Bendapudi & Leone, 2003; Meuter & Bitner, 1998). In today’s service settings, customers can enjoy services with the choice of serving themselves, cooperating with firms, or having firms do all the service production work. The increased level of participation
implies a higher degree of service inseparability, in which the customers and service providers are dependent on one another for service success (Lawler, 2001; Solomon et al., 1985). According to Swartz and Iacobucci (1999), participating customers take “partial responsibility for the caliber of the outcome” (p. 114). In other words, customers feel more responsible for the success or failure of the service due to their increased perception of joint control over the outcome. In a highly participative service context, customer perceptions of self-responsibility over the outcome increase, especially when a failure occurs.

When facing a failed service encounter, customers’ perceived control over the outcome triggers their self-blame for the service failure (Hui & Toffoli, 2002). According to Dunn and Dahl (2012), customers attribute blame for the failure as either internal (due to the customers themselves) or external (due to the service provider). Following a service failure, highly participative customers who jointly co-create the service hold partial responsibility for the failure; they partly blame themselves for creating the failure. In other words, attributions of blame toward the firm are lower for highly participative customers than for those who choose to enjoy services with firms that do all the service production work. This is consistent with Maxham and Netemeyer’s (2002) argument that customers blame the firm more for a failure when they believe that the firm is responsible for the failure.

Customer attribution of blame toward a firm for a failure is strongly related to customers’ recovery expectations (Maxham & Netemeyer, 2002). Following a service failure, customers with a low level of participation are likely to expect more recovery effort from a firm (e.g., apologies and compensation) as they believe that the firm bears much of the responsibility for the failure (Folkes & Kotsos, 1986; Maxham & Netemeyer, 2002). In other words, customers who attribute service failure more to themselves than to the service firm have lower expectations for the service recovery. Therefore, given the same level of service recovery, highly participative customers are more likely to be satisfied with the service firm and its recovery effort than customers whose participation is low. Highly participative customers are also likely to generate favorable and positive perceptions and evaluations of the firm. Those high-participation customers are “less of a threat” to the service firm (Swartz & Iacobucci, 1999, p. 114). Pham and colleagues (2010) also suggested that greater attribution to the self is related to
greater customer satisfaction. This is also consistent with Bendapudi and Leone’s (2003) suggestion that when service outcome is worse than expected, the level of customer satisfaction is higher for customers who are given a choice to co-create the service than for those who are not. Following this reasoning, under the protective influence of CSR, highly participative customers who have low perceptions of recovery justice are more likely to attach to a socially responsible firm than less participative customers. Those highly participative customers are more forgiving of the poor recovery and more likely to be satisfied with the firm and the benefits it offers, leading to stronger customer identification.

Furthermore, as a partial employee of an organization (Mills & Morris, 1986), a customer’s participation motivates organizational socialization of the customer. Organizational socialization is defined as the process “by which organizational newcomers learn about and adapt to the values and norms in the organization” (Büttgen, Schumann, & Ates, 2012, p. 169), which pertains to the development of customer skills, knowledge, and attitudes related to the marketplace (Ward, 1974). A highly participative service context requires more frequent personal interactions between a service customer and a firm. Such regular contact promotes the creation of a social bond between the customer and the firm, resulting in a more resistant relationship in a service failure (Grissemann & Stokburger-Sauer, 2012). Also, customers’ perceptions and understandings of a firm and its expectations regarding their roles in service delivery can be shaped by the communications of that service firm, subsequently fostering the process of customer socialization (Büttgen et al., 2012). Through this socialization process, highly participative customers come to understand more about the service firm, including organizational norms, values, procedures, policies, and actions (Kelley et al., 1990). Socialization may also enrich customer knowledge and acceptance of a firm’s social responsibility performance with respect to the wider society. Given that CSR associations are likely to be activated in response to a negative event (e.g., a service failure), enhancing customer understanding of organizational values and social responsibility through the socialization process contributes to better corporate identity. Customers then find the firm an attractive target for identification and become more committed to the firm through stronger identification with the firm.

Thus, in a highly participative service failure context, customers who
experience a service recovery with lower perceived justice are more likely to identify with the firm if it is socially responsible than those who have a higher justice perception of the recovery. That is, the compensating effect of CSR and perceived justice on identification is stronger in a highly participative service failure context. This is because higher perceived CSR performance driven by a socialization process exerts a stronger CSR halo effect on customer identification with the firm, thereby compensating for an ineffective recovery attempt.

H₃: The impact on customer identification driven by the interaction between perceived recovery justice and CSR is stronger for customers who are highly involved in the service provision than those who are less involved.

### 3.5.2 Customer Participation in Service Recovery

Apart from participating in the service provision process, customers can engage in co-creating service recovery. Traditionally, recovery efforts have been delivered entirely by service providers. However, consistent with the service-dominant logic, customers are now more proactive in the value co-creation process and act as resource integrators (Lusch & Vargo, 2006) for firms, where both customers and service providers participate in and jointly co-create service recovery. Customer participation in service recovery refers to the level at which a customer participates in fixing a service failure (Dong, Evans, & Zou, 2008). According to Dong, Evans, and Zou (2008), three types of recovery efforts are classified based on the level of customer participation in recovery: firm recovery, joint recovery, and customer recovery. Firm recovery refers to recovery which is delivered entirely or mostly by the service provider and its employees; joint recovery refers to a context in which employees and customers work together to solve a service problem. Customer recovery involves high customer investments (in term of skills, time, and effort) in shaping the content of the recovery with a low level of firm participation. Higher levels of customer participation in a recovery involve greater personal effort from customers to co-create a solution to respond to a service failure.

Involving customers in co-creating a recovery can facilitate customer identification with a service firm even when the recovery has low perceived justice. First, customers can perceive higher quality in the service recovery when
they are actively engaged in resolving the service problem. Prior literature has suggested that getting customers involved in the service creation process can enhance overall service quality and productivity (Kelley et al., 1990), achieve better service control (Xie et al., 2008), and induce customer satisfaction and increase the value the customer attaches to the service (Baron et al., 2001; Chan et al., 2010). According to these studies, when customers are highly involved in resolving a service problem, they are more likely to commit to value co-creation and perceive higher quality in the recovery. This is because customers can experience a greater sense of control over the process and create higher levels of customization in the recovery. When the resulting co-created recovery is satisfactory and successful, the customer is likely to perceive it as a rewarding and enjoyable experience, complementing the value attached to the recovery (Grissemann & Stokburger-Sauer, 2012). In a highly participative recovery context, customers find enjoyment and pleasure in process involvement (Meuter et al., 2005) and they are likely to evaluate their work more favorably. Roggeveen, Tsiros, and Grewal (2012) also suggested that customers participate in co-creating a recovery when they believe they are capable of shaping the outcome. Feelings of accomplishment can thus be generated if satisfactory recovery work is performed, thereby resulting in an improved customer experience and enhanced customer satisfaction (Dong et al., 2008). Therefore, given the same level of service recovery offered by a socially responsible service firm, customer perceptions of recovery quality will be higher among more participative customers than those who are less participative. This in turn leads to greater satisfaction with the recovery and the firm and subsequently contributes to stronger customer identification with the firm.

In addition, a failed service that is jointly recovered by customers and service firms helps facilitate the socialization of customers because customer participation involves regular communications and contact between a service provider and its customers (Claycomb, Lengnick-Hall, & Inks, 2001). Customers who have been successfully socialized by the service provider and employees should have more accurate knowledge and skills to perform their recovery co-creation role (Kelley et al., 1990). Also, customer participation in recovery functions is a facilitator of the socialization process by which customers can gain a better understanding of firm norms, culture, and policies (e.g., Feldman, 1981;
Kelley et al., 1990). Such understanding increases customer acceptance of the organizational goals and values. For instance, greater customer knowledge and acceptance of a firm’s social responsiveness and social responsibility performance with regard to societal issues can be achieved through the organizational socialization process.

Considering that CSR associations are more likely to be activated in a service failure (Brown & Dacin, 1997), CSR efforts exhibit a stronger spillover influence on customer evaluations among highly participative customers. Such spillover effect driven from high CSR performance can benefit a firm by compensating for an ineffective recovery attempt following a service failure. Also, engaging in CSR enables a firm to improve its image and contributes to its distinctive corporate identity. Participating customers perceive the firm as socially responsible and an attractive target for identification. Thus, the compensating effect of CSR and perceived justice on identification is stronger when customers highly participate in the service recovery process. In other words, among customers who highly participate in the recovery, perceived CSR performance is more effective in fostering customer identification when there is an unfair recovery attempt.

H₄: The impact on customer identification driven by the interaction between perceived recovery justice and CSR is stronger for customers who highly participate in the recovery than those who are less involved in the recovery.

3.6 Relationship among Customer Identification, Customer Loyalty, and Customer Support of Corporate-Initiated CSR

Customer loyalty is one of the most desirable outcomes of customer identification. Attaining customer loyalty is regarded as the ultimate outcome of service providers because the sustainability of any business firm lies in its ability to retain profitable customers (Kau & Loh, 2006). A large body of literature pertains to loyalty (e.g., Chandrashekaran et al., 2007; DeWitt et al., 2008; Homburg & Fürst, 2005; Johnson, Herrmann, & Huber, 2006; Sirdeshmukh, Singh, & Sabol, 2002). Studies have demonstrated the benefits of loyalty, with loyalty being highly associated with company growth (e.g., Verhoef, 2003). Oliver (1997) defined customer loyalty as “a deeply held commitment to re-buy or re-
patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing” (p. 196). Two types of loyalty, attitudinal and behavioral, have been described in the loyalty literature (Dick & Basu, 1994; Oliver, 1999). Attitudinal loyalty reflects a higher order commitment of a customer to an organization; it refers to the extent of the customer’s attitudinal advocacy toward the organization (Rauyruen & Miller, 2007). In contrast, behavioral loyalty emphasizes favorable behavioral intentions, such as positive word-of-mouth (Dick & Basu, 1994; Reichheld, 2003), willingness to pay higher prices, and increased likelihood of future patronage (Chaudhuri & Holbrook, 2001). Such behavioral intentions benefit the company and lead to favorable corporate outcomes such as enhanced corporate financial performance. Customer loyalty is thus regarded as a corporate benefit.

Previous scholarly work has studied the drivers of customer loyalty to a company (e.g., Gustafsson, Johnson, & Roos, 2005; Lam et al., 2004; Sirdeshmukh, Singh, & Sabol, 2002). For example, customer satisfaction, relationship commitment, and trust (Bendapudi & Berry, 1997; Morgan & Hunt, 1994) are significant determinants of customer loyalty. In addition to the classic customer satisfaction and commitment constructs, customer identification represents a different aspect of the customer-firm relationship (Homburg et al., 2009) and is considered an important element leading to customer loyalty.

Prior research has demonstrated the positive relationship between customer identification and customer loyalty (Ahearne et al., 2005; Bhattacharya & Sen, 2003; Mael & Ashforth, 1992; Martínez & del Bosque, 2013). According to Bhattacharya and Sen (2003), identification-based commitment is expressed by a long-term preference for products offered by the identified company. Also, the impact of customer identification may go beyond product purchase (Lichtenstein et al., 2004), extending to consumer loyalty, retention (Du et al., 2007), and word-of-mouth recommendations (Ahearne et al., 2005).

Customer identification significantly predicts customer loyalty to a company. Based on social identity theory (Tajfel, 1978), customers strive for positive self-esteem by identifying with a firm perceived to have distinctive characteristics they value. Identifying with a service firm with a prestigious identity can help customers fulfill their need for self-definition and self-enhancement. Customers who identify strongly with a firm become more committed to the firm and
motivated to act favorably toward the firm, such as through repeat purchases of the firm’s product or service, in pursuing feelings of belongingness to the firm (Ahearne et al., 2005; Homburg et al., 2009) and subsequently satisfying the need for self-definition. Customer identification thus results in customer loyalty.

Moreover, customer switching implies customers’ decision to terminate their relationship with a service firm (Hui, Ho, & Wan, 2011). If customers choose to leave a firm with an identity they value, the fulfillment of their self-definition need will be weakened. Therefore, customers are likely to be committed to a firm and less likely to switch to another firm when they identify closely with the firm.

$H_{5a}$: Customer identification is positively related to consumer attitudinal loyalty to a company.

$H_{5b}$: Customer identification is negatively related to consumer switching behavior.

In addition to customer loyalty which benefits the service firm, stakeholder customers’ voluntary engagement and support of corporate-initiated CSR is also examined in this research. An increasing number of CSR initiatives solicit stakeholder participation (e.g., cause-related marketing); stakeholders such as customers are able to take part in a firm’s CSR initiatives and contribute to society. In general, people engage in moral behaviors by making monetary donations, volunteering and donating items, and/or donating time to charitable organizations and others in need (Reed, Aquino, & Levy, 2007).

According to Bhattacharya and Sen (2003), customers who are psychologically attached to a firm are more motivated to commit to the achievement of firm goals through their voluntary efforts. Customer identification is significantly related to individuals’ commitment, involvement, and efforts invested in a social group to which they are attached (Carmeli, Gilat, & Waldman, 2007). Strong customer identification with a firm results in increased customer support of that firm. Customers are more willing to sacrifice and expend effort or resources to support a service firm with which they identify (Mael & Ashforth, 1992) as they are proud to be a member of the firm and want to maintain congruence between their sense of self and the firm’s desirability. Lichtenstein, Drumwright, and Braig (2004) suggested that consumers are more likely to donate to a corporate-supported nonprofit when they identify with the corporation.
Similarly, when customers identify strongly with a service firm, their feelings of belongingness and connection to the firm can be enhanced by supporting and engaging in the firm-initiated CSR activities, thereby helping them achieve a positive social identity and satisfying their need for self-definition. Accordingly, customers who are closely identified with a service firm are more willing to commit to, participate in, and support CSR activities that are initiated by the firm. Thus, the following hypothesis is offered:

H₆: Customer identification is positively related to customer loyalty to CSR activities initiated by a service firm.

**Figure 1.** The Conceptual Model of Present Research.

3.7 Chapter Summary

This chapter has presented a literature review on focal constructs and developed the hypotheses of the relationships depicted in Figure 1. Specifically, the chapter argues that customer perceptions of CSR performance interact with perceived justice in a recovery and affect customer identification with a firm following a service failure. Also, such interaction effect is more pronounced in highly participative service contexts (in either service provision or service recovery). In the next chapter, the methodology and research design of this empirical research is presented.
CHAPTER 4 RESEARCH METHODOLOGY

This chapter presents the methodology and research design of this empirical research. In the present research, both a field survey and experimental studies were conducted to test the proposed hypotheses. Using multi-methods help ensure both external validity and internal validity. That is, the results of the field study can be generalized across multiple organizations within the same industry and the results of the experimental studies can control for extraneous differences and be used to rule out alternative explanations resulting from uncontrolled service setting effects, thereby establishing internal validity. The research design of the field survey, including sampling, data collection procedures, and construct measurements, is presented first, followed by the experimental studies’ design and procedures.

4.1 Field Survey

A large-scale survey-based field study provided quantitative evidence on customer background and customers’ actual service failure and recovery experiences. This allowed the generalization of results to real-world settings. This approach also provided less control over the amount of variance in the independent variables. Customers’ experience of service failure-recovery encounters varies in terms of their perceptions of service recovery and company performance. The relationship between the constructs of interest (i.e., perceived recovery justice, perceived CSR performance, customer participation in service provision and recovery, customer identification, and loyalty) were investigated, providing a clear picture for follow-up experimental studies.

4.1.1 Research Setting and Sampling

The sampling frame of this study was customers who had service failure and recovery experience in service settings across various industries, such as catering, telecommunications, entertainment, and travel. These services provide a particularly appropriate study context as they are high in experience qualities and service failures are common in these industries (e.g., Smith & Bolton, 2002). According to the Hong Kong Consumer Council’s annual review on complaint statistics in 2014, telecommunication services, food and entertainment services,
and travel matters are the top three service categories receiving complaints. For example, the Council recorded 4,369 and 1,050 complaint cases on telecommunication services and food and entertainment services, respectively, from January through August 2014.

In the present research, customers who have experienced service failure and recovery in the last three months were qualified and eligible for inclusion, which enhanced the external validity of this research. A three-month recall period was chosen because a longer recall period may present greater problems for respondents in remembering the events they experienced. According to Clarke, Fiebig, and Gertham (2008), having a longer period of recall induces greater recall errors. The recall method approach has also been widely used in service failure research (e.g., Bougie, Pieters, & Zeelenberg, 2003; Sánchez-García & Currás-Pérez, 2011).

A sample of 400 individual customers aged 16 or older with service failure and recovery encounters was targeted. Convenience sampling using the intercept survey method was adopted, in which the target sample was selected due to accessibility and proximity. To approach our target respondents and minimize the bias of samples sharing similar characteristics, surveys were conducted at various locations rather than a single place. Respondents were approached outside retail stores and large shopping malls in Hong Kong districts with highly efficient transportation networks, such as Shatin, Mongkok, Kwun Tong, Tsim Sha Tsui, and Causeway Bay. Target respondents were easily approached in the selected locations because the areas have high pedestrian flows with a huge concentration of restaurants, telecommunication service outlets, travel agency branches, and entertainment providers (e.g., cinemas, theaters, karaoke clubs).

With the aim of enhancing the representativeness of the sample and to achieve a more balanced sample profile, respondents from different age groups, income levels, and genders were targeted.

4.1.2 Data Collection Procedure

Personal surveys of service customers were conducted using self-administered structured questionnaires. Target respondents were intercepted and asked to complete a questionnaire wherein they had to recall a recent service failure incident and respond to questions. To ensure that the respondents were in
the target sample, a screening question was included. Respondents were asked if they had experienced any service failure with a particular service provider in the past three months and if that provider offered them some resolution.

The survey questionnaire had several parts. The first part was designed to include information on particular service failure-recovery occasions that respondents had experienced during the last three months. They were asked to provide information about the service experience, including (1) name of the service provider, (2) type of service, and (3) the time they encountered the service problem. Following these questions, measurements of customer loyalty, perceptions toward the service provider’s social responsibility practice (i.e., perceived CSR performance), the service recovery attempt (i.e., perceived recovery justice), customer participation in service provision and recovery process, and the experience of service failure were presented. After that, customer identification with the service firm was measured. Demographic data were collected at the end of the questionnaire due to the sensitive nature of personal information. Respondents were asked for their age, gender, education level, occupation, and monthly income.

Prior to the main field survey, the questionnaire was pretested using a convenience sample of 51 individual customers who experienced a service failure and recovery during the last three months. The pilot study was administered in early April 2014. Target respondents who were approached outside large shopping centers were asked to complete the questionnaire and encouraged to comment on any questions which were unclear or ambiguous. The purpose of this pilot study was to refine the instrument by identifying and clarifying any ambiguous statements, wordings, and terminologies and to validate the scales of key constructs in the research.

A preliminary analysis was conducted to check the reliability of the constructs. According to Hunt, Sparkman, and Wilcox (1982), a pilot test comprising 50 to 60 respondents is sufficient for conducting preliminary tests of reliability and validity. No major revisions or changes were made to the questionnaire based on analyses of the resulting data (n = 51). There was no overlap between respondents in the pretest and the main field survey.

Following the pilot study, a large-scale field survey was carried out from May through July 2014. Target respondents, who were intercepted in prosperous
districts and agreed to participate in the study, received a survey questionnaire. Each respondent received a coffee coupon as incentive to complete the questionnaire. Out of nearly 700 individuals approached, 390 service customers were qualified and agreed to participate in this study, representing a response rate of 55.7%. Of the 390 questionnaires collected, 36 were eliminated due to large amounts of missing values; 354 questionnaires were valid and usable for analysis.

According to Hair et al. (2006), an acceptable sample size has at least five times the number of variables to be analyzed. This sample size of 354 was thus considered reasonable to accommodate statistical analysis methods, including factor analysis and structural equation modeling (SEM).

4.1.3 Sample Profile

The demographic information and background of respondents is summarized and presented in Table 1.

In the sample of 354 respondents, 44.9% was male. About 24.9% was 16-25 years old, with 26.8% between the ages of 26 and 35, and 25.4% was over the age of 46. More than 57% of respondents was highly educated, holding a bachelor’s degree or higher, while 37.9% had a high school education. In terms of personal monthly income, 33.6% stated that they earned less than HK$10,001, followed by 31.1% between HK$10,001 and HK$20,000, and only 8.2% earning more than HK$40,001. With regard to occupation, more than 17% of respondents was students, followed by 14.7% white collar workers, 14.4% service staff, and 12.4% professionals.
Table 1. Profile of Respondents.

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<td>17.5</td>
</tr>
<tr>
<td>Professionals</td>
<td>44</td>
<td>12.4</td>
</tr>
<tr>
<td>Housewife</td>
<td>37</td>
<td>10.5</td>
</tr>
<tr>
<td>Retired</td>
<td>8</td>
<td>2.3</td>
</tr>
<tr>
<td>Salesperson</td>
<td>31</td>
<td>8.8</td>
</tr>
<tr>
<td>Service staff</td>
<td>51</td>
<td>14.4</td>
</tr>
<tr>
<td>White collar</td>
<td>52</td>
<td>14.7</td>
</tr>
<tr>
<td>Unemployed</td>
<td>5</td>
<td>1.4</td>
</tr>
<tr>
<td>Management/administrative staff</td>
<td>30</td>
<td>8.5</td>
</tr>
<tr>
<td>Primary/secondary teacher</td>
<td>11</td>
<td>3.1</td>
</tr>
<tr>
<td>Self-employed</td>
<td>16</td>
<td>4.5</td>
</tr>
<tr>
<td>Others</td>
<td>7</td>
<td>2.0</td>
</tr>
<tr>
<td>Personal Monthly Income</td>
<td>Count</td>
<td>Percentage</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-------</td>
<td>------------</td>
</tr>
<tr>
<td>HKD10,000 or less</td>
<td>119</td>
<td>33.6%</td>
</tr>
<tr>
<td>HKD10,001 – 20,000</td>
<td>110</td>
<td>31.1%</td>
</tr>
<tr>
<td>HKD20,001 – 30,000</td>
<td>57</td>
<td>16.1%</td>
</tr>
<tr>
<td>HKD30,001 – 40,000</td>
<td>39</td>
<td>11.0%</td>
</tr>
<tr>
<td>HKD40,001 – 50,000</td>
<td>11</td>
<td>3.1%</td>
</tr>
<tr>
<td>HKD50,001 – 60,000</td>
<td>8</td>
<td>2.3%</td>
</tr>
<tr>
<td>HKD60,001 – 70,000</td>
<td>3</td>
<td>0.8%</td>
</tr>
<tr>
<td>HKD70,001 – 80,000</td>
<td>6</td>
<td>1.7%</td>
</tr>
<tr>
<td>HKD80,001 or above</td>
<td>1</td>
<td>0.3%</td>
</tr>
</tbody>
</table>
4.1.4 Measures

Measurement items in the survey questionnaire were adapted from existing well-established scales in the literature. All measures used a 7-point Likert scale, with responses ranging from strongly disagree (1) to strongly agree (7). Minor wording modifications were made to fit the present research context. The questionnaire was first prepared in English and then translated into Chinese using standard back translation (Brislin, 1980) for distribution in Hong Kong.

*Perceived CSR Performance.* A 3-item scale drawing from Eisingerich, Rubera, Seifert, and Bhardwaj (2011) was adapted to measure customer perceptions of a service firm’s CSR performance. A sample item is “I consider this service firm as a socially responsible firm.”

*Perceived Recovery Justice.* In prior literature, both multidimensional and overall views of service recovery justice have been used (e.g., DeWitt, Nguyen, & Marshall, 2008; Tax et al., 1998). Due to the high interdependence among justice dimensions, an overall sense of justice was used in evaluating service recovery performance. Measures of *recovery justice* were adapted from DeWitt et al. (2008) and nine items were included to measure customer perception toward the service firms’ recovery justice. All multi-item scales were averaged to create a single measure.

*Customer Participation in Service Provision.* Customer participation in service provision was measured using a scale adapted from Chan, Yim, and Lam (2010). The scale comprised items that captured respondents’ perceptions of the extent to which they spent time and effort in the service provision process.

*Customer Participation in Service Recovery.* The measure of customer participation in the service recovery was inspired by the definition proposed by Dong, Evans, and Zou (2008) and developed from the work of Chan, Yim, and Lam (2010). Respondents were asked to rate the extent to which they engaged in taking actions to respond to a particular service failure. Sample items include “I spent time discussing my problems with the staff during the recovery process” and “I made considerable effort and got involved in resolving the problem.”

*Customer Identification.* A 5-item scale adapted from the work of Homburg, Wieseke, and Hoyer (2009) and Mael and Ashforth (1992) was used to measure customer identification with the service firm. Sample items include “I strongly identify with this service firm” and “I feel good to be a customer of this service firm.”
Customer Loyalty Intentions. Measures for customer loyalty in terms of loyalty to the company were conceptualized into two dimensions—attitudinal and behavioral. The definition and scale of attitudinal loyalty was adapted from DeWitt, Nguyen, and Marshall (2008). They regarded attitudinal loyalty as a high level of customer commitment to a firm which “cannot be inferred by simply measuring repeat purchase intentions” (p. 271) (see also Shankar, Smith, & Rangaswamy, 2003). Behavioral loyalty in the present study was measured through customer switching behavior. Switching behavior in this research refers to the customer’s intention to leave the relationship with a firm and acquire the services of another service provider. Two items borrowed from Bougie, Pieters, and Zeelenberg (2003) were used to measure customer switching behavior. In terms of loyalty to corporate-initiated CSR activities, a self-reported approach was adopted to capture the level of customer support for a firm’s CSR activities. This approach measured the extent to which a customer would donate time and money and be dedicated to supporting the service provider’s CSR program(s) with reference to Lichtenstein, Drumwright, and Braig (2004) and Garbarino and Johnson (1999).

Control Variables. Advocated by Spector and Brannick (2011), inclusion of control variables in non-experimental research helps rule out the possibility that observed relationships are the result of variables extraneous to the tested hypothesis. In this research, variables that may potentially have produced distortions in the observed relationships were included and controlled in the analysis. Smith, Bolton, and Wagner (1999) and Maxham and Netemeyer (2002) found that failure magnitude plays a role in customer recovery satisfaction. Hence, this study controlled for service failure severity, which was measured by two questions adapted from Hess, Ganesan, and Klein (2003). Respondent demographics such as age and gender were also controlled in this study. For instance, gender differences in complaining behavior may imply a difference in the evaluation of failures between men and women (Kolodinsky, 1993). A service recovery effort is viewed differently by male and female customers (McColl-Kennedy, Daus, & Sparks, 2003). McColl-Kennedy and her colleagues (2003) found that female customers enjoy higher levels of satisfaction than male customers when their voices are heard. Gender was dummy-coded as “1” for male.
and “0” for female. Age was coded as dummy variable.

### 4.1.5 Common Method Variance

The cross-sectional survey design of this research suggests the potential for bias from common method variance (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). According to Podsakoff et al. (2003), common method variance is likely when both the predictor and the criterion variables are obtained from the same person in the same measurement context using items with similar characteristics. Such bias leads to artificially high correlations between constructs.

To reduce the possibility of such a potential bias, a marker variable was incorporated in the questionnaire. The effect of common method variance can be controlled by the use of a marker variable (Lindell & Whitney, 2001) which is not related to any of the other variables included in the study. Partialling out the average correlation between the marker variable and the other variables in the study may help researchers control for the effect of method biases (Lindell & Whitney, 2001). The innovativeness construct measuring how innovative the respondent was has been included as a marker variable in this research.

### 4.1.6 Data Analysis Methods

Data from the field survey were analyzed in the following ways. First, a reliability test was performed using the SPSS 18.0 software package to evaluate the internal consistency and reliability of each key construct. Second, confirmatory factor analyses (CFA) were conducted to assess the convergent and discriminant validity of constructs using LISREL 8.80. Convergent validity is the extent to which a scale correlates positively with other measures of the same construct; discriminant validity is the extent to which a measure does not correlate with other constructs from which it is supposed to differ and it involves demonstrating a lack of correlation among different constructs. Descriptive analyses were then carried out to examine the means, standard deviations, and inter-correlations of the key constructs.

Following the measure assessment, proposed relationships were tested quantitatively through multiple regression analysis using the SPSS 18.0 software package.
4.2 Scenario-Based Experimental Studies

Following the success of the field survey, two experimental studies were conducted in phase two. The field survey in phase one was based on customers’ actual service failure and recovery experiences across various service settings; thus, the generalizability of the research can be ensured. However, the use of a cross-sectional design does not allow for the demonstration of causality of consumer perceptions of service recovery and CSR on customer responses. A high degree of internal validity can be established through the use of experimental studies.

The experimental studies in this stage were intended to replicate the findings of the field study and provide a better understanding of the causal relationships among the constructs of interest (i.e., the effect of interaction among recovery justice, CSR performance, and customer participation in the service delivery on customer responses).

In the present research, scenario-based experimental studies were conducted wherein participants read a hypothetical scenario and were asked to express their feelings about the described situation and respond to questions accordingly. The experimentally generated scenario method was used because it can avoid the problem of intentionally imposing service failures on customers and minimize memory biases, which are common in self-reports of past service failures (Smith et al., 1999). Also, the internal validity can be improved as the method allows for tight control of the study environment (Kim & Jang, 2014). This hypothetical method has been used successfully in service contexts evaluating service encounters with both failure and recovery (e.g., Smith et al., 1999) and has made the operationalization of manipulations easier (Hess et al., 2003). Previous studies have used hypothetical scenarios manipulating service failure and recovery conditions (e.g., Hess et al., 2003; Kwon & Jang, 2012; Patterson et al., 2006; Sparks & McColl-Kennedy, 2001).

4.2.1 Overview of Studies

To test the research hypotheses, this study employed two 2 × 2 × 2 between-subjects designs wherein participants were presented with a scenario that asked them to imagine a service failure and recovery occasion in a setting with
which participants were familiar. Two services, a travel service and a
telecommunication service, were selected as instrumental stimuli for the
experimental studies.

These two studies separately investigated the moderating role of customer
participation in service delivery (in either service provision or service recovery)
with respect to recovery-CSR interaction toward customer identification. Study 1
focused on the role of customer participation in service provision, while Study 2
examined how customer participation in co-creating service recovery affected
recovery-CSR interaction on customer identification following a service failure.

4.2.2 Study 1
4.2.2.1 Design
The objective of Study 1 was to replicate the findings of the field study and
examine the effect of the interaction of a firm’s recovery justice, CSR performance,
and level of customer participation in service provision on participants’ evaluation
of the firm using a 2 (recovery justice: high justice versus low justice) × 2 (CSR
performance: high CSR versus low CSR) × 2 (customer participation in service
provision: high participation versus low participation) between-subjects design.
All three factors were manipulated on two levels (1 = low, 2 = high). The study
design and materials were prepared in Chinese and provided to undergraduate
students in Hong Kong.

All participants were exposed to a written scenario describing a service
encounter with a travel agency to book a vacation package, during which a service
failure and recovery occur. Travel-related service was chosen for two reasons.
First, the use of self-service technology is becoming common in the travel
industry. Self-service technology “enables customers to produce a service
independent of direct involvement by the service employee(s)” (Dong, Evans, &
Zou, 2008, p. 129). Second, the travel service setting provided a familiar context
for the subjects (i.e., undergraduate students).

4.2.2.2 Procedure and Participants
A total of 178 undergraduate students from a university in Hong Kong
participated in the study (65.2% female; mean age = 20 years). Subjects were
recruited via their enrollment in specific business courses, and they voluntarily participated in return for course credit. The use of a student sample is appropriate because (1) the goal of experimental study is to provide a higher degree of internal validity rather than external validity and (2) students are significant customers of travel services and more concerned about CSR issues.

Data collection took place in a classroom setting. Participants were randomly assigned to one of the eight experimental conditions. After the greeting and an explanation of the study objective, participants were instructed to carefully read a hypothetical scenario. They were asked to imagine themselves as the existing customers of a travel agency and answer the questions that followed. The scenario first described the relationship between the customer and the travel agency in terms of past service performance and level of customer satisfaction with the firm, emphasizing that the travel agency provided customers with a satisfactory travel experience. More specifically, participants were told that they were the loyal customers who had patronized the agency’s travel service for several years and were always satisfied with the services provided. This created a more homogeneous service expectation and perception toward the travel agency. After this, participants were provided with a description of a newspaper report about the travel agency’s CSR performance. To manipulate the CSR performance to be either high or low, the newspaper report emphasized the travel agency as having the highest or lowest ranking in the industry on CSR. In the high CSR condition, the travel agency was presented with the Corporate Social Responsibility Award for four consecutive years in recognition of its outstanding contributions to corporate social responsibility. In contrast, the low CSR condition highlighted the travel agency’s lack of commitment to social responsibility, placing at the bottom of the rankings.

Following Vlachos (2012) and Sen and Bhattacharya (2001), the scenario presented the ranking as given by independent and impartial institutions (such as well-known universities in Hong Kong) which evaluate Asian companies on their performance and contributions in CSR. The report was printed in the form of a popular newspaper excerpt to enhance the credibility of the scenarios.

The scenario then presented a service failure in which participants faced a problem in booking a vacation package (caused by either the customers themselves or the travel agency). In line with the definition provided by Büttgen,
Schumann, and Ates (2012), a high level of participation involves customers highly engaging in the service offering creation. For the scenarios used in this study, a participant made an effort to book a vacation package for his/her family using the firm’s online booking system. The participant was highly involved in the booking process by reading the instructions and going through all the necessary steps in making a reservation. On the other hand, the low participation condition suggested that the participant was involved only in an interaction with the service provider without taking any further actions or putting in any further effort. The travel agent asked the participants to wait while all the booking procedures were handled for the participant.

Finally, a description of the agency’s recovery effort (either high or low justice) was provided. The high justice scenario said that the employee sincerely apologized and responded quickly to resolve the problem, together with offering adequate compensation to participants. The low justice scenario suggested that the employee was not genuinely concerned about the participant’s problem and responded slowly in dealing with the problem.

After reading the scenario, participants indicated their perceptions, attitudes, and behavioral intentions toward the agency on a structured instrument, which concluded with manipulation checks and control variable measures. Specifically, for assessing participants’ behavioral intentions to support corporate-initiated CSR activity, participants were presented with a promotional poster inviting customers to support a particular nonprofit cause through monetary and time donations (see Appendix 6).

The realism of the scenarios was also assessed by using a 9-point Likert-type scale (with 9 being the most realistic). Demographic information was collected at the end of the instrument. The entire experimental study lasted around 20 minutes.

4.2.2.3 Measures

Customer identification and customer loyalty intentions were measured as in the field survey, using a 7-point Likert-type scale anchored by strongly disagree (1) and strong agree (7).

Customer Identification. Customer identification with the service firm was measured by using five items adapted from Homburg, Wieseke, and Hoyer (2009). Sample items include “I strongly identify with this travel agency” and “I feel good
to be a customer of this travel agency.”

Customer Loyalty Intentions. Measures for customer loyalty to the company in terms of attitudinal loyalty and switching behavior were adapted from DeWitt, Nguyen, and Marshall (2008) and Bougie, Pieters, and Zeelenberg (2003); customer loyalty to corporate-initiated CSR activities was measured by using a self-report approach asking respondents about the extent to which they would donate time and money and be dedicated to supporting the service provider’s CSR program(s). The scale was developed with reference to Lichtenstein, Drumwright, and Braig (2004) and Garbarino and Johnson (1999).

4.2.2.4 Manipulation Checks

The manipulation of recovery justice was checked by using a 9-item measure adapted from Dewitt, Nguyen, and Marshall (2008). Participants were asked to evaluate statements such as “The service firm responded quickly and fairly to my needs” and “The service firm’s communications with me were appropriate.”

To assess the effectiveness of CSR performance manipulation, a 3-item scale adapted from Eisingerich, Rubera, Seifert, and Bhardwajservi (2011) was used along with a 9-point measure ranging from 1 = strongly disagree to 9 = strongly agree. The manipulation check for the level of customer participation in service provision was conducted by asking respondents to evaluate their work and effort involved in the process of service delivery (ranging from 1 = low to 9 = high) (Bendapudi & Leone, 2003).

4.2.2.5 Data Analysis Methods

Data of Study 1 were analyzed as follows. First, reliability tests and CFA were conducted to validate the construct measurements. Second, with use of the SPSS 18.0 software package, manipulation checks were performed to evaluate the validity of scenarios used in experimental designs. Following the manipulation checks, research hypotheses were tested by employing analyses of variance (ANOVAs). Recovery justice, CSR performance, level of customer participation in service provision, and product terms were the predictor variables, while customer identification and customer loyalty intentions were included as dependent variables. Analyses of contrasts were also performed to examine
whether the pattern of the respective effects followed the research hypotheses.

4.2.3 Study 2
4.2.3.1 Design

Similar to Study 1, the objective of Study 2 was to replicate the findings of the field study and investigate the interaction effects among a firm’s recovery justice, CSR performance, and level of customer participation in service recovery on participants’ responses using a $2 \times 2 \times 2$ between-subjects design. The independent variables manipulated were the firm’s recovery justice (high justice versus low justice), whether the service firm rated high in CSR performance (high versus low), and whether the participant was highly involved in co-creating the service recovery (high participation versus low participation).

All participants were exposed to a written scenario describing an identical service failure in which they faced a breakdown of telecommunications services due to bad weather. This was followed by different service recovery experiences. A telecommunication service was chosen for this study because of its relevance to the subjects and because customers’ use of telecommunication services is common.

4.2.3.2 Procedure and Participants

Participants were 192 undergraduate students enrolled in specific business courses at a university in Hong Kong (65.1% female; mean age = 20 years) who volunteered to participate in return for course credit. Participants were randomly assigned to one of the eight experimental conditions. Participants were instructed to read and answer questions regarding the assigned scenarios in a classroom setting. The greeting, instructions, and procedures used in this study were the same as those used in Study 1.

In Study 2, the scenario first presented background information about a hypothetical telecommunication service provider and described the relationship between the customer and the service provider in terms of past service performance and level of customer satisfaction with the firm. The service provider had provided customers with satisfactory telecommunication service experiences. Specifically, participants were told that they were loyal customers who had patronized the firm’s telecommunication service for several years and always been
satisfied with the services provided. The aim was to create a more homogeneous service expectation among participants. This was followed by a description of a newspaper report about the service provider’s CSR performance (either high or low). The manipulation of CSR performance was similar to that in Study 1.

The scenario then presented an identical service failure in which participants faced a breakdown of telecommunication service due to bad weather. Participants were then exposed to a description of the recovery experience during which participants were either highly engaged in the process of service recovery or having the recovery work mostly delivered by the service provider and its employees. The high participation in the service recovery condition suggested that the participant was involved in taking actions in response to the service problem. The participant obtained guidance from service employees and worked with them to fix the problem. In contrast, the low participation scenario suggested that the participant merely provided basic information to the service provider without making any effort to solve the problem. The level of recovery justice (either high or low) was also manipulated and presented in the scenario (similar to those used in Study 1).

After reading the scenario, participants completed a structured questionnaire regarding the scenario. A promotional poster inviting customers to support a particular nonprofit cause through monetary and time donation (the same material used in Study 1) was presented to participants to assess their behavioral intentions to support corporate-initiated CSR activity. Manipulation checks, control variables, and demographic information measures were included at the end of the questionnaire. The realism of the scenarios was also assessed.

4.2.3.3 Measures

Customer identification and customer loyalty intentions were measured as in the field survey, using a 7-point Likert-type scale anchored by strongly disagree (1) and strong agree (7).

Customer Identification. Customer identification with the service firm was measured using five items adapted from Homburg, Wieseke, and Hoyer (2009). Sample items include “I strongly identify with this telecommunication service provider” and “I feel good to be a customer of this telecommunication service provider.”
Customer Loyalty Intentions. Measures for customer loyalty to the company in terms of attitudinal loyalty and switching behavior were adapted from DeWitt, Nguyen, and Marshall (2008) and Bougie, Pieters, and Zeelenberg (2003), respectively, whereas customer loyalty to corporate-initiated CSR activities was measured using a self-report approach asking respondents about the extent to which they would donate time and money and be dedicated to supporting the service provider’s CSR program(s) (same measure as in Study 1).

4.2.3.4 Manipulation Checks

Manipulation checks for recovery justice and CSR performance were the same as those in Study 1. The 9-item measure adapted from Dewitt, Nguyen, and Marshall (2008) was used to assess the effectiveness of recovery justice manipulation. The CSR performance manipulation was checked by employing Eisingerich’s group scale anchored by strongly disagree (1) and strong agree (9).

The effectiveness of the level of customer participation in the service recovery manipulation was assessed by asking participants to indicate the extent to which they made an effort to resolve the service problem using a 9-point scale (ranging from 1 = low to 9 = high) (Bendapudi & Leone, 2003).

4.2.3.5 Data Analysis Methods

Similar analyses were conducted for Study 2. Construct measurements were evaluated using reliability tests and CFA. The validity of the experimental scenarios was then assessed through manipulation checks. Research hypotheses were tested by employing ANOVAs following the manipulation checks. Recovery justice, CSR performance, level of customer participation in the service recovery, and product terms were the predictor variables, while customer identification and customer loyalty intentions were included as dependent variables. Finally, analyses of contrasts were conducted.

4.3 Chapter Summary

This chapter has described the methodology used in the present research. Multi-methods including both a field survey and experimental studies were administered to test the research hypotheses. The next chapter presents the results of data analyses.
CHAPTER 5 RESEARCH FINDINGS AND RESULTS

In this chapter, the data analysis results from both the field survey and the experimental studies are presented. For each quantitative study, the text is organized into two main sections. The first section demonstrates the results of measure validation using reliability tests and confirmatory factor analysis. The results of hypothesis testing are presented in the second section.

5.1 Results of the Field Study

5.1.1 Measurement Assessment

Reliability represents the degree of consistency among multiple measurements of a variable. The results of reliability tests suggested high internal consistency of all the constructs. As depicted in Table 2, Cronbach’s alpha coefficients for each construct exceeded the recommended standard level of .70 (Nunnally, 1978).

All construct measures were then subjected to CFA to evaluate construct validity, including convergent and discriminant validity. The overall model fit indices of the CFA were satisfactory ($\chi^2$ [657] = 1408.07, $p < .001$; root mean square error of approximation (RMSEA) = .057; standardized root mean residual (SRMR) = .050; comparative fit index (CFI) = .97; incremental fit index (IFI) = .97; normed fit index (NFI) = .95; and non-normed fit index (NNFI) = .97), suggesting an acceptable model fit to the data. The factor loadings of each measurement item on its corresponding construct were significant, with the lowest t-value of 11.21 ($p < .01$), indicating high levels of internal consistency.

Convergent validity was further assessed by computing composite reliability (CR) and average variance extracted (AVE) using Fornell and Larcker’s (1981) formulas. The composite reliabilities for all constructs exceeded the recommended level of .70 (ranging from .74 to .93) and AVE for each construct was greater than .50 (ranging from .59 to .80), in support of convergent validity (Anderson & Gerbing, 1988; Fornell & Larcker, 1981).

The discriminant validity of the measures was achieved as the AVE for each construct exceeded the squared correlations between any constructs in the model (Fornell & Larcker, 1981). Table 3 presents the means, standard deviations, and inter-correlations of the key constructs.
Table 2. Field Survey: Measurement Items and Validity Assessment.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Standardized Loadings</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Perceived Recovery Justice&lt;sup&gt;c&lt;/sup&gt;</td>
<td>(Mean = 4.03; SD = 1.48; AVE = .60; CR = .93; α = .93)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. The outcome I received was fair.</td>
<td>.75</td>
<td>@</td>
</tr>
<tr>
<td></td>
<td>2. I did not get what I deserved.&lt;sup&gt;d,e&lt;/sup&gt;</td>
<td>/</td>
<td>/</td>
</tr>
<tr>
<td></td>
<td>3. In resolving the problem, the firm gave me what I needed.</td>
<td>.83</td>
<td>16.29</td>
</tr>
<tr>
<td></td>
<td>4. The firm responded quickly and fairly to my needs.</td>
<td>.88</td>
<td>17.52</td>
</tr>
<tr>
<td></td>
<td>5. The firm showed adequate flexibility in dealing with my problem.</td>
<td>.86</td>
<td>17.08</td>
</tr>
<tr>
<td></td>
<td>6. The policies and procedures the firm had in place were adequate for addressing my concerns.</td>
<td>.84</td>
<td>16.62</td>
</tr>
<tr>
<td></td>
<td>7. The firm was appropriately concerned about my problem.</td>
<td>.84</td>
<td>16.53</td>
</tr>
<tr>
<td></td>
<td>8. The firm did not put the proper effort into resolving my problem.&lt;sup&gt;d&lt;/sup&gt;</td>
<td>.53</td>
<td>9.99</td>
</tr>
<tr>
<td></td>
<td>9. The firm’s communications with me were appropriate.</td>
<td>.75</td>
<td>14.59</td>
</tr>
<tr>
<td>Perceived CSR Performance&lt;sup&gt;c&lt;/sup&gt;</td>
<td>(Mean = 3.67; SD = 1.40; AVE = .73; CR = .89; α = .89)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. I consider the firm as a socially responsible firm.</td>
<td>.83</td>
<td>@</td>
</tr>
<tr>
<td></td>
<td>2. This firm is more beneficial to society’s welfare than other firms.</td>
<td>.88</td>
<td>19.27</td>
</tr>
<tr>
<td></td>
<td>3. This firm contributes something to society.</td>
<td>.85</td>
<td>18.46</td>
</tr>
<tr>
<td>Level of Customer Participation in Service Provision&lt;sup&gt;c&lt;/sup&gt;</td>
<td>(Mean = 4.55; SD = 1.34; AVE = .63; CR = .83; α = .82)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. I made considerable effort into expressing my personal needs to the staff during service delivery process.</td>
<td>.79</td>
<td>@</td>
</tr>
<tr>
<td></td>
<td>2. I provided suggestions to the staff for improving the service outcome.</td>
<td>.69</td>
<td>12.82</td>
</tr>
<tr>
<td></td>
<td>3. I have a high level of participation in the service provision process.</td>
<td>.89</td>
<td>15.41</td>
</tr>
<tr>
<td>Level of Customer Participation in Service Recovery&lt;sup&gt;c&lt;/sup&gt;</td>
<td>(Mean = 4.74; SD = 1.27; AVE = .66; CR = .89; α = .88)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. I spent time discussing my problems with the staff during the recovery process.</td>
<td>.74</td>
<td>@</td>
</tr>
<tr>
<td></td>
<td>2. I made considerable effort and get involved in resolving the problem.</td>
<td>.88</td>
<td>16.46</td>
</tr>
</tbody>
</table>
3. I provided suggestions to the staff for resolving the service problem. .74 13.78
4. I have a high level of participation in the service recovery process. .88 16.41

Customer Loyalty Intentions

Attitudinal Loyalty\(^c\) (Mean = 3.95; SD = 1.48; AVE = .63; CR = .77; R = .70; \(\alpha = .83\))
1. I would be dedicated to doing business with this firm. .88 @
2. If this service firm were to raise its prices, I will continue to be a customer of the firm. .80 15.91

Switching Behavior\(^c\) (Mean = 3.95; SD = 1.37; AVE = .59; CR = .74; R = .59; \(\alpha = .73\))
1. I intend to switch to a competitor of this firm. .74 @
2. I will not acquire services of this firm anymore in the future. .79 11.40

Customer Loyalty to Corporate-Initiated CSR Activity\(^c\) (Mean = 3.75; SD = 1.26; AVE = .62; CR = .89; \(\alpha = .87\))
1. I would like to donate to the firm’s CSR program(s). .83 @
2. I feel obligated to help the society. .60 11.21
3. I would like to support the service firm’s CSR program(s). .89 20.75
4. I would be dedicated to supporting the service firm’s CSR program(s). .88 20.21
5. I will say positive things about the service firm’s CSR program(s). .80 17.70

Customer Identification\(^c\) (Mean = 3.51; SD = 1.40; AVE = .74; CR = .93; \(\alpha = .93\))
1. I strongly identify with this firm. .90 @
2. I feel good to be a customer of this firm. .91 26.85
3. I like to tell that I am a customer of this firm. .79 19.64
4. This firm fits well to me. .89 25.37
5. I feel attached to this firm. .81 20.98

Severity of Service Failure\(^f\) (Mean = 6.09; SD = 2.05; AVE = .80; CR = .89; R = .78; \(\alpha = .87\))
1. Minor Problem – Major Problem .99 @
2. Small inconvenience – Big inconvenience .79 12.62
Innovativeness<sup>c</sup>
(Mean = 3.06; SD = 1.49; AVE = .71; CR = .92; α = .93)

1. In general, I am among the first in my circle' of friends to buy a new mobile phone model when it appears. .87 @
2. If I heard that a new mobile phone model was available in the store, I would be interested enough to buy it. .81 19.14
3. Compared to my friends I own a lot of mobile phone models. .84 20.28
4. In general, I am the first in my circle of friends to know the new model of a mobile phone. .87 21.64
5. I usually know the new model of a mobile phone before other people do. .83 20.09

Model fit indices: $\chi^2 = 1408.07, d.f. = 657, p < .01; \text{RMSEA} = .057; \text{SRMR} = .050; \text{CFI} = .97; \text{IFI} = .97; \text{NFI} = .95; \text{NNFI} = .97.$

Notes:
<sup>a</sup> The estimates are standardized coefficients (all $p < .01$).
<sup>b</sup> T-values greater than 1.96 indicate significant effects at the 0.05 level for a two-tailed test.
<sup>c</sup> Measured using seven-point Likert item scale, anchored by (1) strongly disagree/(7) strongly agree.
<sup>d</sup> Reverse coded.
<sup>e</sup> Deleted item.
<sup>f</sup> Measured using nine-point semantic differential.
<sup>@</sup> Initially fixed at 1.0 for estimation purposes.

$SD = \text{Standard Deviation}; \ AVE = \text{Average Variance Extracted}; \ CR = \text{Composite Reliability}; \ \alpha = \text{Cronbach's Alpha}; \ CR = \text{Corrected Item-Total Correlation}; \ \text{RMSEA} = \text{Root Mean Square Error of Approximation}; \ \text{SRMR} = \text{Standardized Root Mean Residual}; \ \text{CFI}: \text{Comparative Fit Index}; \ \text{IFI} = \text{Incremental Fit Index}; \ \text{NFI} = \text{Normed Fit Index}; \ \text{NNFI} = \text{Non-Normed Fit Index}.$
Table 3. Means and Standard Deviations and Inter-Correlations of Variables.

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Note:
Service Participation = Level of Customer Participation in Service Provision;
Recovery Participation = Level of Customer Participation in Service Recovery;
Identification = Customer Identification;
* Correlation is significant at the 0.05 level (2-tailed);
** Correlation is significant at the 0.01 level (2-tailed).
5.1.2 Common Method Variance

Owing to the single source data, the potential for common method variance was investigated. First, Harman’s single-factor test was conducted using exploratory factor analysis with all variables loaded onto a single unrotated factor (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). The unrotated factor result revealed seven factors with eigenvalues greater than one, accounting for 72.03% of the total variance; the first factor only accounted for 34.89% of the total variance. Furthermore, following Jha, Deitz, Babakus, and Yavas’s (2013) work, an 8-factor measurement model was tested compared with a single-factor model in CFA. The chi-square difference test revealed that the one-factor model produced a significant increase in $\chi^2$, suggesting that common method variance may not be a significant problem.

In addition, following Podsakoff et al.’s (2003) suggestions, a marker variable (i.e., innovativeness) was included in the present research and its measures were incorporated in the questionnaire as part of the data collection. Including the marker variable in the data analysis can help partial out the average correlation between the marker variable and the other variables in the study so as to control for the effect of method biases (Lindell & Whitney, 2001).

5.1.3 Hypotheses Testing

The proposed relationships were tested quantitatively by performing multiple regression analyses using the SPSS 18.0 software package. The effects of perceived recovery justice and the interactions by CSR performance and level of customer participation in either service provision or recovery on customer identification were examined. Also, an additional mediation test was conducted to assess whether customer identification acts as a mediator in the relationship between the three-way interaction and customer loyalty intentions. To avoid the problem of multicollinearity, continuous variables were mean-centered before generating the interaction terms.

Tests of $H_1$ and $H_2$. In the present research, Hypothesis 1 posits that following a service failure, perceived recovery justice is positively related to customer identification with a service firm. In support of $H_1$, the results from regression analyses (see Table 4) demonstrated a significant main effect for
perceived recovery justice on customer identification ($\beta = .45$, $p < .01$). When faced with a service failure, customers are more likely to identify with a service firm when they experience higher levels of perceived justice in the service recovery attempt.

To test the interaction effect proposed in Hypothesis 2, a regression analysis with recovery justice, perceived CSR performance, and their interaction term as predictors was performed. Continuous variables were mean-centered before generating the interaction term of perceived recovery justice and CSR performance. The results revealed a significant two-way interaction effect on customer identification ($\beta = -.175$, $p < .01$). The interaction effect was further interpreted and decomposed following Aiken and West’s (1991) procedure. As illustrated in Figure 2, CSR-induced changes in customer identification were significantly greater for customers who have experienced service recovery with lower perceived justice ($M_{\text{High CSR}} = 3.66$ versus $M_{\text{Low CSR}} = 2.18$, simple slope $b = .53$, $p < .01$) than those who had higher perceptions of justice in service recovery ($M_{\text{High CSR}} = 4.68$ versus $M_{\text{Low CSR}} = 4.00$, simple slope $b = .25$, $p < .01$). Specifically, following a service failure, having goodwill from high-performing CSR is more effective in fostering customer identification when customers perceive low rather than high justice associated with service recovery. This finding supported $H_2$. 
Tests of $H_3$. Hypothesis 3 posits that when faced with a service failure, the impact on customer identification driven by the interaction between perceived recovery justice and CSR performance is stronger for customers who highly participate in the service provision than those who have a lower level of participation. Hierarchical regression analysis was conducted to test the hypothesized three-way interaction. First, the three main factors (recovery justice, CSR performance, and level of customer participation in service provision) were entered in the model, followed by the three two-way interactions, and finally by the three-way interaction term. As predicted, the results revealed a significant three-way interaction in predicting customer identification ($\beta = -.098, p < .05$) (see Table 4).

Follow-up contrasts (see Figure 3) demonstrated that among customers who were highly involved in the service provision, the effect of perceived justice by CSR performance significantly predicted customer identification. Specifically, when customers had a higher level of service participation, the CSR-induced changes in customer identification were significantly greater for customers who had lower justice perceptions in recovery attempts following a service failure ($M_{\text{High CSR}} = 3.91$ versus $M_{\text{Low CSR}} = 2.07$; simple slope $b = .66, p < .001$) than those who perceived higher justice in recovery ($M_{\text{High CSR}} = 4.74$ versus $M_{\text{Low CSR}} = 4.05$; simple slope $b = .25, p < .001$). Testing the slope difference revealed that the
two slopes (slopes (1) and (3)) differed significantly in the high service participation situation ($t = -5.11, p < .001$). However, in the low service participation condition, no significant interaction of perceived justice and CSR performance was found in predicting customer identification. As revealed in the slope difference test (slopes (2) and (4)), there was no significant difference in the relationship between perceived CSR performance and customer identification regardless of whether the recovery justice was perceived as high or low following a service failure, $t = -.43, p > .10$. Thus, $H_3$ was supported.

**Figure 3.** Field Survey: Three-Way Interaction Effect of Perceived Recovery Justice, CSR Performance, and Customer Participation in Service Provision on Customer Identification.

![Customer Identification vs. CSR Performance with Interaction Effect](image)

- (1) High Justice, High Participation in Service Provision
- (2) High Justice, Low Participation in Service Provision
- (3) Low Justice, High Participation in Service Provision
- (4) Low Justice, Low Participation in Service Provision

**Test of $H_4$.** Similar to the test of $H_3$, a regression with perceived recovery justice, CSR performance, and customer participation in service recovery, all two-
way and three-way interaction terms included as independent variables, was computed. As shown in Table 4, the three-way interaction emerged as a significant predictor of customer identification \((\beta = -.170, p < .01)\). Follow-up contrasts (as shown in Figure 4) revealed that the interaction of perceived recovery justice and CSR performance significantly predicted customer identification when customers were highly involved in the recovery process. Specifically, when customers highly participated in co-creating the service recovery, the CSR-induced changes in customer identification were significantly greater for customers who perceived lower justice in the recovery \((M_{\text{High CSR}} = 3.87 \text{ versus } M_{\text{Low CSR}} = 2.14; \text{ simple slope } b = .62, p < .001)\) than those who perceived higher justice \((M_{\text{High CSR}} = 4.87 \text{ versus } M_{\text{Low CSR}} = 4.26; \text{ simple slope } b = .22, p < .001)\). Testing the slope difference revealed that the two slopes \((\text{slopes (1) and (3)})\) differed significantly in the high recovery participation situation \((t = -5.77, p < .001)\). However, in the low recovery participation condition, there was no significant interaction of perceived justice and CSR performance in predicting customer identification. The slope difference test \((\text{slopes (2) and (4)})\) revealed no significant difference in the relationship between perceived CSR performance and customer identification regardless of whether the recovery justice was perceived as high or low following a service failure, \(t = .55, p > .10\). Thus, \(H_4\) was supported.

Tests of \( H_5a, H_5b, \) and \( H_6 \). Consistent with the predictions of \( H_5 \) and \( H_6 \), customer identification was significantly related to customer attitudinal loyalty \((\beta = .60, p < .01)\), switching behavior \((\beta = -.41, p < .01)\), and loyalty to corporate-initiated CSR activities \((\beta = .60, p < .01)\).

Additional Tests: Mediating Effect of Customer Identification. Additional statistical tests were conducted to examine whether customer identification serves as part of the mechanism underlying the relationship between interaction effects and customer loyalty. The most commonly used technique for assessing mediation effects is the four-step procedure suggested by Baron and Kenny (1986). According to Baron and Kenny (1986), four criteria should be met in establishing
mediation. First, the independent variable (i.e., three-way interaction in the present research) is significantly related to the outcome variable (i.e., customer loyalty intentions). Second, the three-way interaction is a significant predictor of the proposed mediator (i.e., customer identification). Third, a significant relationship between customer identification and customer loyalty intentions is required when both the three-way interaction and customer identification are entered in the regression equation as predictors. Finally, the effect of the three-way interaction on customer loyalty intentions should be reduced when controlling for customer identification. However, researchers have questioned the necessity of testing the significant direct effect of independent variables on outcome variables in the first step (e.g., MacKinnon, 2000; MacKinnon, Krull, & Lockwood, 2000; Zhao, Lynch, & Chen, 2010). MacKinnon, Fairchild, and Fritz (2007) argued that the first criterion in Baron and Kenny’s approach “severely reduces power to detect mediation, especially in the case of complete mediation (i.e., the direct effect is zero)” (p. 601). Significant mediation still exists even if the first criterion is not met.

The significance of the indirect effects of mediation was further confirmed by Preacher and Hayes’s (2008) “bootstrap” test, which is believed to be more powerful than Sobel’s test (Zhao, Lynch, & Chen, 2010). The bootstrap test generates an empirical sampling distribution of the indirect effect, estimating parameters and confidence intervals from bootstrap samples. The indirect effect is significant when the confidence interval does not contain zero.

First, the mediating effect of customer identification was assessed by considering the interaction of perceived recovery justice, CSR performance, and level of customer participation in the service provision as independent variables and loyalty intentions as outcome variables. Three regression equations were computed. In step 1, all three factors and their interactions (two-way and three-way interactions) were entered in the regression as independent variables, and customer identification was entered as the dependent variable. As Table 5 shows, the three-way interaction term emerged as a significant predictor of customer identification ($\beta = -0.098$, $p < .05$). In step 2, customer identification significantly predicted customer loyalty intentions: attitudinal loyalty ($\beta = .62$, $p < .01$), switching behavior ($\beta = -.47$, $p < .01$), and loyalty to corporate-initiated CSR activities ($\beta = .58$, $p < .01$). The last step showed that customer identification
remained significantly related to customer loyalty intentions when the three-way interaction was entered simultaneously with customer identification as predictors. This finding suggested a significant mediating role of customer identification.

The significance of the mediation effect of customer identification was further tested using a bootstrapping procedure with 5,000 bootstrap samples (Preacher & Hayes, 2008). Consistent with regression analyses, the three-way interaction was significantly related to customer identification ($b = -.05$, bias-corrected $p < .05$). The results also revealed that customer identification emerged as a significant predictor of customer loyalty intentions, attitudinal loyalty ($b = .48$, bias-corrected $p < .001$), switching behavior ($b = -.33$, bias-corrected $p < .001$), and loyalty to corporate-initiated CSR activities ($b = .31$, bias-corrected $p < .001$), controlling for the three-way interaction effect. The total indirect effect of the three-way interaction on *attitudinal loyalty* through customer identification provided a point estimate of -.02 (bias-corrected $p < .05$), and the 95% confidence intervals (CIs) for the indirect effects did not include zero (ranging from -.0501 to -.0027), in support of the significant indirect effect. In addition, when *customer switching behavior* was considered as a dependent variable, the indirect effect through customer identification was 95% likely to range from .0016 to .0347, with a point estimate of .01. The indirect effect of the three-way interaction on *customer loyalty to corporate-initiated CSR activities* through customer identification provided a point estimate of -.01, with 95% bootstrap CI ranging from -.0329 to -.0017. As zero did not occur within the interval ranges for the loyalty intentions, the total indirect effect through customer identification was significant.

Second, considering the interaction of perceived recovery justice, CSR performance, and level of customer participation in *service recovery* as independent variables predicting customer identification and customer loyalty intentions, similar regression analyses were conducted (see Table 6). The three-way interaction term was a significant predictor of customer identification ($\beta = -.17$, $p < .01$), followed by a significant relationship between customer identification and customer loyalty intentions: attitudinal loyalty ($\beta = .59$, $p < .01$), switching behavior ($\beta = -.40$, $p < .01$), and loyalty to corporate-initiated CSR activities ($\beta = .60$, $p < .01$). Finally, when the three-way interaction was entered simultaneously with customer identification as predictors, the effect of customer
identification on loyalty intentions remained significant.

A further bootstrapping test with 5,000 bootstrap samples replicated the results for the mediation. The three-way interaction emerged as a significant predictor of customer identification \((b = -.06, \text{bias-corrected } p < .05)\). This was followed by significant relationships between customer identification and customer loyalty intentions: attitudinal loyalty \((b = .49, \text{bias-corrected } p < .001)\), switching behavior \((b = -.34, \text{bias-corrected } p < .001)\), and loyalty to corporate-initiated CSR activities \((b = .33, \text{bias-corrected } p < .001)\), controlling for the three-way interaction effect. The total indirect effect of the three-way interaction on *attitudinal loyalty* through customer identification provided a point estimate of -.03 (bias-corrected \(p < .05\)), with 95% CI ranging from -.0715 to -.0031. Also, when *customer switching behavior* was considered as a dependent variable, the indirect effect through customer identification was 95% likely to range from .0016 to .0489, with a point estimate of .02. Finally, the indirect effect of the three-way interaction on *customer loyalty to corporate-initiated CSR activities* through customer identification provided a point estimate of -.02, with a 95% bootstrap CI ranging from -.0475 to -.0024. Again, as none of the confidence intervals contained zero, the total indirect effect through customer identification was significant. Thus, customer identification serves as part of the mechanism linking the relationship between the interaction effects and customer loyalty intentions.

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Note: Standardized coefficients
* $p < .05$; ** $p < .01$.

a Gender: dummy-code (1 = Male; 0 = Female)
b Perceived price: Measured by asking respondents ‘for the prices I paid for service at this service firm, I will say it is [“very low” (1) to “very high” (7)]’.
c Marker variable (i.e. Innovativeness) was included for analysis

Justice = Perceived Recovery Justice;
CSR = Perceived CSR Performance;
Service Participation = Level of Customer Participation in Service Provision;
Recovery Participation = Level of Customer Participation in Service Recovery
Table 5. Field Survey Mediation Analyses (1).

(Perceived Recovery Justice, CSR Performance, and Level of Customer Participation in Service Provision as Independent Variable)

| Control Variables | Gender$^a$ | .000 | -.006 | -.119** | .076 | -.004 | -.124** | -.121** | .088 | .086 | -.014 | -.012 |
| Age | .031 | .032 | -.003 | .056 | -.002 | .007 | -.008 | -.061 | -.051 | .024 | .013 |
| Failure Severity | -.059 | -.061 | .015 | -.039 | .016 | -.009 | .018 | -.026 | -.046 | -.034 | -.013 |
| Perceived Price | -.032 | -.031 | -.032 | .030 | -.082 | -.018 | -.005 | .017 | .006 | -.070 | -.060 |
| Innovativeness | .123** | .121** | .129** | .082 | .148** | .207** | .154** | .014 | .054 | .198** | .156** |
| Recovery Participation | .132** | .126** | -.110* | .303** | .111* | .026 | -.031 | .170** | .212** | .146** | .103* |

| Independent Variables | Justice | .496** | .494** | .360** | .140* | -.262** | -.098 | .244** | .073 |
| CSR | .365** | .357** | .269** | .110* | -.158** | -.040 | .425** | .301** |
| Service Participation | -.020 | .013 | -.136* | -.142** | .140* | .144* | .040 | .036 |

| Two-way Interactions | Justice × CSR | -.180** | -.141** | -.179** | -.116* | .077 | .030 | -.111* | -.062 |
| CSR × Service Participation | .094* | .098* | .077 | .033 | -.137** | -.104* | .094* | .060 |
| Justice × Service Participation | -.009 | .006 | .045 | .042 | -.030 | -.028 | .068 | .065 |

| Three-way Interaction | Justice × CSR × Service Participation | -.098* | .006 | .050 | .098 | .066 | -.015 | .019 |
**Mediator**

<table>
<thead>
<tr>
<th>Customer Identification</th>
<th>.618**</th>
<th>-.465**</th>
<th>.580**</th>
<th>.445**</th>
<th>-.332**</th>
<th>.346**</th>
</tr>
</thead>
</table>

$R^2$  

| .588 | .594 | .426 | .272 | .444 | .384 | .465 | .265 | .309 | .469 | .518 |

Adjusted $R^2$  

| .573 | .578 | .413 | .256 | .432 | .359 | .441 | .235 | .279 | .448 | .497 |

Notes: Standardized regression coefficients

* $p < .05$; ** $p < .01$.

a Gender: dummy-coded (1 = Male; 0 = Female)

Justice = Perceived Recovery Justice;
CSR = Perceived CSR Performance;
Service Participation = Level of Customer Participation in Service Provision;
Recovery Participation = Level of Customer Participation in Service Recovery
Table 6. Field Survey Mediational Analyses (2).
(Perceived Recovery Justice, CSR Performance, and Level of Customer Participation in Service Recovery as Independent Variable)

<table>
<thead>
<tr>
<th>Control Variables</th>
<th>Customer Identification</th>
<th>Loyalty to Company</th>
<th>Loyalty to Corporate-initiated CSR Activities</th>
<th>Loyalty to Company</th>
<th>Loyalty to Corporate-initiated CSR Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender*</td>
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<td>-.005</td>
<td>-.121**</td>
<td>-.006</td>
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<tr>
<td>Age</td>
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<td>.037</td>
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<td>-.009</td>
<td>-.011</td>
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<tr>
<td>Failure Severity</td>
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<td>.022</td>
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<tr>
<td>Perceived Price</td>
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<tr>
<td>Innovativeness</td>
<td>.117**</td>
<td>.123**</td>
<td>.149**</td>
<td>.062</td>
<td>.145**</td>
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<tr>
<td>Service Participation</td>
<td>-.010</td>
<td>-.016</td>
<td>-.153**</td>
<td>.262**</td>
<td>.123*</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Loyalty to Company</th>
<th>Loyalty to Corporate-initiated CSR Activities</th>
<th>Loyalty to Company</th>
<th>Loyalty to Corporate-initiated CSR Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice</td>
<td>.500**</td>
<td>.531**</td>
<td>.369**</td>
<td>.127*</td>
</tr>
<tr>
<td>CSR</td>
<td>.331**</td>
<td>.337**</td>
<td>.256**</td>
<td>.102</td>
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<tr>
<td>Recovery Participation</td>
<td>.128**</td>
<td>.159**</td>
<td>.023</td>
<td>-.050</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Two-way Interactions</th>
<th>Loyalty to Company</th>
<th>Loyalty to Corporate-initiated CSR Activities</th>
<th>Loyalty to Company</th>
<th>Loyalty to Corporate-initiated CSR Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice × CSR</td>
<td>-.203**</td>
<td>-.097</td>
<td>-.190**</td>
<td>-.146*</td>
</tr>
<tr>
<td>CSR × Recovery</td>
<td>.120**</td>
<td>.083*</td>
<td>.053</td>
<td>.015</td>
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<tr>
<td>Justice × Recovery</td>
<td>.016</td>
<td>.028</td>
<td>.038</td>
<td>.025</td>
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<table>
<thead>
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<th>Three-way Interaction</th>
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<th>Loyalty to Corporate-initiated CSR Activities</th>
<th>Loyalty to Company</th>
<th>Loyalty to Corporate-initiated CSR Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice × CSR ×</td>
<td>-.170**</td>
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<td>-.009</td>
<td>.068</td>
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<tr>
<td>Recovery Participation</td>
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<td>.157*</td>
<td>.099</td>
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74
### Mediator

<table>
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<tr>
<th>Customer Identification</th>
<th>.593**</th>
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<th>.603**</th>
<th>.456**</th>
<th>-.342**</th>
<th>.363**</th>
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</thead>
<tbody>
<tr>
<td>( R^2 )</td>
<td>.593</td>
<td>.604</td>
<td>.435</td>
<td>.252</td>
<td>.438</td>
<td>.378</td>
</tr>
<tr>
<td>Adjusted ( R^2 )</td>
<td>.578</td>
<td>.588</td>
<td>.423</td>
<td>.236</td>
<td>.427</td>
<td>.353</td>
</tr>
</tbody>
</table>

Notes: Standardized regression coefficients
* *p* < .05; ** *p* < .01.

Gender: dummy-coded (1 = Male; 0 = Female)

Justice = Perceived Recovery Justice;
CSR = Perceived CSR Performance;
Service Participation = Level of Customer Participation in Service Provision;
Recovery Participation = Level of Customer Participation in Service Recovery
5.2 Results of Experimental Studies

5.2.1 Study 1

5.2.1.1 Measurement Assessment

In Study 1, the psychometric properties of all construct measures were satisfactory. All scales demonstrated high reliability with Cronbach’s alpha coefficients exceeding the recommended level of .70 (Nunnally, 1978). All measures were also tested in a confirmatory approach. Illustrated in Table 7, the CFA results showed acceptable model fit statistics ($\chi^2 [309] = 562.39, p < .01$; RMSEA = .068; CFI = .98; IFI = .98; NFI = .97; and NNFI = .98). The standardized factor loadings of all the items were significant, with the lowest t-value of 8.06 ($p < .01$). In support of convergent validity, the composite reliability for each construct was greater than .70 (ranging from .84 to .99) and all estimates for AVE exceeded the recommended level of .50 (ranging from .52 to .89) (Anderson & Gerbing, 1988; Fornell & Larcker, 1981). In addition, the AVE for each construct was greater than the squared correlations between constructs (except the one between attitudinal loyalty and switching behavior), satisfying the criterion of discriminant validity (Fornell & Larcker, 1981). A change of chi-square test was conducted, constraining the correlation between customer attitudinal loyalty and switching behavior to unity in the CFA model. The results revealed that the constrained model produced a significant increase in $\chi^2 (\Delta\chi^2 = 108.11; \Delta df=1, p < .001)$, further supporting satisfactory discriminant validity among the constructs.
**Table 7.** Experimental Studies: Measurement Items and Validity Assessment.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Study 1</th>
<th>Study 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Measures for Manipulation Check</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived Recovery Justice&lt;sup&gt;d&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study 1: AVE = .89; CR = .99; α = .99</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study 2: AVE = .75; CR = .97; α = .97</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. The outcome I received was fair.</td>
<td>.94 @ .84</td>
<td>13.97</td>
<td></td>
</tr>
<tr>
<td>2. I did not get what I deserved.&lt;sup&gt;d&lt;/sup&gt;</td>
<td>.94 26.10 .81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. In resolving the problem, the service firm* gave me what I needed.</td>
<td>.94 26.33 .82</td>
<td>14.43</td>
<td></td>
</tr>
<tr>
<td>4. The service firm responded quickly and fairly to my needs.</td>
<td>.95 27.17 .95</td>
<td>18.78</td>
<td></td>
</tr>
<tr>
<td>5. The service firm showed adequate flexibility in dealing with my problem.</td>
<td>.95 27.38 .95</td>
<td>18.93</td>
<td></td>
</tr>
<tr>
<td>6. The policies and procedures the firm had in place were adequate for addressing my concerns.</td>
<td>.96 28.55 .89</td>
<td>16.43</td>
<td></td>
</tr>
<tr>
<td>7. The service firm was appropriately concerned about my problem.</td>
<td>.96 27.97 .93</td>
<td>17.99</td>
<td></td>
</tr>
<tr>
<td>8. The service firm did not put the proper effort into resolving my problem.&lt;sup&gt;d&lt;/sup&gt;</td>
<td>.95 27.13 .85</td>
<td>15.38</td>
<td></td>
</tr>
<tr>
<td>9. The service firm’s communications with me were appropriate.</td>
<td>.93 24.76 .92</td>
<td>17.58</td>
<td></td>
</tr>
<tr>
<td>Perceived CSR Performance&lt;sup&gt;e&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study 1: AVE = .83; CR = .94; α = .94</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Study 2: AVE = .80; CR = .92; α = .92</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. I consider the service firm as a socially responsible firm.</td>
<td>.96 @ .96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. This service firm is more beneficial to society’s welfare than other firms.</td>
<td>.85 18.12 .86</td>
<td>18.17</td>
<td></td>
</tr>
<tr>
<td>3. This service firm contributes something to society.</td>
<td>.93 22.71 .87</td>
<td>18.65</td>
<td></td>
</tr>
<tr>
<td>Level of Customer Participation in Service Provision&lt;sup&gt;f&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. How much work and effort did you put in the service provision process?</td>
<td>/ / / /</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Very little” (1) to “Very much” (9)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level of Customer Participation in Service Recovery&lt;sup&gt;f&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. How much work and effort did you put in the service recovery process?</td>
<td>/ / / /</td>
<td></td>
<td></td>
</tr>
<tr>
<td>“Very little” (1) to “Very much” (9)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Measures for Dependent Variable(s)
Customer Loyalty Intentions
Attitudinal Loyalty
Study 1: AVE = .78; CR = .88; α = .87; R = .77
Study 2: AVE = .76; CR = .86; α = .86; R = .75
1. I would be dedicated to doing business with this service firm. .98 @ .95 @
2. If this service firm were to raise its prices, I will continue to be a customer of the service firm. .78 14.98 .79 14.59

Switching Behavior
Study 1: AVE = .72; CR = .84; α = .83; R = .72
Study 2: AVE = .68; CR = .81; α = .81; R = .68
1. I intend to switch to a competitor of this service firm. .85 @ .81 @
2. I will not acquire services of this service firm anymore in the future. .85 14.34 .84 11.62

Customer Loyalty to Corporate-Initiated CSR Activity
Study 1: AVE = .52; CR = .90; α = .89
Study 2: AVE = .53; CR = .87; α = .86
1. I would like to donate to the service firm’s CSR program. .68 @ .72 @
2. I feel obligated to help the society. .66 8.06 .51 6.71
3. I would like to support the service firm’s CSR program. .86 10.17 .84 11.07
4. I would like to donate my time involved in the firm’s CSR program. .77 9.23 .72 9.53
5. I would be dedicated to supporting the service firm’s CSR program. .90 10.55 .86 11.33
6. I will say positive things about the service firm’s CSR program. .73 8.84 .65 8.67

Customer Identification
Study 1: AVE = .74; CR = .94; α = .94
Study 2: AVE = .68; CR = .92; α = .91
1. I strongly identify with this service firm. .88 @ .82 @
2. I feel good to be a customer of this service firm. .91 18.06 .88 15.00
3. I like to tell that I am a customer of this firm. .85 15.41 .79 12.67
4. This service firm fits well to me. .90 17.30 .91 15.66
5. I feel attached to this service firm.  

Model fit indices:
Study 1: $\chi^2 = 562.39$, d.f. = 309, $p < .01$; RMSEA = .068; SRMR = .053; CFI = .98; IFI = .98; NFI = .97; NNFI = .98.

Study 2: $\chi^2 = 648.57$, d.f. = 309, $p < .01$; RMSEA = .076; SRMR = .048; CFI = .98; IFI = .98; NFI = .96; NNFI = .97.

Notes:
* Service firm = travel agency (in Study 1), and telecommunication service provider (in Study 2).
  a The estimates are standardized coefficients (all $p < .01$).
  b T-values greater than 1.96 indicate significant effects at the 0.05 level for a two-tailed test.
  c Measured using nine-point Likert item scale, anchored by (1) strongly disagree/(9) strongly agree.
  d Reverse coded.
  e Measured using seven-point Likert item scale, anchored by (1) strongly disagree/(7) strongly agree.
  f Measured using nine-point semantic differential.
  @Initially fixed at 1.0 for estimation purposes.

SL = Standardized Loading; AVE = Average Variance Extracted;
CR = Composite Reliability; $\alpha$ = Cronbach's Alpha;
$R$ = Corrected Item-Total Correlation; RMSEA = Root Mean Square Error of Approximation; SRMR = Standardized Root Mean Residual; CFI: Comparative Fit Index; IFI = Incremental Fit Index; NFI: Normed Fit Index; NNFI = Non-Normed Fit Index.
5.2.1.2 Manipulation Checks

Recovery Justice. As expected, the justice manipulation had a significant main effect on participants’ perceptions of recovery justice (M<sub>High</sub> = 7.13 versus M<sub>Low</sub> = 3.02; F (1, 177) = 1266.13, p < .001), but no effect on their perceptions of the firm’s CSR performance (F (1, 177) = .015, p > .10) or level of participation in service provision (F (1, 177) = .13, p > .10). Also, no other main or interaction effects were found among recovery justice, CSR performance, and customer participation in the service provision, p > .10.

CSR Performance. The manipulation of CSR performance was successful (F (1, 177) = 1037.94, p < .01). Participants in the high CSR condition reported a higher level of CSR performance (M<sub>High</sub> = 5.49) than participants in the low CSR condition (M<sub>Low</sub> = 2.54, p < .01). No significant differences were found for other measure items: recovery justice, F (1, 177) = .63, p > .10, and level of customer participation in service provision, F (1, 117) = .05, p > .10). There were no other main or interaction effects on CSR perceptions.

Level of Customer Participation in Service Provision. The manipulation of customer participation in the service provision worked as intended. Participants in the high service participation condition reported higher levels of work and effort involved in service delivery (M<sub>High</sub> = 7.27) than participants in the low participation condition (M<sub>Low</sub> = 3.28, p < .01), F (1, 117) = 1137.93, p < .01). No other main and interaction effects were significant, suggesting successful manipulation.

In addition, participants provided a rating of 6.48 (on a 9-point scale) with regard to the realism of the scenarios, indicating that participants found the scenarios realistic.

5.2.1.3 Hypotheses Tests

Tests of H<sub>1</sub> and H<sub>2</sub>. A 2 × 2 analysis of covariance (ANCOVA) on customer identification was employed in testing Hypotheses 1 and 2. Gender was included as a covariate to ensure that the analysis results were not accounted for by gender differences (dummy-coded as “1” for male and “0” female). As expected, the ANCOVA revealed main effects of recovery justice (M<sub>High</sub> = 4.77 versus M<sub>Low</sub> = 3.33; F (1, 173) = 113.23, p < .001) and CSR performance (M<sub>High</sub> = 4.47 versus M<sub>Low</sub> = 3.63; F (1, 173) = 38.34, p < .001) on customer identification. This
finding supports H1. Following a service failure, customers are more likely to identify with a service firm that provides a recovery attempt with a higher level of perceived justice. More important, a significant two-way interaction for recovery justice and CSR performance on customer identification was found, \( F(1, 173) = 6.24, p < .05 \). Planned contrasts (as illustrated in Figure 5) showed that the CSR-induced changes in customer identification were significantly greater for subjects who had low perceptions of justice in the service recovery (\( M_{\text{High CSR}} = 3.92 \) versus \( M_{\text{Low CSR}} = 2.75, F(1, 173) = 36.77, p < .001 \)) than those who perceived high justice in the service recovery (\( M_{\text{High CSR}} = 5.03 \) versus \( M_{\text{Low CSR}} = 4.52 \)). Specifically, when customers experienced low justice associated with a service recovery, they were more likely to identify with a service firm with high CSR performance than a firm with low CSR performance, in support of H2. This finding was consistent with findings in the field survey.

**Figure 5.** Study 1: Two-Way Interaction Effect of Recovery Justice and CSR Performance on Customer Identification.

![Graph](https://via.placeholder.com/150)

**Test of H3.** Hypothesis 3 predicts that the interaction between recovery justice and CSR performance on customer identification is stronger for customers who highly participate in service provision. A \( 2 \times 2 \times 2 \) ANCOVA with recovery justice, CSR performance, and level of customer participation in the service provision and their interactions as factors was performed. The results revealed a main effect of recovery justice (\( F(1, 169) = 94.14, p < .001 \)) and CSR
performance \((F (1, 169) = 31.77, p < .001)\) as well as a two-way interaction effect \((F (1, 169) = 4.94, p < .05)\) on customer identification. The three-way interaction was significant as predicted \((F (1, 169) = 4.69, p < .05)\), in support of H3.

Further analysis of the three-way interaction was conducted to examine support for the predictions (see Figure 6). For subjects who were highly involved in the service provision, the interaction between recovery justice and CSR performance was significant \((F (1, 169) = 11.60, p < .001)\). Examination of the means pattern indicated that when subjects perceived low recovery justice, the reported customer identification was significantly higher for firms with high CSR performance \((M = 4.31)\) than firms with low CSR performance \((M = 2.81, F (1, 169) = 33.72, p < .001)\); however, no significant interaction was found in the high recovery justice condition \((F (1, 169) = 1.01, p > .05)\). On the other hand, for subjects who were not involved in the service provision, the interaction between recovery justice and CSR performance was not significant \((F < 1)\). These findings were consistent with the pattern of the field survey results.

**Figure 6.** Study 1: Three-Way Interaction Effect of Recovery Justice, CSR Performance, and Level of Customer Participation in Service Provision on Customer Identification.
Tests of $H_{5a}$, $H_{5b}$, and $H_6$. Hypotheses 5a, 5b, and 6 posit customer identification as a significant predictor of customer loyalty intentions: loyalty to company and loyalty to corporate-initiated CSR activities. In line with $H_5$ and $H_6$, the results of regression analyses revealed that customer identification was significantly related to customer attitudinal loyalty ($\beta = .71$, $p < .01$), switching behavior ($\beta = -.66$, $p < .01$), and loyalty to corporate-initiated CSR activities ($\beta = .63$, $p < .01$).

Additional Tests: Mediating Effect of Customer Identification. Similar to the field survey, additional tests on the potential mediating role of customer identification were performed. Regression analyses were conducted to test the mediating role of customer identification. Dummies were created to represent the recovery justice factor (1 = high justice and 0 = low justice), CSR performance (1 = high CSR and 0 = low CSR), and the level of customer participation in service provision (1 = high participation and 0 = low participation). In step 1, a regression equation was computed with recovery justice, CSR performance, level of customer participation, and their two-way and three-way interactions as independent variables and customer identification as a dependent variable. As demonstrated in Table 8, the three-way interaction term significantly predicted customer identification ($\beta = -.35$, $p < .05$), replicating the ANCOVA findings. In step 2, customer identification (i.e., mediator) emerged as a significant predictor of customer loyalty intentions, namely, attitudinal loyalty ($\beta = .71$, $p < .01$),
switching behavior ($\beta = -.66, p < .01$), and loyalty to corporate-initiated CSR activities ($\beta = .63, p < .01$). Finally, the third regression equation showed that when both the three-way interaction term (independent variable) and mediator (customer identification) were included as predictors of customer loyalty intentions, customer identification remained significant, suggesting a significant mediating effect.

The significance of the mediation effect of customer identification was further tested by using a bootstrapping procedure with 5,000 bootstrap samples (Preacher & Hayes, 2008). In line with the findings of regression analyses, the interaction of recovery justice, CSR performance, and customer participation in service significantly predicted customer identification ($b = -1.30$, bias-corrected $p < .05$). The results also revealed that customer identification emerged as a significant predictor of customer loyalty intentions, attitudinal loyalty ($b = .54$, bias-corrected $p < .001$), switching behavior ($b = -.48$, bias-corrected $p < .001$), and loyalty to corporate-initiated CSR activities ($b = .37$, bias-corrected $p < .001$), controlling for the three-way interaction effect. The total indirect effect of the three-way interaction on attitudinal loyalty through customer identification gave a point estimate of -.70 (bias-corrected $p < .05$), and the 95% CI for the indirect effects did not include zero (ranging from -1.4013 to -.1641), in support of the significant indirect effect. In addition, when customer switching behavior was considered a dependent variable, the indirect effect through customer identification was 95% likely to range from .1307 to 1.3248, with a point estimate of .6321. The indirect effect of the three-way interaction on customer loyalty to corporate-initiated CSR activities through customer identification provided a point estimate of -.48, with a 95% bootstrap CI ranging from -1.0627 to -.1287. As zero did not occur within the interval ranges for the loyalty intentions, the total indirect effect through customer identification was significant. Thus, customer identification serves as part of the mechanism linking the relationship between the interaction effects and customer loyalty intentions.
**Table 8.** Study 1 Mediational Analyses.

<table>
<thead>
<tr>
<th></th>
<th>Customer Identification</th>
<th>Loyalty to Company</th>
<th>Loyalty to Corporate-initiated CSR Activities</th>
<th>Loyalty to Company</th>
<th>Loyalty to Corporate-initiated CSR Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Attitudinal Loyalty</td>
<td>Switching Behavior</td>
<td>Attitudinal Loyalty</td>
<td>Switching Behavior</td>
</tr>
<tr>
<td><strong>Control Variable</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender(^a)</td>
<td>.116(^*)</td>
<td>.128(^*)</td>
<td>-.022</td>
<td>.050</td>
<td>-.106</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Independent Variable(s)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice(^b)</td>
<td>.749(^**)</td>
<td>.618(^**)</td>
<td></td>
<td>.714(^**)</td>
<td>.454(^**)</td>
</tr>
<tr>
<td>CSR(^c)</td>
<td>.447(^**)</td>
<td>.318(^**)</td>
<td></td>
<td>.303(^**)</td>
<td>.169</td>
</tr>
<tr>
<td>Service Participation(^d)</td>
<td>.186(^*)</td>
<td>.059</td>
<td></td>
<td>.214(^*)</td>
<td>.189(^*)</td>
</tr>
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<tr>
<td><strong>Two-way Interaction(s)</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Justice × CSR</td>
<td>-.233(^*)</td>
<td>-.005</td>
<td></td>
<td>-.036</td>
<td>-.033</td>
</tr>
<tr>
<td>CSR × Service Participation</td>
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<td>.271(^*)</td>
<td></td>
<td>-.003</td>
<td>-.117</td>
</tr>
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<td>Justice × Service</td>
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<td>.175</td>
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<td>-.112</td>
<td>-.186</td>
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<tr>
<td>Participation</td>
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<tr>
<td><strong>Three-way Interaction</strong></td>
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<td></td>
</tr>
<tr>
<td>Justice × CSR × Service Participation</td>
<td>-.345(^*)</td>
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<tr>
<td><strong>Mediator</strong></td>
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<td></td>
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</tr>
<tr>
<td>Customer Identification</td>
<td>.712(^**)</td>
<td>-.659(^**)</td>
<td>.633(^**)</td>
<td>.421(^**)</td>
<td>-.409(^**)</td>
</tr>
<tr>
<td></td>
<td>.515</td>
<td>.532</td>
<td>.506</td>
<td>.433</td>
<td>.404</td>
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</tr>
<tr>
<td>Adjusted $R^2$</td>
<td>.495</td>
<td>.510</td>
<td>.501</td>
<td>.426</td>
<td>.398</td>
</tr>
</tbody>
</table>
5.2.2 Study 2

5.2.2.1 Measurement Assessment

Similar to the test in Study 1, the Cronbach’s alphas coefficients of all measurement scales were greater than the standard level of .70, demonstrating high constructs reliabilities (Nunnally, 1978).

The validity of constructs was tested using confirmatory factor analysis. The CFA yielded a satisfactory model fit indices ($\chi^2 [309] = 648.57, p < .01$; RMSEA = .076; CFI = .98; IFI = .98; NFI = .96; and NNFI = .97). The standardized factor loadings of all the items were significant, with the lowest t-value of 6.71 ($p < .01$). The composite reliabilities for all constructs was larger than .70 (ranging from .81 to .97) and all estimates for AVE exceeded the recommended level of .50 (ranging from .53 to .80) (Anderson & Gerbing, 1988; Fornell & Larcker, 1981), in support of convergent validity. In addition, the AVE estimates for each constructs exceeded the squared correlations between constructs, satisfying the criterion of discriminant validity (Fornell & Larcker, 1981).

5.2.2.2 Manipulation Checks

**Recovery Justice.** The manipulation of recovery justice worked as intended, which was reflected in its significant effect on participants’ perceptions of recovery justice ($M_{\text{High}} = 6.80$ versus $M_{\text{Low}} = 3.42$; $F (1, 191) = 636.93, p < .001$), but no effect on their perceptions of the firm’s CSR performance ($F (1, 191) = .008, p > .10$) or level of participation in service recovery ($F (1, 191) = .298, p > .10$). No other main or interaction effects were found among recovery justice, CSR performance, and customer participation in service recovery, $p > .10$.

**CSR Performance.** The manipulation of CSR performance was successful ($F (1, 191) = 677.54, p < .001$). Participants in the high CSR condition reported a higher level of CSR performance ($M_{\text{High}} = 5.43$) than those in the low CSR condition ($M_{\text{Low}} = 2.67, p < .001$). No significant differences were found for other measure items: recovery justice, $F (1, 191) = .110, p > .10$, and level of customer participation in recovery, $F < 1, p > .10$. No other main or interaction effects on CSR perceptions were found.

**Level of Customer Participation in Service Recovery.** Level of customer participation in recovery was manipulated successfully. Participants in the high recovery participation condition reported higher levels of work and effort...
involved in recovery process (M_{High} = 6.56) than participants in the low participation condition (M_{Low} = 2.73, p < .01), F (1, 191) = 606.95, p < .001). No other main and interaction effects were significant, suggesting successful manipulation.

In addition, participants found the scenarios realistic with a rating of 6.57 (on a 9-point scale) regarding to the realism of scenarios.

5.2.2.3 Hypotheses Tests

Tests of H₁ and H₂. Consistent with Study 1, a 2 × 2 ANCOVA with gender as covariate revealed significant main effects of recovery justice (M_{High} = 4.77 versus M_{Low} = 3.38; F (1, 187) = 131.46, p < .001) and CSR performance (M_{High} = 4.49 versus M_{Low} = 3.74; F (1, 187) = 40.63, p < .001) on customer identification. A significant two-way interaction of recovery justice and CSR performance on customer identification was also obtained, F (1, 187) = 9.33, p < .01. As illustrated in Figure 7, planned contrasts further revealed that the CSR-induced changes in customer identification were significantly greater for subjects who perceived low justice in the service recovery (M_{High, CSR} = 3.97 versus M_{Low, CSR} = 2.83, F (1, 184) = 43.22, p < .001) than those who perceived high justice in the recovery (M_{CSR High} = 4.98 versus M_{CSR Low} = 4.58). These findings supported H₁ and H₂.
**Test of H4.** The prediction of Hypothesis 4 was tested using a $2 \times 2 \times 2$ ANCOVA including recovery justice, CSR performance, level of customer participation in recovery and all two- and three-way interactions as factors. Apart from the main effects of recovery justice ($F (1, 183) = 136.17, p < .001$) and CSR performance ($F (1, 183) = 43.10, p < .001$) as well as a two-way interaction effect ($F (1, 183) = 9.80, p < .01$) on customer identification, the three-way interaction between recovery justice, CSR performance and customer participation in recovery was found significant as predicted ($F (1, 183) = 4.26, p < .05$).

The three-way interaction was further analyzed to examine support for the prediction (see Figure 8). For subjects who were highly involved in co-creating the service recovery, the interaction of recovery justice and CSR performance was significant ($F (1, 183) = 11.41, p < .001$). Examination of the means pattern revealed that when subjects had low justice perceptions in the service recovery, the reported customer identification was significantly higher for firms with high CSR performance ($M = 4.35$) than firms with low CSR performance ($M = 2.83, F (1, 183) = 39.32, p < .001$); however, no significant interaction was found in the high recovery justice condition ($F (1, 183) = 1.66, p > .05$). In contrast, for subjects who were not involved in co-creating the recovery, the interaction between recovery justice and CSR performance was not significant ($F < 1$). These findings supported H4.
Figure 8. Study 2: Three-Way Interaction Effect of Recovery Justice, CSR Performance, and Level of Customer Participation in Service Recovery on Customer Identification.

Tests of $H_{5a}$, $H_{5b}$, and $H_{6}$. Similar to Study 1, the results of regression analyses revealed that customer identification was significantly related to customer attitudinal loyalty ($\beta = .76$, $p < .01$), switching behavior ($\beta = -.59$, $p < .01$), and loyalty to corporate-initiated CSR activities ($\beta = .63$, $p < .01$).

Additional Tests: Mediating Effect of Customer Identification. To test the mediating role of customer identification, regression analyses were conducted with dummies created for three factors, namely recovery justice, CSR
performance and level of customer participation in recovery. Gender was included as a covariate. Similar to Study 1, three regression equations were computed. In step 1, as shown in Table 9, the three-way interaction term significantly predicted customer identification ($\beta = -0.273, p < .05$), replicating the ANCOVA findings. In step 2, customer identification (i.e., mediator) was found to be a significant predictor of customer loyalty intentions, namely attitudinal loyalty ($\beta = 0.76, p < .01$), switching behavior ($\beta = -0.59, p < .01$), and loyalty to corporate-initiated CSR activities ($\beta = 0.63, p < .01$). The final regression equation revealed that when both the three-way interaction term (independent variable) and mediator (customer identification) were included as predictors of customer loyalty intentions, customer identification remained significant.

A bootstrapping procedure with 5,000 bootstrap samples (Preacher & Hayes, 2008) was used to confirm the significance of the mediation effect. Consistent with the regression analyses, the interaction of recovery justice, CSR performance, and customer participation in recovery was significantly related to customer identification ($b = -0.97$, bias-corrected $p < .05$). The results also revealed that customer identification emerged as a significant predictor of customer loyalty intentions, attitudinal loyalty ($b = 0.57$, bias-corrected $p < .001$), switching behavior ($b = -0.38$, bias-corrected $p < .001$) and loyalty to corporate-initiated CSR activities ($b = 0.69$, bias-corrected $p < .001$), controlling for the three-way interaction effect. The total indirect effect of the three-way interaction on attitudinal loyalty through customer identification provided a point estimate of -0.55 (bias-corrected $p < .05$), and the 95% CI for the indirect effects did not include zero (ranging from -1.194 to -.0441), in support of the significant indirect effect. Besides, when customer switching behavior was considered as dependent variable, the indirect effect through customer identification was 95% likely to range from .0207 to .856, with a point estimate of .37. While, the indirect effect of the three-way interaction on customer loyalty to corporate-initiated CSR activities through customer identification provided a point estimate of -0.67, with 95% bootstrap CI ranging from -1.3457 to -.0355. Again, as zero did not occur within the interval ranges for all loyalty intentions, it was therefore concluded that the total indirect effect through customer identification was significant.
Table 9. Study 2 Mediational Analyses.

<table>
<thead>
<tr>
<th>Control Variable</th>
<th>Customer Identification</th>
<th>Loyalty to Company</th>
<th>Loyalty to Corporate-initiated CSR Activities</th>
<th>Loyalty to Company</th>
<th>Loyalty to Corporate-initiated CSR Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>-0.036</td>
<td>-0.041</td>
<td>0.059</td>
<td>-0.130*</td>
<td>-0.060</td>
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</table>

<table>
<thead>
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<th>Independent Variable(s)</th>
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<tbody>
<tr>
<td>Justice</td>
<td>0.778**</td>
<td>0.680**</td>
<td>0.790**</td>
<td>0.477**</td>
<td>-0.656**</td>
<td>-0.413**</td>
</tr>
<tr>
<td>CSR</td>
<td>0.434**</td>
<td>0.329**</td>
<td>0.234*</td>
<td>0.082</td>
<td>-0.122</td>
<td>-0.005</td>
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<tr>
<td>Recovery Participation</td>
<td>0.115</td>
<td>0.012</td>
<td>0.033</td>
<td>0.028</td>
<td>-0.066</td>
<td>-0.062</td>
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</table>

<table>
<thead>
<tr>
<th>Two-way Interaction(s)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Justice × CSR</td>
<td>-0.271**</td>
<td>-0.093</td>
<td>-0.076</td>
<td>-0.033</td>
<td>0.078</td>
<td>0.045</td>
</tr>
<tr>
<td>CSR × Recovery Participation</td>
<td>0.094</td>
<td>0.277*</td>
<td>0.365**</td>
<td>0.237*</td>
<td>-0.063</td>
<td>0.036</td>
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<tr>
<td>Justice × Recovery Participation</td>
<td>-0.046</td>
<td>0.129</td>
<td>-0.045</td>
<td>-0.104</td>
<td>0.047</td>
<td>0.093</td>
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</tr>
</thead>
<tbody>
<tr>
<td>Justice × CSR × Recovery Participation</td>
<td>-0.273*</td>
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<tr>
<td></td>
<td>-0.229</td>
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<td>-0.229</td>
<td>-0.103</td>
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<th>Mediator</th>
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<tbody>
<tr>
<td>Customer Identification</td>
<td>0.760**</td>
<td>-0.587**</td>
<td>0.634**</td>
<td>0.460**</td>
<td>-0.357**</td>
<td>0.789**</td>
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<td></td>
<td>( R^2 )</td>
<td>( \text{Adjusted } R^2 )</td>
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<td>.458</td>
<td>.431</td>
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</table>

Notes: Standardized regression coefficients
N = 192; * \( p < .05 \); ** \( p < .01 \).
\( a \) Gender: dummy-coded (1 = Male; 0 = Female);
\( b \) Justice = Recovery justice (dummy-coded: 1 = High justice; 0 = Low justice);
\( c \) CSR = CSR performance (dummy-coded: 1 = High CSR; 0 = Low CSR);
\( d \) Recovery participation = Level of customer participation in service recovery (dummy-coded: 1 = High participation; 0 = Low participation)
Table 10. Summary of Hypothesis Test Results.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Prediction</th>
<th>Field Survey</th>
<th>Experimental Studies</th>
</tr>
</thead>
<tbody>
<tr>
<td>H₁</td>
<td>Perceived justice of the service recovery positively affects customer identification following a service failure.</td>
<td>Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>H₂</td>
<td>Following a service failure, the positive effect of perceived CSR performance on customer identification is more pronounced among customers who experience a service recovery with low perceived recovery justice than those who have high justice perceptions of the recovery.</td>
<td>Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>H₃</td>
<td>The impact on customer identification driven by the interaction between perceived recovery justice and CSR is stronger for customers who are highly involved in the service provision process than those who are less involved.</td>
<td>Supported</td>
<td>/</td>
</tr>
<tr>
<td>H₄</td>
<td>The impact on customer identification driven by the interaction between perceived recovery justice and CSR is stronger for customers who highly participate in the recovery than those who are less involved in the recovery.</td>
<td>Supported</td>
<td>/</td>
</tr>
<tr>
<td>H₅a</td>
<td>Customer identification is positively related to consumer attitudinal loyalty to a company.</td>
<td>Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>H₅b</td>
<td>Customer identification is negatively related to consumer switching behavior.</td>
<td>Supported</td>
<td>Supported</td>
</tr>
<tr>
<td>H₆</td>
<td>Customer identification is positively related to customer loyalty to CSR activities initiated by a service firm.</td>
<td>Supported</td>
<td>Supported</td>
</tr>
</tbody>
</table>
5.3 Chapter Summary

This chapter has presented the results of the data analyses for the field survey and experimental studies. All the predictions from Hypothesis 1 through Hypothesis 6 were supported. The next chapter presents the implications of the research findings, the limitations of the studies, and directions for future research.
CHAPTER 6 DISCUSSION AND CONCLUSION

6.1 Review of the Research Findings

Across the three studies (one field-based survey and two follow-up laboratory experiments), this research provides empirical support for the notion that in the context of a service failure, service recovery, CSR, and customer participation in service delivery play important roles in affecting customer identification, which is the primary psychological substrate for a deep and committed relationship between a firm and its customer (Bhattacharya & Sen, 2003). Based on social identity theory (Tajfel & Turner, 1985), customer identification is a key relational factor for a sustained customer-firm relationship (Homburg et al., 2009). Surprisingly, even though considerable research has been conducted on the topic of customer identification (e.g., Homburg et al., 2009, Keh & Xie, 2009), a paucity of empirical studies have addressed the notion and its predicting drivers in non-routine situations such as a service failure. This research has thus contributed to the identification literature by showing whether and how service recovery, CSR, and customer participation play a strategic role in resolving customer disappointment and predicting customer identification when a service failure occurs. Findings across the three studies generally supported the theoretical model of the present research (see Figure 1).

First, instead of considering the classic satisfaction construct, the results extend the literature on the impact of perceived justice by explicitly considering the more psychological outcomes associated with service recovery. The findings revealed that in the context of a service failure, the perception of justice in the service recovery has a significant positive effect on customer identification. That is, when a service failure occurs, customers are likely to attach to a relationship with a service firm when they experience and perceive service recovery to have a high level of justice.

Unfortunately, service recovery may not work as desired for some customers who perceive the recovery attempts as unfair and inadequate. Thus, service firms may look for a complementary strategy for customer retention. Based on stakeholder theory (Freeman, 1984), corporate leaders should consider the interests and expectations of all stakeholders of an organization (Windsor, 2006). Demonstrating social responsibility to the community is important for firms and...
enables them to protect themselves against negative events (Eisingerich et al., 2011; Klein & Dawar, 2004). To expand our knowledge, this research has explored the insurance-like property of CSR in protecting against a service failure and affecting customers’ post-recovery evaluations of a service firm. Not surprisingly, consistent with prior studies (e.g., He & Li, 2010; Sen & Bhattacharya, 2001), the findings revealed the positive influence of perceived CSR performance on customer identification. That is, customer identification with a firm increases when customers perceive the firm to be socially responsible. Another focus of this research was to examine whether and how CSR works with service recovery in protecting service firms from a failed service encounter. The results across three studies demonstrated a significant interaction effect between perceived recovery justice and CSR performance on customer identification. When a service failure occurs, being perceived as socially responsible offers a firm protection against the service failure, especially when customers have low perceptions of justice in the service recovery. More precisely, in a service failure, high perceived CSR effort is more effective in assuring customer identification when consumers perceive low rather than high justice in the service recovery attempt. Consistent with Eisingerich et al. (2011) and Godfrey, Merrill, and Hansen (2009), CSR-driven corporate goodwill helps moderate customers’ negative reactions resulting from failure as well as compensates for relatively weak corporate abilities in providing fair recovery to customers. In other words, perceived high CSR performance can complement an ineffective recovery strategy for customer retention by securing customer identification with the firm.

In addition to the impact of recovery justice and CSR, the participatory role of customers in the service provision and recovery was investigated. Customers can act as service co-creators by either participating in the service provision process or cooperating with the service firm in co-created service recovery. Empirical evidence from both the field survey and Study 1 suggested that the interaction effect of perceived recovery justice and CSR performance significantly predicted customer identification only in the situation where the service failure is highly co-created by customers. More specifically, in a situation in which customers are highly involved in service provision, customers who have low perceptions of recovery justice are more likely to identify with a socially responsible service firm than those who perceive high justice in the service
recovery. This is because customer participation in service provision facilities the customer socialization process and in turn enhances customers’ understanding and acceptance of a firm’s values, norms, and social responsibility performance. Such participation also subsequently enhances customer identification.

On the other hand, when customers are proactive in jointly co-creating a service recovery following a failed service, the interaction of perceived recovery justice and CSR performance was significantly related to customer identification, as supported by both the field survey and Study 2. In other words, the positive effect of perceived CSR on customer identification is greater for customers who perceive low justice in the recovery than those who experience high justice in the recovery only when customers are highly involved in co-creating a recovery. Getting customers involved in the recovery process (co-creating a solution) allows customers to customize the recovery content and to enjoy a greater sense of control over the process. For example, customers can solve their internet service problem with guidance provided by a service employee. Customers need to work with service employees throughout the recovery process. This creates value that helps reduce unfavorable service experiences for the customers. Also, following a service failure, allowing customers to co-create a service recovery reinforces customer perceptions of belonging to the service firm and leads to stronger customer identification and, ultimately, enhanced customer-firm relationships.

The research also indicated that customer identification with a service firm can subsequently contribute to customer loyalty behaviors toward the firm and its CSR activities. The findings of all three studies demonstrated that a higher level of customer identification with a service firm increases the customer’s attitudinal loyalty and commitment to do business with the firm; it also lowers the customer’s intention to switch to another service company. Thus, customer identification appears to represent a promising construct for relationship building, leading to favorable corporate outcomes. Not limited to private corporations, the benefits of customer identification have also extended to third parties such as non-profits and the wider community. The research findings provided evidence that customer identification significantly affects a customer’s willingness to support and participate in socially responsible activities initiated by a firm with which the customer closely identifies.

In addition, consistent with the expectations of social identity theory and
previous empirical studies (e.g., Lichtenstein et al., 2004; Marin, Ruiz, & Rubio, 2009), additional tests revealed the mediating effect of customer identification in relationships between proposed predictors and customer loyalty behaviors. Specifically, following a failed service encounter, the interaction of perceived recovery justice, CSR performance, and customer participation significantly predicted customer identification with a service firm, which in turn increased customer intentions to be loyal to the firm and its CSR activities. The data across three studies provided consistent evidence of the significant mediating role of customer identification, suggesting that building customer identification serves as a potential underlying mechanism by which, in a service failure, customers are more loyal to a service firm when perceived recovery justice interacts with higher CSR performance and higher levels of customer participation in the service.

6.2 Theoretical Implications

Using the social identity perspective, this research explored the predictors and consequences of customer–company identification in the context of a service failure. The findings of the research provide several key theoretical contributions.

First, although prior literature pertaining to identification in the customer arena has long emphasized the antecedents and consequences of identification for customers in routine settings (e.g., Ahearne et al., 2005; Bhattacharya et al., 1995; Keh & Xie, 2009), the notion of identification has not yet been applied to customers in unfavorable situations. The research makes an important contribution to the identification literature by empirically considering customer–company identification in the context of a service failure. Based on the theory of social identity (Tajfel, 1978; Turner, 1984), customers may develop a social identity by attaching to a firm in situations not limited to a routine context, but also in unfavorable service settings. Beyond the traditional focus on customer satisfaction in the service failure context, this research has explored the significance of customer identification and its predicting factors in a service failure. The research suggests that customer identification is a promising construct contributing to customer retention even in situations where a service failure exists. Building customer identification enables a firm to retain a committed relationship and enhances customer loyalty. In line with previous studies, the identified psychological state of customers toward the service firm is significantly correlated
with customer loyalty behaviors.

Second, the research has extended the existing literature by incorporating several factors in driving customer identification in a service failure context, including service recovery, CSR, and customer participation. An understanding of these dynamics and their interplay is of great interest to academics.

The results of the present research provided an important extension of previous examinations of service recovery. The extant literature has well documented the impact of service recovery on customer satisfaction evaluations and immediate reactions, including word-of-mouth communication and repurchases intentions (Hess et al., 2007; McCollough et al., 2000). This research has extended the literature by explicitly exploring how customer perceptions of recovery influence their post-failure identification with a service firm, which is a psychological substrate for a deep and committed relationship. The research shows that customer identification with a firm is indeed positively affected by customer perceptions of justice associated with a service recovery. Service firms providing customers with sufficient and fair recovery attempts (including tangible outcomes, procedures, and employees’ manners and behaviors) enjoy a better company image and corporate identity. Customers thus find the firm an attractive target for identification and subsequently enhance customer identification (Ahearne et al., 2005). In contrast, unfair service recovery weakens customer identification even if the problem has been solved, thus damaging customer relationships with the firm.

Third, the research provided a new perspective in the marketing literature by addressing both service recovery and CSR simultaneously. Despite recent studies addressing the active role of CSR in protecting firms from unfavorable situations (Eisingerich et al., 2011; Klein & Dawar, 2004), little attention has been given to the impact of CSR on customer post-recovery evaluations when faced with a service failure. Consistent with prior studies, the research findings suggest that service firms can benefit from CSR in fostering identification building among customers as CSR initiatives contribute to enhancing the corporate image. CSR can also serve as insurance-like protection compensating for relatively weak corporate performance in service recovery. This is supported by the significant interaction between perceived recovery justice and CSR performance on customer identification, in which high CSR effort perceived by customers is effective in
assuring customer attachment to the firm when customers have low perceptions of recovery justice following a service failure.

Furthermore, today’s customers are eager to participate in their service experience. An understanding of customer participation in services accounted for another notable theoretical implication of this research. A considerable number of studies have identified the benefits of co-creation. However, relatively few studies have addressed the role of customer participation in co-created service contexts. This research investigated how customer participation in service delivery (either in service provision or service recovery) moderates the effect of perceived recovery justice via CSR performance. The results indicate that, when customers engage in service provision or service recovery, the CSR-induced changes in customer identification is greater for customers who have lower justice perceptions of the recovery attempts following a service failure. This suggests that involving customers in service provision motivates organizational socialization, which in turn contributes to customers’ understanding of a firm’s values and norms and subsequently enhances their identification with the firm.

6.3 Managerial Implications

The present research provides several key managerial insights for practitioners. First, instead of relying on the classic customer satisfaction, service firms and managers can consider a deeper psychological construct — customer identification — in understanding their relationships with customers. Consistent with social identity theory, products, services, and companies represent the components of one’s social identity (Keh & Xie, 2009) and become targets for identification due to their roles in self-definition (Kleine, Kleine, & Kernan, 1993). By incorporating a firm’s identity within their own self-concept and identity, customers can build strong affiliations with the firm, which in turn contributes to committed relationships. Thus, apart from asking customers the extent to which they are satisfied with the company’s performance, managers might also include measures of how likely customers are to feel attached to the firm in their periodic surveys for predicting customer loyalty and retention. Such responses can also serve as the baseline for improving corporate performance (Homburg et al., 2009).

Second, given the significance of customer identification, corporate
Managers should have a better understanding of how business firms can cultivate identification among customers in the context of a service failure. Customers are likely to attach to firms sharing similar values and identity. This research provides the valuable insight that perceptions of justice in service recovery contribute to the development of customer identification. In a failed service encounter, providing affected customers with equitable or even superior recovery attempts may enrich customers’ belief that the firm has distinctive characteristics and functional identity that is similar to theirs. Doing so ultimately facilitates identification building among customers. Simply fixing the service problem(s) is not sufficient to secure positive relationships with customers. Rather, corporate managers should be cautious in monitoring the recovery process in any stage as it signals the identity and character of the firm to customers.

Third, a firms’ socially responsible performance is also a key component of corporate identity (Riahi-Belkaoui & Pavlik, 1992), and it should be managed carefully. In line with previous studies, customers like to identify with socially responsible firms due to the overlapping identity between the firms and themselves (Bhattacharya & Sen, 2003). Following a service failure, executing service recovery may not be the single problem-solving strategy to restore customers’ emotional bonds with a company because perceptions of unfair recovery can intensify customer dissatisfaction and trigger customer defection. The research findings here provide the important implication that investing in CSR is another critical strategy for protecting business firms against negative events such as a service failure. CSR can serve as an insurance policy compensating for relatively weak corporate performance in a service recovery. In other words, high CSR effort perceived by customers is effective in assuring customer identification when customers have low perceptions of recovery justice following a service failure. CSR is therefore no longer optional for any business and is a worthwhile investment for firms’ long-term sustainability. Managers can also communicate and promote their CSR initiatives to their customers to raise the salience of the firm and its identity as a favorable group category.

In addition, this research provides further insights into the participatory nature of service creation through customer involvement in production and delivery of service. These findings provide practitioners with strategic implications suggesting that involving customers in co-creating either a service or
a solution following a failure is another effective strategy for improving customers’ post-failure evaluations as well as maintaining a desirable customer-firm relationship. Getting customers to participate in service delivery might foster a stronger customer emotional feeling toward the firm. As partial employees of a firm, customers may better understand the firm’s value and culture, develop a corporate image which is consistent with their own self-concepts, and ultimately stimulate customer identification. The critical role of customer co-creation in marketing success is highlighted.

Furthermore, this research may provide insights for charitable marketing. Nonprofit and charitable organizations (e.g., Green Peace, Oxfam, UNICEF) often contribute significantly to society as a whole, making a positive difference in their local communities. Many nonprofits receive funding from governmental units. For example, from 2010 through 2013, the Hong Kong government committed to funding of more than HK$260 million for nonprofits to implement social welfare or community projects (Gordon, 2013). Apart from government funds, generating donor support is important to the functioning of nonprofit organizations (White & Peloza, 2009). Nonprofits can obtain donor support from private corporations as well as the general public. Consistent with Lichtenstein, Drumwright, and Braig (2004), nonprofit and charitable organizations benefit not only from donations from corporations but also through donations from corporate customers via collaborative CSR initiatives. The research findings revealed that customer identification contributes to behaviors that extend beyond repeat patronage to include customers’ intentions to support charitable programs that the service firm supports and initiates. Customers who identify strongly with a service firm become committed to the firm and are motivated to behave in a way that supports the firm and its goals, such as supporting and engaging in the firm-initiated CSR activities. Thus, nonprofits may consider collaborating with corporate partners (i.e., business firms) which are attractive targets for customer identification. As customers are more prone to identify with high-performing firms (in service recovery and CSR), cooperating with such firms can benefit nonprofit and charitable organizations with more donor support through the firms’ customer bases.
6.4 Limitations and Future Research Directions

As with any research, the present research is not without limitations. First, using the social identity perspective, the study focused exclusively on a psychological component—customer identification—arising from the interaction of service recovery with CSR and customer participation constructs, which subsequently resulted in customer loyalty behaviors. Apart from customer identification, other response variables may also be context and consumer specific. For instance, cognitive components such as perceived value might play an important role in determining customer loyalty in a service setting. According to Boksberger and Melsen (2011), perceived value of services is a “combined assessment of consumers’ perception of benefits and sacrifices, including quality and price” (p. 233) and is highly related to customer satisfaction and behavioral intentions. Future studies are warranted considering other customer-specific outcomes that contribute to customers’ ultimate loyalty behaviors in the context of a service failure.

Second, it is acknowledged that justice perception of service recovery can be divided into three dimensions, including distributive, procedural, and interactional justice (e.g., Smith et al., 1999; Tax et al., 1998), but the importance or impact of those dimensions may differ. For instance, customers may emphasize more heavily their direct distributive benefits in recovery (e.g., financial compensation, refunds, and discounts) rather than the other two dimensions (e.g., apology). In this case, if those customers experience poor distributive justice in recovery, the buffering effect of CSR in a service failure context may be minimized or disappear even CSR signals a firm’s warmth and responsiveness to others. Therefore, future research should investigate whether and how the impact of perceived CSR performance on customer responses to failure varies with respect to different recovery forms and dimensions of perceived justice.

Third, the empirical conclusions of this research have overlooked the influence of the type of service failure encountered. According to Smith, Bolton, and Wagner (1999), customers’ evaluations and expectations for recovery methods/efforts differ by type of service failure and the loss incurred. For instance, customers who experience an economic loss following a failed service outcome (i.e., the core service) are likely to expect economic resources or direct distributive compensation as part of their recovery. On the other hand, customers
would prefer social resources (e.g., respectful communication and empathy) when a process failure occurs (i.e., failure in the manner in which service is delivered) (Smith et al., 1999). Therefore, further investigation is needed to extend the current work to examine the impact of different types of failure on customer responses and identification with the firm in a service failure context.

Furthermore, rather than specific forms of socially responsible activities, this research focused on a firm’s overall CSR performance as perceived by customers. It may be true that business firms invest in CSR activities across different categories, including corporate philanthropy, environmental business practices, and product-related activities, but exploring the effect of a single domain of CSR performance and how that specific domain interacts with service recovery with respect to customer responses offers a fruitful avenue for future research.

In addition, individual differences arising from personality traits (e.g., altruism) might affect consumers’ evaluations of a service firm’s socially responsible performance (Mohr & Webb, 2005) and their personal support of the firm’s CSR activities (Vlachos, 2012). Brown and Dacin (1997) suggested that customers’ perceptions and actions can be affected by the personal values they hold, depending on the extent to which the firm’s values and beliefs are consistent with customers’ value systems. Further research should explore other potential personal factors capable of influencing the protective role of CSR in customer outcomes.

Moreover, this research explored the dynamic effect of service recovery, CSR, and customer participation on customer identification and subsequent customer loyalty behavioral intentions. Nevertheless, the study did not capture actual customer behavioral data such as re-patronage behavior. Thus, the present research can be extended by simultaneously measuring both customers’ actual behaviors and their behavioral intentions.

Also, apart from the strategic role of customer co-creation of services in the customer-firm relationship following a service failure, which has been investigated in this research, future research should explore the potential motivating factors that encourage customers to be active and get involved in service co-creation.

The use of cross-sectional data might have the potential to inflate the observed relationships and induce common method variance. To minimize the
invalidating effects of method bias, a self-administered questionnaire with a marker variable included was used in this research. Also, the proposed model was further tested with experimental data. In addition, future studies can implement more precautionary techniques following Podsakoff et al. (2003). For example, longitudinal designs can be employed to allow for inferring causality as well as controlling method bias.

Last, the field survey conducted using service customers based on a convenience sample in Hong Kong may limit the generalizability of the findings. For instance, cultural differences in customer-company relationships in a service failure may exist due to the historical background of nations and cultural and individual values and preferences (Aurier & N’Goala, 2010). Customer reactions to perceptions of recovery justice and CSR performance may differ in various countries. Future research exploring whether customers in different countries have differing perspectives on recovery efforts, CSR, and participatory activities and their interplay is certainly warranted.

6.5 Conclusion

In summary, this research has provided an integrated model for understanding service firm-customer relationships in the context of a service failure. Creating and maintaining customer identification is important for assuring positive and committed relationships between a firm and its customers. The present research supported the significant roles of service recovery, CSR performance, and customer service participation in customer identification. It showed that after experiencing a failed service encounter, customers are likely to attach to a service firm when they receive recovery attempts of high perceived justice. However, when customers have low justice perceptions in a service recovery, the firm’s CSR performance can work as insurance-like protection against the failure and maintain customer identification with the firm. Furthermore, the strategic role of customer participation in service delivery was investigated and the interaction of recovery with CSR was found to significantly foster customer identification in highly participative service settings. These research findings provide both academics and practitioners with important theoretical and managerial implications.
LIST OF REFERENCES


Brislin, R. W. (1980). Translation and content analysis of oral and written


co-created service recovery. *Journal of the Academy of Marketing Science, 36*(1), 123-137.


APPENDICES

Appendix 1. Field Survey: Questionnaire

CODE NO.______ DATE:________

QUESTIONNAIRE ON CUSTOMER SERVICE EXPERIENCE

We are researchers from Hong Kong Baptist University and we are now conducting a research on the customer service experience in Hong Kong. We hope you may kindly spend about 5-7 minutes to complete this questionnaire. All the information gathered will be used for academic analysis only. Thank you very much for your cooperation.

SECTION A

We are interested in people’s service experiences in Hong Kong. Particularly, we are investigating service failures that customers experienced and their responses. Service failure arises when customers experience dissatisfaction because the service was not delivered as originally planned or expected.

Have you experienced a service failure with a particular service provider in the past three months and if that provider offered you some resolution?

□ Yes. □ No. (The end of questionnaire. Thank you.)

Please recall that particular service failure-recovery occasion that you experienced and answer the following questions.

1) Name of that Service Provider: __________________________

(either in Chinese or in English)

2) Type of Service:

☐ Telecommunication Services ☐ Catering Services ☐ Entertainment Services
☐ Beauty/Fitness Services ☐ Travel Services ☐ Others

(Please specify: ____)

3) The time you encountered the service failure with that particular service provider:

☐ 1 day ago ☐ Several days ago ☐ About 1 week ago
☑ About 2 weeks ago ☐ About 3 weeks ago ☐ About 1 month ago
☐ About 2 months ago ☐ About 3 months ago
4) Please indicate your opinions towards the following statements regarding the service provision process.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) I made considerable effort into expressing my personal needs to the staff during service delivery process.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b) I provided suggestions to the staff for improving the service outcome.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c) I have a high level of participation in the service provision process.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

SECTION B. Customer Loyalty and Behavioral Intentions towards the Service Provider

5) Please bear that service provider (you wrote down in Section A) in mind, as you will be asked to answer the following questions regarding your responses toward that service provider.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) I would be dedicated to doing business with this firm.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b) If this service firm were to raise its prices, I will continue to be a customer of the firm.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c) I intend to switch to a competitor of this service firm.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d) I will not acquire services of this service firm anymore in the future.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

SECTION C. Corporate Social Responsibility of the Service Provider

(Note: “Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.”)

6) In my opinion,

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) I consider the firm as a socially responsible firm.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b) This firm is more beneficial to society’s welfare than other firms.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c) This firm contributes something to society.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
7) If the service provider is now inviting you to participate in its Corporate Social Responsibility (CSR) programs/activities (e.g., to donate money, to work as volunteer). Please indicate your opinions towards the following statements:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) I would like to donate to the firm’s CSR program(s).</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b) I feel obligated to help the society.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c) I would like to support the service firm’s CSR program(s).</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d) I would be dedicated to supporting the service firm’s CSR program(s).</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>e) I will say positive things about the service firm’s CSR program(s).</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

SECTION D. Customer Perception towards the Service Provider and the Failure-Recovery Occasion

8) To what extent the service failure you experience was a serious problem to you. In my opinion, the failure is a:

<table>
<thead>
<tr>
<th>Failure Level</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Minor Problem</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Small inconvenience</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>c) Big inconvenience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9) After the service failure, please recall the recovery efforts the service firm provided to you. Please indicate your opinions towards the following statements.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) The outcome I received was fair.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b) I did not get what I deserved.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c) In resolving the problem, the firm gave me what I needed.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d) The firm responded quickly and fairly to my needs.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>e) The firm showed adequate flexibility in dealing with my problem.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>f) The policies and procedures the firm had in place were adequate for addressing my concerns.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>g) The firm was appropriately concerned about my problem.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>h) The firm did not put the proper effort into resolving my problem.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
i) The firm’s communications with me were appropriate.

10) Please indicate your opinions towards the following statements regarding the service recovery process.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) I spent time discussing my problems with the staff during the recovery process.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b) I made considerable effort and get involved in resolving the problem.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c) I provided suggestions to the staff for resolving the service problem.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d) I have a high level of participation in the service recovery process.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

11) For the prices I paid for service at this service firm, I will say it is a

<table>
<thead>
<tr>
<th>Rating</th>
<th>Very Low</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>Low High</th>
</tr>
</thead>
</table>

12) Overall, please state your opinions towards the following arguments.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) I strongly identify with this service provider.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b) I feel good to be a customer of this service provider.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c) I like to tell that I am a customer of this service provider.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d) This service provider fits well to me.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>e) I feel attached to this service provider.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

13) Please state your opinions towards the following statements.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) In general, I am among the first in my circle of friends to buy a new mobile phone model when it appears.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b) If I heard that a new mobile phone model was available in the store, I would be interested enough to buy it.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c) Compared to my friends I own a lot of mobile phone models.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d) In general, I am the first in my circle of friends to know the new model of a mobile phone.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
130

<p>| | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>e)</td>
<td>I usually know the new model of a mobile phone before other people do.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

**SECTION E. Personal Information for Classification Purpose**

1. **Age**
   - ☐ 16 – 25
   - ☐ 26 – 35
   - ☐ 36 – 45
   - ☐ 46 – 55
   - ☐ 56 or above

2. **Gender**
   - ☐ Male
   - ☐ Female

3. **Marital Status**
   - ☐ Single
   - ☐ Married
   - ☐ Others

4. **Education Level**
   - ☐ Primary School
   - ☐ Secondary School
   - ☐ Undergraduate or equivalent
   - ☐ Postgraduate or above

5. **Occupation**
   - ☐ Student
   - ☐ Professionals
   - ☐ Housewife
   - ☐ Retired
   - ☐ Salesperson
   - ☐ Service Staff
   - ☐ White Collar
   - ☐ Unemployed
   - ☐ Management/ Administrative Staff
   - ☐ Primary/ Secondary Teacher
   - ☐ Self-employed
   - ☐ Others (Please specify: ___)

6. **Household Monthly Income**
   - ☐ HKD10,000 or less
   - ☐ HKD10,001 – 20,000
   - ☐ HKD20,001 – 30,000
   - ☐ HKD30,001 – 40,000
   - ☐ HKD40,001 – 50,000
   - ☐ HKD50,001 – 60,000
   - ☐ HKD60,001 – 70,000
   - ☐ HKD70,001 – 80,000
   - ☐ HKD80,001 or more

*End of Questionnaire*
Appendix 2. Field Survey: Questionnaire (Chinese)

服务失誤經歷問卷調查
您好。我們是香港浸會大學的研究人員，我們正研究有關顧客在香港的服務體驗。請您花大約 5-7 分鐘去完成此問卷。所有收集回來的資料將會保密，並只作學術研究用途。多謝合作！

第一部分
我們對顧客在香港的服務體驗很有興趣，特別是我們正研究公司的服務失誤和顧客回應。服務失誤是指服務的實際表現與期望有所不同。

於過去三個月內，您有否經歷過一次服務失誤，而該提供服務的公司及後為你提供一些補救措施或解決你的問題？

□ 有 □ 否 (此問卷完成，多謝您的參與。)

請回想該次的服務失誤經歷及公司補救的措施，並回答以下的問題。

1) 提供服務的公司名稱： __________________________ (中文或英文皆可)

2) 服務的種類：
- □ 電訊服務 □ 餐飲服務 □ 娛樂服務
- □ 美容/健身服務 □ 旅遊服務 □ 其他 (請註明：__________)

3) 何時經歷該次服務失誤？
- □ 一天前 □ 數天前
- □ 大約一個星期前 □ 大約兩個星期前
- □ 大約三個星期前 □ 大約一個月前
- □ 大約兩個月前 □ 大約三個月前

4) 請就以下有關服務提供過程的句子表示你的意見。

<table>
<thead>
<tr>
<th>完全不同意</th>
<th>完全同意</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  2  3  4  5  6  7</td>
<td></td>
</tr>
</tbody>
</table>

a) 在服務過程中，我花了相當大的努力向公司的員工商表達我的個人需要。

b) 我給公司的員工商提出了改善服務品質的建議。

c) 我在服務的過程中參與了很多。
第二部分：顧客對該公司的忠誠度及行為傾向

5) 請記住你在第一部分所填寫的服務公司，並根據該公司來回答以下問題。

<table>
<thead>
<tr>
<th></th>
<th>完全不同意</th>
<th>完全同意</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) 我會繼續使用該公司的服務。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b) 即使該公司提高服務收費，我仍願意繼續使用該公司的服務。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c) 我將會轉用其他服務公司。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d) 在將來，我不會再使用該公司的服務。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

第三部分：服務公司的企業社會責任

(註：所謂「企業社會責任」是指「企業承諾持續遵守道德規範，為經濟發展做出貢獻，並且改善員工及其家庭、當地整體社區、社會的生活品質。」)

6) 在我看來，

<table>
<thead>
<tr>
<th></th>
<th>完全不同意</th>
<th>完全同意</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) 我認為該公司為一間對社會負責任的公司。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b) 該公司貢獻於社會的福利比其他公司更多。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c) 該公司對社會作出一定的貢獻。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

7) 假若該公司現正邀請您參加及支持它所舉辦的企業社會責任活動(例如透過金錢或物資捐贈，或投身義工工作等)。請就以下的句子表示你的同意程度。

<table>
<thead>
<tr>
<th></th>
<th>完全不同意</th>
<th>完全同意</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) 我會為該公司的企業社會責任活動提供金錢上的捐贈。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>b) 我覺得自己有義務及責任去幫助社會。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>c) 我想參與該公司的企業社會責任活動。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>d) 我將致力於支持及參與該公司的企業社會責任活動。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>e) 我願意為該公司的社會企業責任活動做正面宣傳。</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
第四部分：顧客對該公司、其服務失誤與補救措施的感受/看法

8) 我認為該次服務失誤對我來說是一個或對我造成:

<table>
<thead>
<tr>
<th></th>
<th>小問題</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>大問題</th>
</tr>
</thead>
<tbody>
<tr>
<td>a)</td>
<td>小問題</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>大問題</td>
</tr>
<tr>
<td>b)</td>
<td>小許不便</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>很大不便</td>
</tr>
</tbody>
</table>

9) 根據該公司為補救失誤所付出的努力，請就以下的句子表示你的同意程度。

<table>
<thead>
<tr>
<th></th>
<th>完全不同意</th>
<th>完全同意</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) 我得到公平的補償。</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>b) 我沒有得到我應得到的補償。</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>c) 在解決問題過程中，該公司給了我所需要的。</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>d) 該公司公平地和迅速地處理我的問題。</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>e) 該公司在處理我的問題時表現出足夠的靈活性。</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>f) 該公司的補救政策和程序足以解決我的問題。</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>g) 該公司適當地關注我的問題。</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>h) 該公司沒有投入應有的努力去解決我的問題。</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>i) 該公司的員工與我之間的溝通是適當的。</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

10) 請根據該次服務補救/修復過程，表示你對以下的句子的意見。

<table>
<thead>
<tr>
<th></th>
<th>完全不同意</th>
<th>完全同意</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) 在補救/修復的過程中，我花時間向公司員工交代了我的問題。</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>b) 我花了相當大的努力參與解決問題的工作。</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>c) 我給公司的員工提供了解決服務問題的建議。</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>d) 我在服務補救/修復的過程中參與了很多。</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

11) 對於花在該次服務上的價錢/服務收費。我認為這價錢/收費：

<table>
<thead>
<tr>
<th></th>
<th>很低</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>很高</th>
</tr>
</thead>
<tbody>
<tr>
<td>133</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
12) 整體來說，請就以下的句子表示你的意見。

<table>
<thead>
<tr>
<th></th>
<th>完全不同意</th>
<th>不同意</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
</table>
a) 我非常認同該公司。 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
b) 我很高興能成為該公司的顧客。 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
c) 我會想告訴別人，我是該公司的顧客。 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
d) 該公司非常適合我。 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
e) 我對該公司有感情。 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

13) 請就以下的句子表示你的同意程度。

<table>
<thead>
<tr>
<th></th>
<th>完全不同意</th>
<th>不同意</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
</table>
a) 一般來說，當有新款手機推出時，我是朋友圈中第一個購買。 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
b) 如果聽說新款手機能夠在店中購買，我會很有興趣購買。 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
c) 與我的朋友比較，我擁有很多手機款式。 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
d) 一般來說，我是在朋友圈中最先知道新款手機的資訊。 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
e) 我比其他人更早知道新款手機的型號。 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

第五部分：個人資料 (只用作分類用途)
1. 年齡
   □ 16–25   □ 26–35   □ 36–45   □ 46–55   □ 56 或以上
2. 性別
   □ 男   □ 女
3. 婚姻狀況
   □ 單身   □ 已婚   □ 其他
4. 教育程度
   □ 小學程度   □ 中學程度   □ 大學或相等程度   □ 碩士程度或以上
5. 職業
   □ 學生   □ 專業人士   □ 家庭主婦   □ 退休人士
   □ 銷售員   □ 服務業人士   □ 文員   □ 失業人士
   □ 管理/行政人員   □ 小學/中學教師   □ 自僱人士   □ 其他 (請註明：__)
6. 個人每月收入
   □ HKD10,000 或以下   □ HKD10,001 – 20,000   □ HKD20,001 – 30,000
   □ HKD30,001 – 40,000   □ HKD40,001 – 50,000   □ HKD50,001 – 60,000
   □ HKD60,001 – 70,000   □ HKD70,001 – 80,000   □ HKD80,001 或以上

問卷完成，多謝合作！

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Appendix 3. Study 1: Design Materials on CSR Manipulation
High CSR Performance Condition

星島日報 SINGTAO DAILY A14 港聞

知名企業管治雜誌公佈：優悠旅遊連續四年榮獲「最佳企業社會責任大獎」

2014-01-31 (12:34) 優悠旅遊 最近榮獲「2013 亞洲企業社會責任大獎」頒發「最佳企業社會責任大獎」，優悠旅遊是此獎項中唯一一間旅遊業公司，其他得獎者包括銀行、投資、地產、電訊及航運業的知名企業。

「2013 亞洲企業社會責任大獎」是亞洲知名企業管治雜誌《Corporate Governance Asia》舉辦，旨在表揚企業在履行社會責任、可持續性發展及環保政策等方面的卓越成就。獎項的篩選過程非常嚴謹，評選是由企業社會責任亞洲(CSR Asia) 與亞洲多家大學(包括香港大學、香港中文大學) 合作，對區內各行業的企業進行了綜合評估。評審準則包括企業社會責任、可持續性發展及環保政策等方面的貢獻，其中包括社區投資、員工發展與培訓等。

優悠旅遊 連續四年榮獲大獎

在各得獎者中，優悠旅遊 連續第四年脫穎而出，再次憑藉卓越企業社會責任表現，獲頒「最佳企業社會責任大獎」。評選發言人表示，優悠旅遊一向致力履行企業社會責任，積極回饋社會，並對經濟、社會及環境等方面作出出色表現及貢獻。在 2013 年，優悠旅遊參與各類社會服務包括贊助慈善活動、組織員工參與義工活動及環保活動等，致力推動區內的可持續發展。
Low CSR Performance Condition

星島日報  SINGTAO DAILY  A14  港聞

知名企業管治雜誌公佈

「2013 亞洲企業社會責任」排名名單

優悠旅遊 排名最低

2014-01-31 (12:34) 企業管治雜誌《Corporate Governance Asia》周五公佈了「2013 亞洲企業社會責任」的排名名單。首 20 名包括銀行、投資、地產、電訊、旅遊業及航運業的知名企業，並獲頒「2013 亞洲企業社會責任大獎」。

「2013 亞洲企業社會責任大獎」是亞洲知名企業管治雜誌《Corporate Governance Asia》舉辦，旨在表揚企業在履行社會責任、可持續性發展及環保政策等方面的卓越成就。獎項的篩選過程非常嚴謹，而是次評選是由企業社會責任亞洲(CSR Asia) 與亞洲多家大學(包括香港大學、香港中文大學)合作，對區內各行業的企業進行了綜合評估。評審準則包括企業社會責任政策及監管制度、企業對環境、社會及經濟等方面的貢獻，其中包括社區投資、員工發展與培訓等。

優悠旅遊 排名最低

在評選結果中，優悠旅遊排名最低，更是唯一一間旅遊業公司被點名批評，反映了 優悠旅遊 對履行社會責任的主動性及積極性不足，其企業社會責任建設能力有待大大提高。評選發言人表示，優悠旅遊 近年只重視發展業務，把資源投放在提升營運效率及管理系統，卻忽略履行企業社會責任。發言人強調，企業履行社會責任不單單是指慈善捐款，還包括企業對改善經濟、環境、員工權益及發展等各方面的責任。
Appendix 4. Study 1: Sample of Study Design Materials
Selected Sample of One of the Eight Conditions

請細心閱讀以下描述的情景，並回答有關問題。

假設你是「優悠旅遊」(「優悠」)的顧客。 「優悠」是一間以提供優質及多元化之旅遊產品及服務見稱的旅遊企業。公司的旅遊業務廣泛，當中包括旅行團、自遊行、本地遊、代訂機票及酒店、郵輪旅遊、代辦旅遊簽證及旅遊保險等等。此外， 「優悠」全線服務獲頒發 ISO 9001 品質管理系統證書，其良好的服務表現得到顧客和業界的肯定。

近幾年，每次出外旅遊，你都會選用「優悠」所提供的旅遊相關產品及服務，例如代訂機票、酒店套票及觀光門票等。你對「優悠」的旅遊產品及服務一直感到非常滿意。

以下是一則有關「優悠旅遊」的新聞報導。

星島日報 SINGTAO DAILY A14 港聞

知名企業管治雜誌公佈：優悠旅遊連續四年榮獲
「最佳企業社會責任大獎」
2014-01-31 (12:34) 優悠旅遊 最近榮獲「2013 亞洲企業社會責任大獎」頒發「最佳企業社會責任大獎」，優悠旅遊是此獎項中唯一一間旅遊業公司。其他得獎者包括銀行、投資、地產、電訊及航運業的知名企業。

「2013 亞洲企業社會責任大獎」是亞洲知名企業管治雜誌《Corporate Governance Asia》舉辦，旨在表揚企業在履行社會責任、可持續性發展及環保政策等方面的卓越成就。獎項的篩選過程非常嚴謹，而是次評選是由企業社會責任亞洲(CSR Asia) 與亞洲多家大學(包括香港大學、香港中文大學)合作，對區內各行業的企業進行了綜合評估。評審準則包括企業社會責任政策及監管制度、企業對環境、社會及經濟等方面的貢獻，其中包括社區投資、員工發展與培訓等。

優悠旅遊 連續四年榮獲大獎
在各得獎者中，優悠旅遊 繼續第四年脫穎而出，再次憑藉卓越企業社會責任表現，獲頒「最佳企業社會責任大獎」。評選發言人表示，優悠旅遊一向致力履行企業社會責任，積極回饋社會，並對經濟、社會及環境等方面作出出色表現及貢獻。在 2013 年，優悠旅遊參加各類社會服務包括贊助慈善活動、組織員工參與義工活動及環保活動等，致力推動區內的可持續發展。
請繼續閱讀以下情景，並回答有關問題：

每年 3 至 4 月都是前往韓國欣賞櫻花的好季節。你很想於復活節假期，與家人（一共 4 人）一同到首爾一睹櫻花盛開的迷人景致，並到當地玩樂購物。

剛巧，你得悉「優悠旅遊」正推出復活節 5 天韓國自悠行套票優惠。現在每人只需港幣 2,500 元，便可乘坐國泰航空直航前往首爾，並入住 4 星級酒店，讓你與你的家人優悠自在享受復活節假期。詳情如下：

今次機會難逢，你和你家人商量後，決定購買此精選套票。
現在，你發現該精選套票只剩下 6 個名額，你決定帶同所需文件 (包括你和家人的個人資料) 親身到優悠分行辦理訂購手續。
到達位於你家附近的優悠分行後，接待你的職員詢問你是否需要幫助。你向該職員表示要訂購該 5 天韓國首爾自悠行精選套票，旅客共 4 名。經了解及確保有足夠名額後，該職員表示會立即為你辦理訂購手續，而你只需提供相關資料及文件予職員便可。整個套票訂購程序均由該職員負責，你亦可透過其電腦屏幕，隨時看到職員訂購套票的情況。
在等待過程中，你不時抬頭觀看張貼在分行內的大型海報。及後，你索取及翻閱了數份擺放在身旁的旅遊宣傳單，以下是您索取的單張。

(此圖只作參考之用)

在您完成閱讀宣傳單張同時，旅行社職員向您表示訂購服務出現了問題，並向您顯示了以下訊息。職員指出該自悠行套票名額只剩下2個，並詢問您會否為首兩名旅客(您父母)繼續進行訂購。

重要訊息

很抱歉！由於現在名額只剩下2個，閣下要為首兩名旅客繼續訂購已點選之旅遊產品嗎？

如繼續訂購，請按「確定及訂購」。一經確認，閣下將不能取消或轉換您所訂購之旅遊產品。

如終止訂購，請按「取消」。

如有任何問題，可致電2123-6666與客戶服務員聯絡。

你選擇了繼續訂購，最終為家中2名成員購買了該精選首爾5天自悠行套票。

同時，該職員主動及有禮地表示：「我現再為您查核相關訂購問題，請您稍等一會。」
大約 1 分鐘後，該職員重新與你進行對話，並感謝你耐心的等候。經了解後，該職員為你遇到的問題及不便道歉，並詳細解釋了訂購失敗的問題。這是因為該精選套票名額有限，會以先到先得的形式發售，而所有套票訂購均由公司的票務系統即時編配。自此，網上訂購、電話訂票或親臨優悠分行均可享有同步訂購服務。服務員續指出，該自悠行套票屬熱賣的旅遊產品，需求量較高，對你未能訂購足夠數目之套票感到非常抱歉。
為了讓你和家人能一同往韓國享受復活節假期，職員承諾會讓你以六折優惠為其餘 2 名旅客預訂國泰同航機票及相同酒店的住宿，並再一次為你遇到的不便道歉。你對優悠的安排感到十分滿意，並完成所有訂購手續。在整個服務過程中，你發現該客戶服務員很友善和很有禮貌，你得到應有的尊重。
Appendix 5. Study 2: Sample of Study Design Materials
Selected Sample of One of the Eight Conditions

Please read carefully the following description and answer the related questions.

Assuming you are a customer of the network service provider "FastWeb" ("FastWeb"), a reputable internet service provider known for its high-speed broadband services in Hong Kong, offering quality and diversified broadband services. FastWeb provides comprehensive broadband services and packages, including home fibre and Wi-Fi wireless broadband services, with its Wi-Fi hotspots exceeding 12,000 and distributed throughout the city, allowing customers to enjoy wireless internet access anywhere.

In recent years, you have been using FastWeb’s broadband services and have always been very satisfied with its broadband services.

Below is a news report about the service provider "FastWeb".
知名企業管治雜誌公佈
「2013 亞洲企業社會責任」排名名單

FastWeb 電訊公司 排名最低
2014-01-31 (12:34) 企業管治雜誌《Corporate Governance Asia》周五公佈了「2013 亞洲企業社會責任」的排名名單。首 20 名包括銀行、投資、地產、電訊、旅遊業及航運業的知名企業，並獲頒「2013 亞洲企業社會責任大獎」。

「2013 亞洲企業社會責任大獎」是亞洲知名企業管治雜誌《Corporate Governance Asia》舉辦，旨在表揚企業在履行社會責任、可持續性發展及環保政策等方面的卓越成就。獎項的篩選過程非常嚴謹，而是次評選是由企業社會責任亞洲(CSR Asia) 與亞洲多家大學(包括香港大學、香港中文大學)合作，對區內各行業的企業進行了綜合評估。評審準則包括企業社會責任政策及監管制度、企業對環境、社會及經濟等方面的貢獻，其中包括社區投資、員工發展與培訓等。

電訊公司 FastWeb 排名最低
在評選結果中，電訊公司 FastWeb 排名最低，更是唯一一間電訊業公司被點名批評，反映了 FastWeb 對履行社會責任的主動性及積極性不足，其企業社會責任建設能力有待大大提高。評選發言人表示，FastWeb 近年只重視發展業務，把資源投放在提升營運效率及管理系統，卻忽略履行企業社會責任，發言人強調，企業履行社會責任不單單是指慈善捐款，還包括企業對改善經濟、環境、員工權益及發展等各方面的責任。

請繼續閱讀以下情景，並回答有關問題:

上月(3 月)30 日晚，本港天氣忽然轉壞，各區大雨連場，天文台於一小時內先後轉發黃、紅及黑色暴雨警告信號。天文台在該小時內亦錄得 1,568 次閃電紀錄，多幢大廈一度「跳掣」。大雨中，本港廣泛地區更出現落雹，主要集中在新界及九龍等地。冰雹加上豪雨令多個大型商場的天花受到損毀，其中九龍塘又一城商場的玻璃天幕，疑抵不住暴雨冰雹來襲破裂，令商場入水，市民需涉水而行。另多個港鐵站因雨水湧入，列車服務一度受影響。受冰雹及暴雨影響，你所居住的大廈曾一度「跳掣」，大廈的寬頻上網服務一度受影響。剛巧，你最近忙著完成學期末的學術報告，需要上網搜索相關
資料及訊息。可是，你發現寬頻服務出現不穩定情況，曾多次出現“網絡連線失敗”、“連結中斷”等問題。
你致電 FastWeb 熱線查詢及尋求協助，你等了約 10 分鐘，FastWeb 的客戶服務員才接聽了你的來電，他不耐煩地聆聽你的問題並不斷無禮地打斷你的說話。該客戶服務員表示：「我現為您核實相關問題，不要掛線。」等了大約 8 分鐘後，該客戶服務員才重新與你進行通話。經了解後，該客戶服務員既沒有為你遇到的問題道歉，也沒有解釋服務出現問題的原因，他表示會安排相關技術員上門檢查及維修網絡系統。在整個對話的過程中，你發現該客戶服務員很不友善和沒有禮貌，你沒有得到應有的尊重。

在致電後的第三天，FastWeb 公司的技術員才來到你家去檢查網絡問題，該技術員粗略地檢查及進行網絡修復工作。在等待過程中，你在旁翻閱著最新一期的旅遊雜誌，以下是一些旅遊雜誌的數頁內容。

(此圖只作參考之用)

在你完成翻閱雜誌的同時，該技術員才完成搶修及解決了網絡連線問題，服務也立即恢復正常。但你既沒有看到該技術員實際如何修復網絡系統，也沒有參與整個網絡修復過程，技術員實際上解決了你的問題。
Appendix 6. Promotion Poster of Service Firm’s CSR Activity in Study 1 and Study 2
CURRICULUM VITAE

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July 2015