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“How does a relationship affect customer responses to firm’s recovery efforts in different cultural contexts? A comparison of Japanese and Canadian customers”

par

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Résumé (français):

Les recherches portant sur les effets de la relation entre les entreprises et les clients dans le contexte d'un échec de service sont nombreuses et pour cause: une meilleure compréhension du traitement approprié est d'une importance capitale pour les entreprises. Les chercheurs ont mis en évidence depuis longtemps qu'il ne suffit plus de chercher de nouveaux clients mais la fidélisation et la rétention de ces clients sont d'une très grande importance dans ce marché hautement compétitif. Nous proposons une recherche novatrice qui porte sur un aspect encore mal connu parce qu'aucune recherche à ce jour n'a étudié spécifiquement quelles sont les interventions les plus appropriées des entreprises suite à un échec de service dans le contexte de la culture et de la qualité de la relation.

Mots-clés : Qualité de la relation. Culture, Japon, Canada, Action des firmes, Justice, Réponses des consommateurs.

Abstract :

Research on the effect of relationship quality between a customer and a firm after a service failure is a very important managerial issue since it is not only important for a firm to know how to attract customers, but it is also primordial for a firm to know how to hold on to these customers. Furthermore, exploring this topic in the light of different cultural contexts provides insight on how to deal with clientele in the country they have established themselves in. How does a relationship affect customer responses to firm's recovery efforts in different cultural contexts? This research compares Japanese and Canadian customers, to see how service firms strategies should take into account both culture and relationship quality in order to enhance the service recovery process: in Japan and in Canada. We will consider which actions by firms will impact positively the response of consumers to guarantee consumer loyalty, satisfaction, and diminish their anger and the likelihood of negative word-of-mouth.

Key words: Relationship quality, Culture, Japan, Canada, Action of the firms, Justice, Customer Responses.

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Chapter 1: Introduction

Human beings draw close to one another by
their common nature, but habits and customs
keep them apart.

Confucian saying (Irwin 1996).

Service failures are inevitable (Miller, Craighead, & Karwan, 1999) and have huge impact on service firms. If service firms deserve to be called “learning organizations,” marketing research on service failure should help them to learn from their mistakes. Isenberg (2011) points out that failure is part of a normal learning curve for companies and they help to understand where the opportunities are underlying. He says you must “accept that failure is a natural part of doing business” (Isenberg, 2011).

Firms make errors when handling customer encounters, since to err is human, and a service encounter is foremost a human one. Customer retention significantly depends on repairing errors occurring in the service encounter. This is all the more managerially important since it is six times costlier for a firm to recruit new customers, than to retain their current customer base (Rosenberg and Czepiel 1983, found in (Methlie & Nysveen, 1999) either through customer satisfaction strategies which enhance customer loyalty, long-term repatronage and firm profitability (Tax, Brown & Chandrashekar 1998; Fornell and Wernerfelt 1987) or through service recovery (Mattila & Patterson, 2004 B).

Such issues of customer retention and of service recovery are becoming more complex in a era of globalization and multiculturalism: “Global marketplace competence in dealing with customers from a variety of cultural backgrounds has become a key competitive capability in service industries” (Patterson & Mattila, 2008). Even fast foods restaurants, such as McDonald’s, whose managerial philosophy was uniformity (which lead them to economies of scale) adapt their offering to specific cultures: they offer *poutine* in Quebec and shrimp burgers in Japan. Also, Kitkat chocolate bars are offered with specific

flavours strictly in Japan, such as wasabi, soy sauce or green tea. These changes are mere reflections of major changes that occur within the company to adjust itself to specific cultures. Companies must change the way they approach different clienteles in regards to cultural etiquette and in regards to the implicit facets of cultural perceptions. There are many strategies available to marketers in order to implement a company in a new area, such as globalization, localization and even “glocalization” (Guilianotti & Robertson, 2006).

The following example illustrates the issue of cultural differences: a group of Japanese friends who visit Pizza Hut for the first time in Tokyo, have to wait more than an hour before getting served and realize that the waiter brought one of them the wrong dish. A group of Canadian customers are going to Pizza Hut in downtown Montreal, as they usually do on Sunday night. If the same scenario occurs, how should the firm respond in order to repair the situation after a service failure? Should the firm respond differently because of the customer’s cultural perceptions? And also, how does the quality of the relationship impact how the failure is perceived? Those are the key research questions that motivate the current research.

Research on the effect of relationship between a customer and a firm after a service failure is a very important topic since it is not only important for a firm to know how to attract customers, but it is also primordial for a firm to know how to hold on to these customers. Furthermore, exploring this topic in the light of different cultural contexts provides insight on how to deal with clientele in the country they have established themselves in. Researchers have independently examined the effects of relationship quality, culture, and different recovery interventions after a service failure. However and to the best of our knowledge, little research examines the simultaneous interplay of these three important variables on customer responses toward a service recovery.

For example, Grégoire and Fisher (2006; 2008) found that very loyal customers could act out against a firm after a service failure if they feel betrayed. Hence, a company’s best customer can also be a firm’s worst nightmare. But it is not yet clear how this reaction would differ for different cultures that vary in terms of collectivist or individualist traits (i.e. Canadian and Japanese customers). Some research has been conducted to find out

what is the most appreciated form of firms' action regarding the culture of the consumer, or how consumers react to service failure (Mattila and Patterson 2004). However, it is unclear how the strength or the type of relationship would influence these results. Again, when comparing Canada to Japan, it is clear that consumers from these two countries do not react in the same way after a service failure and do not hold the same types of values concerning interpersonal relationships. Japanese customers put a lot of importance on social harmony and on saving face, more so than compensation (Mattila & Patterson, 2004 B).

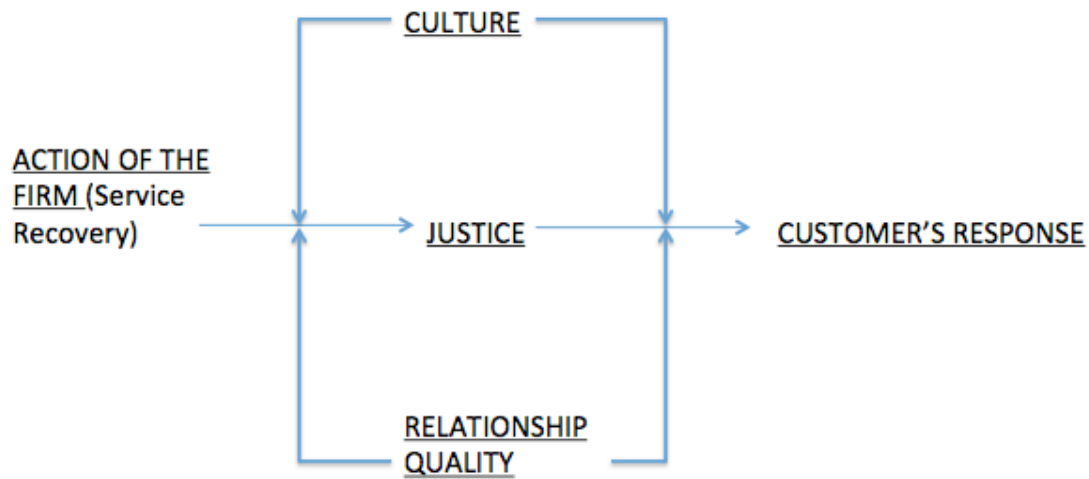
Applied to our context, the general research question is the following: *How does a relationship affect customer responses to firm's recovery efforts in different cultural contexts? A comparison of Japanese and Canadian customers.*

The purpose of the present study is a major managerial issue which has not yet received attention from researchers: how should service firms strategies take into account both culture and relationship in order to enhance the service recovery process: in individualist and collectivist settings (i.e. in Japan and in Canada). These countries greatly vary on Hofstede's cultural dimensions; Japan for example, has one of the highest scores in the world for masculinity. These dimensions that describe a national culture are important to be taken in consideration when looking at the impact they have on service recovery. We will consider which actions by firms will impact positively the response of consumers to guarantee consumer loyalty.

To better understand the different concepts at hand, this paper will start off by exploring the literature on actions by firms, the different perceptions of justice, consumers' response, customer relationship and culture. From this literature review, we have defined the theoretical background and the hypotheses that entail in order to better explain our research question. Then, the methodology will be explained, where we will describe the data collection method and the statistical model used. This is followed by the results and their analysis. Finally, there will be a discussion of the main findings, the conclusion, the managerial implications, the limits of the study and further research avenues.

Chapter 2: Theoretical Background:

Conceptual Framework:



In this chapter, we will consider the relevant literature in order to define each component in our model and to better understand the links between them.

In our model, we will assume that actions of the firm will have a main effect on justice. Then, we will examine the moderation effect of both culture and relationship quality on two paths “actions of the firm → three types of justice” and “three types of justice → customer’s responses”.

2.1 Action by firms:

In a time where it is becoming considerably harder to get new customers due to the saturation of the market, the retention of a company's actual clients is crucial. It is important to keep your customers satisfied. "The attitudinal and behavioural consequences of customer satisfaction play a central role in driving long-term customer relationships." (Tax, Brown & Chandrashekar 1998). Hence, a company should know how to offer adequate service recovery in order to maintain the satisfaction of its clients. "Well-executed service recoveries are important for enhancing customer satisfaction, building customer relationships, and preventing customer defections" (Fornell and Wernerfelt 1987, in Smith, Bolton & Wagner 1999). There are different types of actions by firms in order to offer service recovery. In their meta-analysis of organizational complaint handling, (Gelbrich & Roschk, 2011) refer themselves to Estelami's (2000) three-part classification of organizational responses. The first is *compensation*, "refunds, replacements, and/or compensation, which organizations provide to complainants" ((Gelbrich & Roschk, 2011). The second is *employee behaviour*, "[it is] described as empathic, friendly, responsible, careful, and informative behaviour of the service person" (Gelbrich & Roschk, 2011). The third is *promptness*, it is the quick and easy way firms deal with complaints (Gelbrich & Roschk, 2011). The authors think it is more adequate to refer to this last concept as *organizational procedure* since it not only refers to timeliness, but also to facilitation. In this research, we will look at the effects of compensation, downward social comparison, apology, and clients' recovery preferences on consumer's satisfaction.

First of all, service recovery as defined by Mattila and Patterson (2004) is:

Actions taken by a service provider to respond to a situation where a customer has experienced a failure in the firm's core or supplementary service offering. Both what is provided by way of compensation or service provision, and how it is done (employee interactions with the customer) influence customer perceptions of the firm's service recovery

efforts. (Sparks & McColl-Kennedy 2001, *in* Mattila and Patterson 2004 p.196).

In low severity contexts, compensation and a speedy response have an increased impact on customers' justice evaluations (Smith et al. 1999). In high severity contexts, compensation has a greater impact on customer's perception of justice. Austin and Walster (1974, *in* Smith et al. 1999) propose an equity theory that states that overcompensating consumers can in fact, be less satisfied than consumers who receive an equitable compensation; they feel distressed and guilty about the inequity of the reward. However, Smith et al. (1999) excogitate that this is the case when the severity of the failure is low, when the severity is high, customers do not feel that the reward is inequitable.

Still regarding service encounters, downward social comparison can be another way firms try to impact the satisfaction of their clients. The downward social comparison theory states that people who are experiencing distress can improve their subjective well-being by comparing themselves with others who are experiencing worse distress than they are (Bonifield & Cole, 2008). In this case though, it is not the customer who compares himself to others, but rather the service provider who, through communicating with the client, compares the client to another client who has experienced a worse scenario. Bonifield & Cole (2008) found that when the firm does not offer compensation, but there is downward social comparison, it helps to diminish a customer's anger and also encourages positive post-purchase behaviour intentions. Furthermore, partial compensation alongside social comparison also diminishes anger and increases post-purchase behaviour intentions. But, firms must be cautious because full compensation and social comparison has the opposite effect; it increases customers' anger and does not significantly affect post-purchase behavioural intentions. So in the situation that a firm is unable to offer compensation to its angered consumers, downward social comparison is an effective and free way to mediate the problem.

According to the cultural model approach, firms should offer different types of recovery treatments according to the customer's different recovery preferences, all in high-involvement encounters. They propose three embodied cultural models: relational,

oppositional and utilitarian (Ringberg, Odekerken-Schröder, & Christensen, 2007). In the relational case, consumers place a lot of importance on the relationship with the firm and try to preserve the emotional attachment with the firm; a rupture for them is equivalent to a separation. The authors then suggest how to deal appropriately with these clients, by caring for the customer, showing respect and sincerely apologizing. In the oppositional cultural model, consumers hold an aggressive position with the service provider because they fear they will be taken advantage of. The firm should react by giving the consumer a sense of control through letting him or her choose between different options. The firm should however not give in and satisfy these consumers' excessive demands. In the last case, the utilitarian cultural model, consumers view the relationship in a very rational way; the expected duration of the relationship is measured by subtracting the future benefits from the cost of discontinuing the relationship (Gelbrich & Roschk, 2011). The firm should respond by acknowledging and explaining the problem, and by offering adequate compensation (Ringberg et al., 2007).

We have looked at many actions firms can take in order to readjust a consumer's perception of justice. In our research, we will concentrate on compensation, apology and downward social comparison. In the next section we will look at these different perceptions of justice and we will offer different definitions.

2.2. Perception of justice:

In this section, we look at how the customers perceive the actions taken by the firms in terms of justice. "What people believe to be fair depends on their exposure to consensually validated opinions regarding appropriate ways to distribute outcomes and to treat others" (Greenberg, 2001). So any behaviour that is in line with people's expectations is seen as fair, any behaviour that is defiant of the expectations is seen as unfair. People from different cultures have different internalized norms and thus culture plays a role in people's perception of justice (Greenberg, 2001). In our research, we examine the effects of culture on the perception of justice. First, we will look at the three types of perception of justice: distributive justice, procedural justice, and interactional justice, these are used as mediator in our model.

2.2.1: Distributive Justice:

The first type of justice is distributive, it relates to what was given to the customer after a service failure. Tax et al. (1998) define distributive justice as “ whether the outcome was perceived to be deserved, met one’s needs, or was fair”. “It focuses on the compensation provided because consumers expect to receive compensation for their loss and/or inconvenience suffered” (Smith, Bolton, and Wagner 2009; Tax, Brown and Chandrashekar 1998, in Mattila and Patterson, 2004 B). Also, “it relates to the allocation of costs and benefits in achieving equitable exchange relationships (Adam 1965; Deutsch 1975, 1985, in Smith et al. 1999). Confirming Leventhal’s findings, Smith et al. (1999) also found that distributive justice has the biggest impact on customers’ perception of justice, since it is the easiest to measure.

When looking at the cultural differences in the perception of justice, the norms and rules relating to distributive justice are not as present in Japan because they do not assess justice through rewards, but instead choose to emphasize harmonious relationships, politeness and respect (Greenberg, 2001). As has been found by Mattila and Patterson (2004 B), Japanese customers value social harmony over personal gains.

2.2.2: Procedural Justice:

The second type of justice, procedural, conveys how a complaint was treated after a service failure. According to Tax et al. (1998), procedural justice is “the perceived fairness of the means by which the ends are accomplished. “Procedural justice, which involves the means by which decisions are made and conflicts are resolved” (Leventhal 1980, Lind and Tyler 1988; Thibault and Walker 1975, in Smith et al. 1999). Smith et al. (1999) point out that the speed with which problems are taken care of is an important facet of procedural justice.

When considering the influence of culture on the perception of procedural justice, according to Greenberg (2001), procedural justice is more universal. Also, according to (Gelbrich & Roschk, 2011), out of all the types of justice, procedural justice has the weakest impact on post-complaint satisfaction. The effect of this type of justice is minor because most firms do not give consumers a lot of information about how the complaint is

handled internally; the customer can only infer the procedural justice from how he sees the frontline employees react (Gelbrich & Roschk, 2011).

2.2.3: Interactional Justice:

The third type, interactional, connects to the humane aspect of the service encounter; how the employee interacts with the consumer. Interactional justice is “the fairness of the interpersonal treatment people receive during the enactment of procedures” (Tax et al. 1998). Tax et al. (1998) believe that “the importance of the apology suggests that restitution is not just for economic cost, but also for emotional costs.” Interactional justice “refers to the manner in which the customer is treated during the recovery process” (Smith Bolton and Wagner, 1999, in Mattila and Patterson, 2004). “[It] Involves the manner in which information is exchanged and outcomes are communicated” (Bies and Moag 1986; Bies and Shapiro 1987, in (Smith, Bolton, & Wagner, 1999). According to Smith et al. (1999), an apology is associated to consumers’ perception of interactional justice since it impacts the quality of the interpersonal treatment and the communication. Chebat and Slusaczyk (2005) found that interactional justice has a very specific function because it is the only type of justice that directly impacts the behaviour of consumers. Greenberg (1990, in Greenberg 2001) found that “people from Japan were more inclined to use the highly interpersonally sensitive forms of mitigating accounts (e.g., apologies and excuses), whereas Americans were more likely to use more assertive forms (e.g., justifications).” Beaupré (1998, in Greenberg, 2001) stated that the way Japanese people mitigate echoes their desire for smooth interpersonal relationships, and the way Americans mitigate is representative of their desire for personal satisfaction.

2.2.4 The Effects of Firms Actions on Perceived Justice:

When looking at all types of justice, Smith et al. (1999) describe the *matching hypothesis*, where the most influential type of recovery attribute matches the type of justice. For example, if a customer suffered economic loss, they should be compensated financially; and if a customer has been treated with a lack of respect, they should receive an apology (distributive loss → distributive compensation; interactional loss → interactional compensation). Different authors have similar results to those of Smith et al. (1999), that

is to say that “compensation is the most powerful determinant of distributive justice, favourable employee behaviour is the most powerful determinant of interactional justice, and organizational procedures are the most powerful determinant of procedural justice” (Gelbrich & Roschk, 2011). However, Worsfold et al. (2007) did not find this to be the case, they found that rapport (interactional justice) had a bigger impact on satisfaction, whether the loss was financial or not (distributive).

Furthermore, the results found by Tax et al. (1998) underline the importance of good complaint handling; it demonstrates that a firm can be trustworthy and reliable. “Investments in complaint handling can improve evaluations of service quality, strengthen customer relationship, and build customer commitment (Tax, Brown, & Chandrashekar, 1998). So effective complaint handling is larger than the sum of its parts; it is more than just finding a good outcome for a service failure, it also impacts how a customer views the firm and if they desire to visit the firm again.

This leads to our first hypotheses:

Hypothesis H1a: Actions by the firm have an impact on justice: the higher the compensation, the higher the impact on distributive justice.

Hypothesis H1b: Actions by the firm have an impact on justice: the more sincere the apology, the greater the impact on interactional justice.

Hypothesis H1c: Actions by the firm have an impact on justice: with downward social comparison, the more the customer feels that the situation of another customer is worst, the greater the impact on distributive justice.

2.3. Consumer Response:

In this section, we will consider the response of consumers after a service failure. We will look at positive and negative word-of-mouth (WOM), online complaining for negative publicity, vindictive complaining, marketplace aggression, betrayal, exit, a desire for revenge, satisfaction and customer loyalty. These behaviours will be classified as direct or indirect revenge behaviours and as positive responses.

It is all the more important for firms to understand the emotions of the clients since most of the clients' behaviours are driven by emotions (Chebat and Slusarczyk, 2005). Clients can have many types of responses, for example, after a service failure, customers can either ask for reparation or retaliate in order to "restore balance in their relationship with the firm" (Grégoire and Fisher, 2006). Grégoire and Fisher contributed to the understanding on "how customers respond to poor recoveries by differentiating between two mechanisms for restoring fairness: retaliation and reparation" (Grégoire & Fisher, 2008). *Reparation* refers to actions taken by firms in order to compensate for a service failure. *Retaliation, which includes WOM, 3rd party complaining, and patronage reduction* refers to customers who want to harm the firm in order to regain balance in the relationship (Grégoire and Fisher, 2006).

Grégoire et al. (2010) draw the distinction between two types of customer revenge; direct and indirect revenge behaviours. The first encompasses "face-to-face" reactions, that is to say, aggressive behaviour that can be directed at the firm's employee or heightens the pressure on the employee; The second is more sly and less apparent behaviour, it includes negative WOM amongst other things (Grégoire, Laufer, & Tripp, 2010). Concerning indirect revenge behaviour, "WOM communication comprises both the *likelihood* of spreading information on a company and the *valence* of this information" (Davidow 2000, 2003A, found in (Gelbrich & Roschk, 2011). Negative WOM is when customers share their negative experiences with their immediate surrounding, such as a friends or family (Grégoire and Fisher 2006).

Online complaining for negative publicity is when customers go online to share their negative experience concerning the firm, with the general public (Grégoire et al., 2010).

Regarding direct revenge behaviours, vindictive complaining is when customers verbally communicate their dissatisfaction to frontline employees in order to disturb the company's operations (Grégoire et al., 2010). Marketplace aggression is when customers directly try to harm the firm or its employees by displaying aggressive behaviours (Grégoire et al., 2010). According to these authors, both these behaviours encompass "customer rage." And betrayal is "a key motivational force that leads customers to take action to restore fairness by all mechanisms or means available to them" (Grégoire & Fisher, 2008). Betrayal differs from dissatisfaction or anger in the sense that it refers to the norms that regulate the relationship between the customer and the firm (Grégoire & Fisher 2008). The stronger the relationship between a customer and a firm, the stronger is the sense of betrayal due to a fairness violation and hence the stronger is the intensity of retaliation (Grégoire & Fisher, 2008). A desire for revenge is seen as the desire a customer has to punish a firm for the harm it has done to the individual (Grégoire et al. 2009). And exit is when a customer no longer wants to do business with the firm.

And concerning, positive consumer responses, positive WOM is the likeliness that a customer spreads positive information about a company, such as recommending the firm's product or service (Maxham III and Netemeyer 2003 found in (Gelbrich & Roschk, 2011). And customer loyalty, also referred to as repurchase intention, designates a customer's desire to pursue business with a firm (Gelbrich & Roschk, 2011).

"Satisfaction is the overall evaluation based on the total purchase and consumption experience with a good or a service" (Anderson et al. 1994; Zeithaml et al. 1996; *in* Cannière, Pelsmacker, & Geuens, 2010). Gelbrich and Roschk (2011) found that cumulative satisfaction ("the overall performance of a product or service provider to date") isn't as important as transaction specific satisfaction ("a particular experience with an organization") in predicting positive WOM. Mattila and Patteron (2004) found that post-recovery satisfaction was influenced by perceived employee effort. Furthermore, customer loyalty is better explained by cumulative satisfaction than transaction-specific satisfaction. Also, they found that all three types of justice have an impact on customer

loyalty and on positive WOM.

Authors offer different explanations for what affects consumers' desire to seek revenge after a brand break-up; some suggest fearful attachment styles (Thomson et al. 2011), high self-relevance towards a brand (Johnson et al. 2010), the inference of high controllability by the firm (Grégoire & Fisher 2006), etc. According to Grégoire and Fisher (2006), betrayal is what pushes customers to reinstate fairness. Also, a firm's perceived greediness is also at play in fuelling a customer's desire for revenge.

Hypothesis H2: Justice has an impact on consumers' response. The three dimensions of justice impact consumers' response:

- a) It impacts positively satisfaction and customer loyalty.**
- b) It impacts negatively negative word-of-mouth and anger.**

In this research, we will look at four types of consumer responses; mainly negative WOM, anger, satisfaction and customer loyalty. In the next section, we will consider the relationship between a customer and a firm.

2.4. Relationship Quality and Effects of a Relationship:

“Ne me quitte pas, il faut
oublier, tout peut s’oublier.
Oublier le temps des
malentendus.” Jacques Brel.

When considering the relationship quality between a firm and a customer, there are many different aspects to consider. We will look at attachment theory, self-relevance, familiarity bias, rapport, and the impact of the strength and quality of a relationship.

2.4.1 The Relationship Between a Firm and a Consumer:

Relationship quality is defined as the “customer’s desire to continue a relationship and a willingness to maintain a relationship with a firm” (Grégoire & Fisher 2008). It refers to “the psychological connection customers have with a retailer or service provider” (Grégoire & Fisher, 2006). It includes four interrelated dimensions: perceived service quality, trust, commitment and satisfaction (Rauyruen & Miller, 2007). And relationship strength is defined as “the intensity of the relationship between the customer and the firm, as reflected in the length and the regularity of the customer’s buying history. (e.g., Grayson and Ambler 1999 ; Jap and Ganesan 2000 ; Kumar et al. 2003 ; Verhoef et al. 2001; found *in* Cannière, Pelsmacker, & Geuens, 2010).

One way of understanding relationship quality is by looking at the way bonds are created between individuals. This relationship can be extrapolated to the bond between a person and a firm. Attachment theory describes the innate human need to form affectionate bonds (Bowlby, 1980). Though the psychology literature tends to focus on caregivers and romantic partners (Feeney & Noller, 1996), marketers have shown that consumers also form attachments to possessions, brands, sports teams, service providers, and business partners (Grinstein & Nisan, 2009; Johnson & Thomson, 2002; Kleine, Kleine III & Allen, 1995; Madrigal, 2008; Park, Macinnis, & Priester, 2006; Thomson, MacInnis, & Park, 2005; Thomson, Whelan & Johnson 2011 p.1).

Consumers may have very deep bonds with a firm in very similar ways individuals form bonds with others. Individuals have different attachment styles and this impacts the relationship they experience with a firm. Furthermore, not all consumers react in the same way after this bond has been broken. In their study, Thomson *et al.* (2011) found that consumers who are *secure* (low in avoidance and low in anxiety) are the least likely to try to harm a brand, whereas, the *fearful* consumers (high in avoidance and high in anxiety) are the most likely to try to harm a brand after *breaking up* with a brand. “Fearful consumers will act out the most following the loss of a consumer-brand relationship because they have invested and lost the most” (Thomson, Whelan, & Johnson, 2011). Hence, the consumers the firm should most be worried of are fearful consumers; they are the most likely to retaliate after a brand breakup. That is to say, although it may seem counter-intuitive, managers should beware of customers who are

too invested in a brand; if the consumers have a *fearful* attachment style, they are very likely to seek revenge after a brand break-up.

Alongside the attachment theory, there is the concept of self-relevance, “when a person has a great deal of self-concept wrapped up in a relationship, losing that relationship is stressful and can inspire maladaptive behaviours such as revenge in order to cope with the attendant negative feelings” (Johnson, Matear, & Thomson, 2010). The authors examined both self-neutral and self-relevant components for high relationship quality consumers. They found that when the relevance of the brand is self-neutral, but of high relationship quality, consumers are likely to just walk away. But when the self-relevant components are tied to the definition of the self, consumers will try to harm the brand. Furthermore, Johnson et al. (2010) state that it is not anger (a short-lived emotion) that pushes consumers to lash out on a brand, but rather, feelings of shame, insecurity, vulnerability, etc. (Johnson et al., 2010).

Another theme involving the relationship between a consumer and a firm is, familiarity bias. “Familiarity via repeated exposure to a stimulus tends to increase people’s affective reactions, thus leading to a favourable attitude” (Patterson & Mattila, 2008). The authors found that consumers gave a higher employee performance and service rating to a firm they were familiar with. Through repeated contact with a firm, consumers ended up seeing this firm in a more positive light than a firm that they have had little contact with.

Worsfold et al. (2007) suggest cautionary measures to prevent consumers from being angered from inevitable service failure. They draw the distinction between *proactive strategies* and *reactive strategies* in the domain of service encounter. The first occurs before a service failure and the latter occurs after. The authors underline that a service encounter is also a social one, and that a customer not only gets satisfaction out of the service offered by the firm, but also through the relationship created with the staff encountered. This rapport can help to develop a customer’s perception that the service exchange was fair if they were treated with respect and courtesy (interactional justice). This rapport can then be viewed as a buffer, since it helps to diminish a customer’s negative view of a firm after a service failure. The authors found that “the adverse effects of low compensation on customer satisfaction were buffered by high levels of rapport”

(Worsfold, Worsfold, & Bradley, 2007). Furthermore, in the case of a low-failure-severity, the high-rapport customers were more likely to visit the firm again compared to low-rapport customers. In the high-failure-severity setting, high-rapport customers were more likely to visit the firm again compared to low-rapport customers, even if there was no compensation offered. In their study, they found that rapport had a greater impact on satisfaction, repatronage and complaint intentions, than did compensation, regardless of whether it was non-financial loss or not (Worsfold et al., 2007). In the same line of thought, Patterson and Mattila (2008) found that familiarity bias impacts the way customers perceive a service encounter and suggest that employees should engage customers as often as possible.

2.4.2: The Effects of a Relationship on Consumer Responses after Service Failure:

Now looking at the way consumers react to a service failure, there are two competing theories: the *love is blind* effect and the *love becomes hate* effect. “The ‘love is blind’ effect argues that customers with a strong relationship are more likely to forgive a service failure, and as a result they retaliate to a lesser extent than customers with a weak relationship” (Grégoire and Fisher 2006, page 2). The high quality of the relationship may serve as a buffer after a service failure. The opposing theory is the “love becomes hate” effect, as defined by Grégoire and Fisher (2008), “[it] implies that, as a relationship increases, customers experience a greater sense of betrayal when they perceive low levels of fairness related to *both* the outcomes and the process”. In other words, when high relationship quality consumers perceive that the norms of fairness were not respected, they are the most likely to feel betrayed and are the most likely to retaliate in order to hurt the firm. But, when customers infer a high controllability for the firms in the case of a service failure, Grégoire and Fisher (2006) did not notice a significant difference between low and high quality customers in their desire to retaliate. Consequently, if customers think that the firm had a lot of control over the service failure, both low and high quality customers want to retaliate.

The high vs. low level of the relationship is an important aspect to consider when considering the way consumers react to service failure and the type of actions firms

should take. Grégoire et al. (2009) explained that customers who have a high level of relationship quality with a firm would feel more betrayed by the lack of support from the firm in a time of need. This feeling of betrayal increased the desire for avoidance and revenge as well. They also found that with time, the avoidance of the firms by customers increased.

Concerning the effect of the strength of the relationship after a service failure, Grégoire et al. (2009) found that the type of service recovery a firm should use depended on the quality of relationship. High-level of relationship quality customers are more sensitive to the humane aspect of the relationship and are satisfied with a sincere apology. Whereas low-level of relationship quality customers do not value the humane aspect and wish to be compensated financially.

This leads to the three hypotheses:

Hypothesis H5: Relationship quality moderates the relationship between justice and consumers' responses:

- a) The path between justice and satisfaction is stronger for high-level relationship quality clients (compared to low-level relationship clients) when they perceive high levels of justice.**
- b) The path between justice and loyalty is stronger for high-level relationship quality clients (compared to low-level relationship clients) when they perceive high levels of justice.**
- c) The path between justice and negative word-of mouth is stronger for high-level relationship quality clients (compared to low-level relationship clients) when they perceive low levels of justice.**
- d) The path between justice and anger is stronger for high-level relationship quality clients (compared to low-level relationship clients) when they perceive low levels of justice.**

2.4.3 Interaction between Relationship Quality and Firms Actions

High and low relationship quality customers do not seek the same type of compensation after a service failure:

1-For customers with high level of relationship quality, a sincere apology is more important than offering compensation. Grégoire, Tripp & Legoux (2009) found that high relationship quality customers were less inclined to seek revenge upon receiving an apology and a small compensation. High relationship quality customers value the humane aspect of the relationship

2-Low relationship quality customers do not value the *communal* value of the relationship. They want to be financially repaid for their loss (Ringberg et al. 2007, in Grégoire et al. 2009). Only big compensation would diminish their desire for revenge over time. Low relationship quality customers do not value the humane aspect of the relationship and expect a monetary compensation for their loss.

The concepts that are of greatest interest to us for the purpose of this research are the concepts pertaining to relationship quality as defined by Grégoire et al. (2006; 2008; 2009; 2010), that is to say trust, satisfaction and commitment.

This leads to the three following hypotheses:

Hypothesis H3a: Relationship quality moderates the relationship between compensation and distributive justice, such as: the path between compensation and distributive justice is weaker for high-levels of relationship quality (compared to low-levels of relationship quality).

Hypothesis H3b: Relationship quality moderates the relationship between apology and interactional justice, such as: the path between apology and interactional justice is stronger for high-levels of relationship quality (compared to low-levels of relationship quality).

Hypothesis H3c: Relationship quality moderates the relationship between downward social comparison and distributive justice, such as: the path between

downward social comparison and distributive justice is stronger for high-levels of relationship quality (compared to low-levels of relationship quality).

As we have seen, relationship quality can have different repercussions on the firm, in respect to the way a consumer reacts to a service failure. In the next section, we will compare two different cultures: Japan and Canada. Relationship quality is not a universal truth applicable to every cultural setting. Cultures vary greatly in the way they react to situations; culture helps to shape the way a person perceives the world.

2.5. Culture:

『出る杭は打たれる』

“The nail that sticks out is hammered down”

Japanese saying.

In this section, we will compare Japan and Canada, according to Hofstede’s classification of culture; then we will examine the effects of national culture in a context of service failure and recovery. National culture is defined here:

“National culture reflects the collective norms and values that prevail among the people from a certain country- in other words, it is a set of expectations regarding behaviour patterns that have been socially transmitted” (Williams 1993 as found in (Greenberg, 2001).

2.5.1: General Definitions of Culture Based on Hofstede’s Model:

Hofstede’s cultural dimensions are the most widely used in order to define different cultures. “Hofstede’s approach assumed that people are mentally programmed by what he termed ‘a software of the mind’ at an early age by their culture, which then continues to reinforce these value programs” (Irwin, 1996). The cultural dimensions discussed here, are “Individualistic VS Collectivist,” “Uncertainty Avoidance,” “Masculinity VS

Femininity,” and “Power Distance.” These dimensions are the ones that differ the most between these three cultures.

2.5.1.1 Individualistic VS Collectivist and other related theories:

Firstly, Hofstede’s dimension, “Individualistic VS Collectivist,” is defined as follows:

It reflects the position of the culture on a bipolar continuum. The one pole Individualism, is defined as ‘a situation in which people are supposed to look after themselves and their immediate family only,’ whereas its opposite pole, Collectivism is defined as ‘a situation in which people belong to in-groups or collectivities which are supposed to look after themselves in exchange for loyalty’ (Hofstede & Bond, 1984)

Adding to this definition, according to Mattila and Patterson (2004), in a collectivist setting, the group is at the core of the society. Social harmony is very important; they are mutually dependent and have norms of reciprocity. Where as in an individualistic setting, causes of events are more often attributed to individuals. Additionally, according to many theorists, the main difference between collectivist and individualistic societies is the significance given to in-group loyalty and identity (Triandis et al. 1988; Yamaguchi 1994, in (Yuki, 2003)). Concerning in-group loyalty, individualists give more importance to their priorities than to those of the group; while collectivists put aside their priorities in order to benefit those of the group (Triandis 1989, in Yuki 2003). Pertaining to identity, for individualistic communities, individuals are viewed as autonomous beings that are distinct from the group; Collectivists, on the other hand, are individuals that are closely tied to the group (Triandis, Chan et al. 1995, in Yuki 2003). Although identity within the group is an important aspect of collectivist societies, nothing seems to indicate that they show more in-group favouritism than individualistic societies (Smith and Bond 1999; Triandis 1989, in Yuki 2003). What is more, individualists tend to show more out-group discrimination than collectivists do (Gudykunst, 1988 in Yuki 2003).

Asian cultures ‘are organized according to meanings and practices that promote the fundamental connectedness among individuals within a significant relationship’ and that ‘the self is made meaningful primarily in reference to those social relations of which the self is a participating part’ (Kitayama et al. 1997, in Yuki 2003 p.169).

The intragroup relational model suggests that East Asians try to fulfill reciprocally favourable bonds with in-group members, “based primarily on the self as a relational unit and on an awareness of one’s in-groups as networks of relationships” (Yuki 2003).

The notion of *interdependent self* as proposed by Markus and Kitayama (1991, in Yuki 2003) “does not mean the loss of self, the fusion of self with other, or the absence of self-interests” (Fiske et al. 1998 found in Yuki 2003), but that individuals “are distinct personalities who are mutually connected via stable and visible relationships” (Chang and Koh 1999; Hamaguchi 1985; Ho and Chiu 1994; Vignoles, Chryssochoou, and Breakwell 2000, in Yuki 2003).

Also, a country’s economic situation can be a factor in explaining where it stands on the individualistic/collectivist continuum.

“Not only do wealthier countries score relatively more individualist, but countries that became wealthier also became more individualist, a process we have observed in recent years in economically successful countries of Asia such as Japan, Korea, and Thailand” (Hofstede, 2007)

Another way of explaining the difference between collectivist and individualistic societies is by looking at the importance placed on the high vs. low cultural context. Asian cultures are high-context cultures. They tend to be more formal, and to communicate less in a verbal way, but rather through the understanding of implicit messages, common experiences and history. They are hence more aware of nonverbal cues and messages (Hall 1976; Lynch 1992; Chan 1992a, in Irwin 1996). North American cultures are low-context cultures. They are more informal, and have a more straightforward, direct type of verbal communication (Hecht et al. 1989, in Irwin 1996).

In the high-context cultural setting, norms and rules are known, whereas in the low-context, the norms and rules are more flexible (Brislin 1993, in Irwin 1996). Research

then indicates that East Asians view themselves in relation to others and they put enormous effort in pursuance of harmonious, but highly scripted relationships.

2.5.1.2 Uncertainty Avoidance:

Secondly, on Hofstede's classification of culture, is the "Uncertainty Avoidance" dimension. "It is defined as 'the extent to which people feel threatened by ambiguous situations, and have created beliefs and institutions that try to avoid these'" (Hofstede & Bond 1984 p.4). The opposite end of the pole is "Uncertainty Accepting."

2.5.1.3 Masculinity VS Femininity:

Thirdly, the "Masculinity VS Femininity" dimension is defined as follows: "Masculinity is defined as 'a situation in which the dominant values in society are success, money and things,' whereas its opposite pole, Femininity, is defined as 'a situation in which the dominant values in society are caring for others and the quality of life'" (Hofstede and Bond 1984 p.4).

2.5.1.4 Power Distance:

Finally, "Power distance" is "the extent to which less powerful members of institutions and organizations accept that power is distributed unequally" (Hofstede and Bond 1984 p.4).

2.5.1.5: Comparison of Canada and Japan:

If we look at how the Canada scores on these different dimensions, we find that Canada scores low for Power Distance and is therefore an Egalitarian society; it is also an Individualistic society; it is a moderately Masculine society and is an Uncertainty Accepting society. Finally, when we look at Japan's score, we can see it is a mildly hierarchical society according to its score for Power Distance; it is a collectivistic society, but not as much as other Asian countries; the score for Masculinity and Uncertainty

Avoidance is extremely high (the highest scores in the world for these two dimensions) Hofstede, December 2012, (<http://geert-hofstede.com/japan.html>).

“At 95, Japan is one of the most masculine societies in the world. However, in combination with their mild collectivism, you do not see assertive and competitive individual behaviours, which we often associate with masculine culture. What you see is a severe competition between groups” (<http://geert-hofstede.com/japan.html>).

With a standard scale on individualism/collectivism, we will measure the outcome this will have on consumer responses. We will also look at how the main differences between these countries can also have an impact on the perception of service failure. In the next sections, we will consider the effects of culture in a service failure context according to two different definitions: collectivist VS individualistic and independent VS dependent cultures.

2.5.2: The effects of the Collectivist VS Individualistic Dimensions in a Service Failure Context:

In this section, we will highlight the differences between collectivist (e.g., Japan) and individualistic (e.g., America and Canada) societies in a service failure context. We will examine how the literature classifies the differences between these two types of societies. We will start by looking at the impact of culture on internal attributions; on the preference for equity or equality; on customer satisfaction; and on the actions firms should take after a service failure.

Firstly, the concept of internal attribution varies greatly between collectivist and individualistic societies. In a service failure setting, Mattila and Patterson (2004) found in their research that for US students (individualists), the internal attribution diminished after an explanation. That is to say that, US students did not think that the inner disposition of the service provider was at fault after receiving an explanation. They are then forced to notice the situational factors as a reason for the failure, and to overlook the internal dispositions. For East-Asian students (collectivists), the internal attribution remained unchanged after an explanation. An explanation did not impact the perception

that the East-Asian students had of the inner disposition of the service provider. They are already aware of the situational factors and want to preserve social harmony and avoid “loss of face”. The concept of *face* is very important in Asian cultures, defined as “social and professional position, reputation and self-image. In Asian cultures, face is of critical importance, and loss of face has disastrous personal consequences and is thus avoided at all costs” (Irwin, 1996). The most important aspect of communication for collectivists is unity and harmony; it is not the realization of self-oriented goals that are aimed for, but rather, mutually satisfying and face-saving outcomes (Irwin, 1996). This finding is coherent with the view that individualistic societies tend to put the blame more on individuals and that East-Asian consumers tend to focus on preservation of social harmony.

When looking at the preference for equity or equality, *equity* refers to allocation given regarding the member’s merit and *equality* refers to allocation given equally among every members (Kashima, Siegal, Tanaka, & Isaka, 1988). East Asians tend to favour equality over equity when allocating rewards within the in-group (Yuki, 2003). In individualistic societies, equity overrules equality, as long as individual contributions are recognized (Greenberg, 2001).

In regards to satisfaction after a service failure, compensation has a greater impact on the American customers than on the Asian customers. The Americans tend to focus on individual gains, and the Asians value an avoidance of loss (Mattila & Patterson, 2004). For Americans, Mattila and Patterson (2004) suggest that when the failure occurred due to external factors, employees should offer a genuine explanation to detract the blame from the company. However, a non-genuine explanation can have the opposite effect. For East Asians, in order to remedy the failure, the firm should offer a quick resolution and an apology, not from the staff, but from the manager. This will allow customers to regain face. Since they also have “low tolerance to uncertainty,” the firm should keep the customers informed all through the process; of what and how the failure is being handled (Mattila and Patterson 2004).

Culture moderates the effects of action by firms on justice:

Hypothesis H4a: Culture moderates the relationship between compensation and distributive justice, in the following way: the relationship between compensation and distributive justice is stronger for individualists (compared to collectivists).

Hypothesis H4b: Culture moderates the relationship between apology and interactional justice, in the following way: the relationship between apology and interactional justice is weaker for individualists (compared to collectivists).

Hypothesis H4c: Culture moderates the relationship between downward social comparison and distributive justice, in the following way: the relationship between downward social comparison and interactional justice is weaker for individualists (compared to collectivists).

Contacts between high context (Asian) and low context (North American) individuals may lead to misunderstandings. “When one interactant is from a high-context culture where nonverbal communication is of great importance, and the other is from a low-context culture, a special ‘unseen’ barrier to intercultural communication can occur” (Irwin 1996). Moreover, high-context cultures give much more importance to silence compared to low-context cultures (Irwin, 1996). So it would be also important for North American firms to train their employees to pay more attention to nonverbal cues that may be better indicators of Asian customers’ repatronage intention than verbal cues.

In addition, familiarity with a firm impacts customers differently according to their culture of origin. “Compared to Western customers, interpersonal treatment is a more salient driver of customer’s value perceptions among Asian consumers” (Mattila 1999, *in* Patterson and Mattila 2008). In their research, Patterson and Mattila (2008) found that in the case of successful service encounters, collectivists gave a higher rating to both employee performance and service quality compared to the individualists. However, in the case of a failed service encounter, collectivists gave lower ratings than the individualists for the same type of evaluations: collectivists were found to be more

sensitive to interpersonal treatment in a service encounter setting than individualist customers.

We have seen that the internal attribution is generally lower for collectivists; that collectivists tend to prefer equality and individualists prefer equity; that compensation has a greater impact on individualists for consumer satisfaction after a service failure. In our research, we think it would be pertinent to measure how relationship quality can further impact the effect of culture on customers' responses. In the next section we analyze the moderating effects of culture on the relation between service failure and relation quality.

2.5.3: The Effects of Independent VS Dependent Cultures in a Service Failure Context:

Theorists complement the concept of collectivist and individualistic, with such terms as “autonomous VS relational,” “personal self VS social self,” “common-identity group VS common-bond group,” etc. (Yuki 2003). Mattila and Patterson (2004) define the concept of “independent VS dependent” societies.

Mattila and Patterson (2004) draw the contrast between *independence* and *dependence* to distinguish between North American and East Asian consumers, specifically in a failed service recovery setting. “The independent cultural model dominant in North America assumes that the person is a stable entity who is largely in control of his/her behaviour. Conversely, the Asian model stresses the principle of holism where social conceptions are more situation centered” (Mattila and Patterson 2004).

This orientation discourages the demonstration of negative emotions such as overt dissatisfaction to such a degree that ‘the orientation towards an external locus of control allows customers to attribute failure of products (or services) to external forces such as fate or luck, rather than holding the provider responsible’” (Schutte and Ciarlante 1998, in Mattila and Patterson 2004 B page 338).

Mattila and Patterson (2004 B) show information concerning the difference between American and East Asian customers in regards to service recovery and perception of fairness. In order to restore the customers' perceptions of justice, compensation is very

efficient for Americans and not so much for Asians since they do not value equity at an individual level. Furthermore, both American and East-Asian customers “had higher perceptions of fairness when an explanation for a service failure was offered” (Mattila and Patterson 2004 B). However this relation is moderated by culture: For the East Asian customers, it was important for them to receive an explanation and to be treated with respect. East-Asians participants had higher levels of interactional and distributive justice, both before and after receiving an explanation. Social harmony is very important, even more so than compensation (Mattila and Patterson 2004 B). For Americans, it was important for the resolution to be hassle-free and to offer a speedy restitution to compensate consumers for the loss and for the inconvenience. An explanation was also significant for restoring the perception of fairness. Moreover, regardless of the cultural background, offering a customer an explanation and compensation together is highly effective (Mattila and Patterson, 2004 B).

Hypothesis H6: Culture has a moderating effect on the relationship between justice and consumers’ responses.

- a) The relationship between justice and satisfaction is stronger for collectivists (compared to individualists) when they perceive high levels of justice.**
- b) The relationship between justice and loyalty is stronger for collectivists (compared to individualists) when they perceive high levels of justice.**
- c) The relationship between justice and negative word-of-mouth is stronger for collectivists (compared to individualists) when they perceive low levels of justice.**
- d) The relationship between justice and anger is stronger for individualists (compared to collectivists) when they perceive low levels of justice.**

Briefly, consumers’ cultural background influences the way they perceive the actions by the firms as well as their perceptions of justice. Collectivists have higher levels of interactional and distributive justice, and value social harmony. Individualists value monetary compensations. Although Mattila and Patterson (2004) make the distinction between dependent and independent cultures to differentiate Asian and North American societies; in our research we will use the term “individualist/collectivist” as defined by

Hofstede since these are the most widely used. In this research, we will try to measure how relationship quality can further impact these perceptions of justice.

Hypotheses:

This section restates the hypotheses presented earlier in the literature review and is a graphical summary of our theoretical conceptualization.

Hypothesis H1a: Actions by the firm have an impact on justice: the higher the compensation, the higher the impact on distributive justice.

Hypothesis H1b: Actions by the firm have an impact on justice: the more sincere the apology, the greater the impact on interactional justice.

Hypothesis H1c: Actions by the firm have an impact on justice: with downward social comparison, the more the customer feels that the situation of another customer is worst, the greater the impact on distributive justice.

Hypothesis H2: Justice has an impact on consumers' response. The three dimensions of justice impact consumers' response:

- a) It impacts positively satisfaction and customer loyalty.
- b) It impacts negatively negative word-of-mouth and anger.

Hypothesis H3a: Relationship quality moderates the relationship between compensation and distributive justice, such as: the path between compensation and distributive justice is weaker for high-levels of relationship quality (compared to low-levels of relationship quality).

Hypothesis H3b: Relationship quality moderates the relationship between apology and interactional justice, such as: the path between apology and interactional justice is stronger for high-levels of relationship quality (compared to low-levels of relationship quality).

Hypothesis H3c: Relationship quality moderates the relationship between downward social comparison and distributive justice, such as: the path between downward social comparison and distributive justice is stronger for high-levels of relationship quality (compared to low-levels of relationship quality).

Hypothesis H4a: Culture moderates the relationship between compensation and distributive justice, in the following way: the relationship between compensation and distributive justice is stronger for individualists (compared to collectivists).

Hypothesis H4b: Culture moderates the relationship between apology and interactional justice, in the following way: the relationship between apology and interactional justice is weaker for individualists (compared to collectivists).

Hypothesis H4c: Culture moderates the relationship between downward social comparison and distributive justice, in the following way: the relationship between

downward social comparison and interactional justice is weaker for individualists (compared to collectivists).

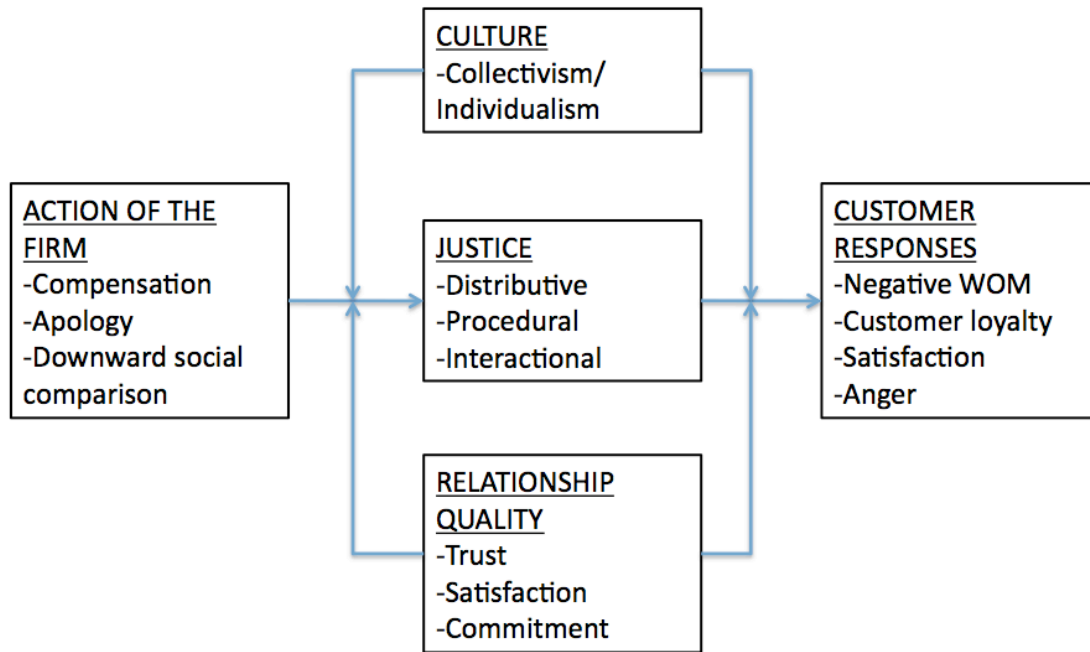
Hypothesis H5: Relationship quality moderates the relationship between justice and consumers' responses:

- a) The path between justice and satisfaction is stronger for high-level relationship quality clients (compared to low-level relationship clients) when they perceive high levels of justice.
- b) The path between justice and loyalty is stronger for high-level relationship quality clients (compared to low-level relationship clients) when they perceive high levels of justice.
- c) The path between justice and negative word-of mouth is stronger for high-level relationship quality clients (compared to low-level relationship clients) when they perceive low levels of justice.
- d) The path between justice and anger is stronger for high-level relationship quality clients (compared to low-level relationship clients) when they perceive low levels of justice.

Hypothesis H6: Culture has a moderating effect on the relationship between justice and consumers' responses.

- a) The relationship between justice and satisfaction is stronger for collectivists (compared to individualists) when they perceive high levels of justice.
- b) The relationship between justice and loyalty is stronger for collectivists (compared to individualists) when they perceive high levels of justice.
- c) The relationship between justice and negative word-of-mouth is stronger for collectivists (compared to individualists) when they perceive low levels of justice.
- d) The relationship between justice and anger is stronger for individualists (compared to collectivists) when they perceive low levels of justice.

Chapter 3: Method, Design, Sample and Procedure:



In our final model, we assume that actions of the firm have an impact on customer responses and that this effect is mediated by justice. Then, we examine the moderation effect of both culture and relationship quality on two paths “actions of the firm → justice” and “justice → customer responses”. We propose that the effects of firm's service recovery on customers' responses are moderated by relationship quality and customers' culture. This final model comprises the constructs we deemed the most valuable for this study: for action of the firm, we used compensation, apology and downward social comparison; for culture we used only the collectivism /individualism scale; for justice we used the three dimensions of justice (interactional, distributive and procedural justice); relationship quality is a second-order construct which includes trust, satisfaction and commitment; and finally, the customers' responses were measured using negative word-

of-mouth, anger, satisfaction and customer loyalty. This last variable is divided in two: emotions (anger and satisfaction) and behaviour (negative WOM and customer loyalty).

3.1. Methodology:

Our model focuses on the moderating impact of culture and relationship quality on consumer responses, through the mediating effects of justice after a service failure. There is no specific service context to this research; the participants had to state they have experienced a service failure, followed by an unsatisfactory complaint handling.

Data collection Method:

As was done in prior research on service recovery and culture, we conducted a field study on the retrospective experience of customers. This method offers the advantage of providing a lot of first-hand information and can offer information for rich hypotheses, but the way the consumer recalls an event may be biased.

The data was collected through self-administered surveys; this method implies a few advantages and disadvantages. This method makes it possible to collect the data relative to the concepts at hand in this research. Also the method is a relatively inexpensive and timesaving and it is possible to interview a rather large population. However, some biases are inevitable because some variables are hard to measure.

The participants answered the questionnaire anonymously. They were automatically entered in a pool and had a chance to win one of ten 30\$ gift certificates. We got rid of 103 questionnaires that weren't sufficiently filled out or that were eliminated after the first question, and we replaced missing values with the "linear trend at point" method.

The survey was administered in two languages: English, and Japanese.

Socio-demographic information on the participants:

The sample is composed of 107 respondents:

-33 Canadian students from HEC Montréal (Canada)

-49 Japanese students from Keio University in Tokyo (Japan) or people contacted through the Japanese cultural center in Montreal.

The sample was composed of 107 respondents, 49 were Japanese, 33 were Canadian and 25 came from various different countries. 58.8% were female, and the majority were under 34 (45.8% were between “18-24” and 33.6% were between “25-34”). The service failure occurred in 12 different countries, but mostly in Japan (37.4%) or Canada (47.7%). 4.7% of the participants experienced downward social comparison from the firm, 17.8% received compensation and almost half of the participants received an apology (47.7%). Within those who received compensation, 26.32% received a refund, 21.05% received a discount, 15.79% free merchandise, etc. (See tables 1,2, 3, 4 and 5 for more details)

(Tables 1,2,3,4 and 5 about here)

Sample Method:

We have chosen a convenience sampling method. Our model focuses solely on customers who have encountered service failures and unsatisfactory complaint handling. Initially, the desired sample was composed only of business students from HEC (Montréal) and Keio University (Tokyo). However due to the lack of respondents from Keio University students, we contacted the Japanese cultural center in Montreal to increase the sample of Japanese participants.

Questionnaire:

The questionnaire was made of six sections.

The first question was a filter question: did the respondents encounter a service failure in the last twelve months. If they did, we asked them to describe it in their own words, in order to make the memories more vivid when answering the questionnaire. They had to recall their thoughts and feelings during the service failure and during the service recovery. Then, the respondents answer questions concerning their relationship with the company prior to the service failure.

The following five sections corresponded to the five constructs developed in our model: relationship quality, actions of the firm, culture, justice, and customer response.

Most measures were borrowed from scales published previously in major research journals. These measures were based on seven-point Likert scales (1=strongly disagree to 7=strongly agree). The complete questionnaire can be found in the appendix section.

Justice consists of three constructs; interactional, procedural and distributive justice (Tax, et al. 1998). The scale was adapted by Grégoire, Tripp and Legoux (2009) from the constructs by Bechwati and Morrin (2003) and Tax et al. (1998). These scales included items such as, for interactional justice: “the employee(s) who interacted with me treated me in a polite manner”; for procedural justice: “despite the hassle caused by the problem, the firm responded fairly and quickly”; and for distributive justice “overall, the outcomes I received from the service firm were fair.”

Relationship Quality is measured using the following first-order constructs: commitment, trust and satisfaction. These scales were put forward by Grégoire and Fisher (2006), they used well-known scales by Dewulf, Oderkerken-Schröder and Iacobucci (2001). This second-order construct consists of items such as “before the service failure, compared to other relationships I knew or heard about, the one I had with the organization was quite good” for satisfaction; “before the service failure, this relationship was something I was very committed to” for commitment; “before the service failure, I felt the firm was dependable” for trust.

Customer Culture The scale developed by Hofstede and Gert (1980) is the most commonly used cultural scale; however it lacks reliability (Yoo, Donthu, & Lenartowicz, 2011). Yoo et al. (2011) have developed a revised scale that has adequate reliability, validity and also has across-sample and across-national generalizability. This scale allows to measure cultural dimensions at an individual level, it consists of items such as “group welfare is more important than individual rewards.”

Action of the firms consisted of three separate constructs; compensation, apology and downward social comparison. The first two were inspired by Smith et al. (1999), who used scenarios to evaluate them. We developed items such as “Did you feel that the apology offered by the service firm felt sincere?” for apology. As for *downward social comparison* it was inspired by scenarios used by Bonifield and Cole (2008). Items such

as “at the moment of the service failure, did the firm tell you about a customer who experienced a service failure worst than yours?” were developed. As for compensation, it included items like this one: “At the moment of the service failure, did the firm try to offer you compensation”.

Customer Responses The customer responses measured here are negative word-of-mouth (NWOM), satisfaction, customer loyalty and anger. Betrayal and exit were also included in the questionnaire, but were not included in the present model. The satisfaction scale was borrowed from Fornell, Johnson, Anderson, Cha, and Bryant (1996); the customer loyalty scale were borrowed from Zeithaml, Berry, and Parasuraman (1996), and measure the intention to recommend and to visit the firm again. The anger scale was adapted by Bonifield and Cole (2008). NWOM, betrayal, exit and blame were all adapted from Grégoire and Fisher (2006). Customer responses included items such as: “Since the service failure, I bad-mouthed this firm to my friends” for NWOM; “Overall, I am satisfied with this firm” for satisfaction; “I say positive things about this firm to other people” for loyalty; and “I felt very displeased with the service at this firm” for anger.

The last section of the questionnaire included respondents’ socio-demographic information (i.e., age, sex, income, education, etc.)

Chapter 4: Research Findings and Interpretations:

4.1. Measurement reliability:

We performed exploratory factor analyses to make sure that each construct is valid and that each variable item loaded on its respective construct. We ran six models to test actions of the firms, relationship quality, that is, collectivism / individualism, justice, and consumers’ responses (behaviour and emotions).

4.1.1: Actions of the firm scale:

The actions of the firm model included compensation, apology and downward social comparison (all were composed of two items). The first two constructs were adapted from Smith et al. (1999) and the last one was from Bonifield and Cole (2008). Downward social comparison was dropped because of the lack of responses for that question. Furthermore, the first item for apology loaded on the same factor as compensation, so the items were divided into 2 different constructs, “actions of the firm” ($\alpha=.83$) and “sincerity”. (See Table 6)

(Table 6 about here)

4.1.2 Relationship quality scale:

This second model includes trust (four items) ($\alpha=.85$), satisfaction (three items) ($\alpha=.87$) and commitment (three items) ($\alpha=.85$), these make up relationship quality which is a second-order construct. Relationship quality used scales put forward by Grégoire and Fisher (2008) and were hence already proven reliable. The three different constructs loaded on three different factors and were used as such. (See table 7)

(Table 7 about here)

4.1.3 Collectivism scale:

The model for culture (collectivism/individualism) ($\alpha=.75$), loaded on only factor, but the last item for the collectivism/individualism factor was dropped since it overlapped with the second item. There are now 5 items measuring this construct. (See Table 8)

(Table 8 about here)

4.1.4: Justice scale:

This fourth model, justice, was composed of procedural justice (four items) ($\alpha=.91$), interactional justice (four items) ($\alpha=.91$), and distributive justice (three items) ($\alpha=.93$). These scales, adapted by Grégoire, Tripp & Legoux (2009), had previously been tested. These three constructs loaded on three different factors. (See Table 9)

(Table 9 about here)

4.1.5.1 Consumers' response (emotions):

Consumers' responses were divided in two categories: behaviour and emotion.

1. Emotion: Satisfaction/Anger
2. Behaviour: Negative WOM/Loyalty Intentions.

This model for consumers' responses pertaining to emotions was composed of anger (three items) ($\alpha=.82$) and satisfaction (three items) ($\alpha=.94$). For the behaviour section of consumers' response, both constructs loaded on three different factors and were used as such. (See Table 10)

(Table 10 about here)

4.1.5.2 Consumers' response (behaviour):

This last model, consumers' responses in regards to behaviour, was composed of negative word-of-mouth (three items) ($\alpha=.86$) and loyalty intentions (five items) ($\alpha=.93$). (See Table 11)

(Table 11 about here)

Globally, the confirmatory factor analyses showed that all the constructs had sufficient psychometric properties. In the following chapter, we conducted ANOVA'S using the verified construct.

(Table 12 about here)

4.2 ANOVA:

When looking at the effects of collectivism/individualism, it was surprising to realize there were none. In fact, collectivism did not have a significant effect on any variable. It was hypothesized that the two groups, Japan and Canada, were very different in relation to individualism/collectivism, but there were no significant results in regards to this variable. For this reason, the collectivism/individualism dimension was dropped, and the country-of-origin was used instead as a means of comparison between these two countries. There was a comparison between Japanese participants (Japan), Canadian participants (Canada) and participants from diverse origins (Other).

Since the number of participants who had received downward social comparison (DSC) was not sufficient to be valid, this variable was also dropped from the analysis. Consequently H1c, H3c and H4c could not be tested.

The effects of actions of the firm on justice To test H1a and H1b we examined the effects of actions of the firms on the three dimensions of justice. The regression analyses provided support for H1a and H1b. More specifically compensation had a large and positive impact on distributive justice ($\beta=1.682$, $p=0.000$), and so did apology on interactional justice ($\beta=0.757$, $p=0.00$).

The moderation effect of relationship quality (RQ) on the effects of “actions of the firm → justice” was tested with moderated regression analyses. The hypotheses H3a and H3b were tested through the following two-way interactions: 1) RQ by compensation on distributive justice, and 2) RQ by apology on interactional justice. Both moderating effects were found to be non-significant; neither H3a, nor H3b could be supported.

The moderation effect of culture on the “actions of the firm → justice” relationship was tested in the same way. The hypotheses H4a and H4b were tested through the following two-way interactions: 1) culture by compensation on distributive justice, and 2) culture by apology on interactional justice. In the group Japan, the effects of compensation on justice were found significant and negative ($\beta=-2.295$, $p=0.53$); however, in the group Canada, the effects were not significant ($\beta=-0.697$, $p=0.575$). In other words, for Japanese consumers, the presence of compensation reduces the perceived distributive

justice; while it has no effects on Canadian consumers' perception of distributive justice. (See figure 1)

H4b could not be supported because the interactions were not significant neither for Japan ($\beta = -.0170$, $p = 0.742$) nor Canada ($\beta = 0.470$, $p = 0.386$).

(Table 13 about here)

(Table 14 about here)

(Table 15 about here)

Some non-hypothesized findings deserve some attention. We found a significant interaction between (presence –absence of) apology and (low-high relationship quality ($\beta = 0.898$, $p = 0.006$). For high-relationship quality respondents, not giving an apology highly changes their perception of distributive justice; whereas for low-relationship quality respondents, the presence vs. absence of apology does not impact the perception of distributive justice. (See Figure 2)

(Figure 2 about here)

Also, there was a significant main effect of culture on interactional justice, ($\beta = -0.563$, $p = 0.026$). More specifically, Japanese tend to have lower perceptions of interactional justice. There was also a significant effect of compensation on interactional justice ($\beta = 0.762$, $p = 0.002$): the higher the compensation, the higher the perception of interactional justice.

Also, the perception of procedural justice was different for the Canadian participants ($\beta = 0.716$, $p = 0.009$), it was higher than for Japan ($\beta = 0.85$, $p = 0.740$). Also, there was a main effect of compensation ($\beta = 0.758$, $p = 0.003$) and apology ($\beta = 0.540$, $p = 0.009$) on procedural justice.

The effects of justice on consumer's responses To test H2 we examined the effects of the three types of justice on consumers' responses. The regression analyses results support H2a and H2b. In regard to H2a, distributive justice had a positive and significant impact on satisfaction ($\beta = 0.620$, $p = 0.001$). Procedural justice ($\beta = 0.377$, $p = 0.054$) and

distributive justice ($\beta = 0.464$, $p = 0.009$) both had an impact on customer loyalty. Since the effects of justice were all positive, H2a was supported. That is, the higher the distributive justice, the higher the satisfaction. And, respectively, the higher the perception of procedural justice and also the higher the perception of distributive justice, the higher the loyalty.

As for H2b, the effect of procedural justice on negative WOM ($\beta = -0.495$, $p = 0.002$) was significant and negative, that is, the higher the perception of procedural justice, the less likely negative word-of-mouth. Finally, only procedural justice affected anger ($\beta = -0.282$, $p = 0.037$), that is, the higher the perception of procedural justice, the lower the feeling of anger.

The moderation effects of relationship quality (RQ) on the “justice \rightarrow customers’ responses relationships” were tested (hypotheses H5a, H5b, H5c and H5d) through the following two-way interactions: RQ by justice on 1) negative WOM 2) satisfaction 3) loyalty 4) anger. There were no significant effects for H5c:

- for RQ X procedural justice ($\beta = 0.082$, $p = 0.432$)
- for RQ X for interactional justice ($\beta = -0.121$, $p = 0.209$)
- for RQ X distributive justice ($\beta = 0.178$, $p = 0.101$)

nor for H5d:

- for RQ X procedural justice ($\beta = 0.100$, $p = 0.427$)
- for RQ X interactional justice ($\beta = -0.158$, $p = 0.169$)
- for RQ X distributive justice ($\beta = 0.210$, $p = 0.105$)

For H5a, the interaction of relationship quality and procedural justice had an impact on satisfaction ($\beta = -0.354$, $p = 0.031$). More specifically, for low-relationship quality customers, procedural justice significantly impacted their level of satisfaction; the higher the perceived procedural justice, the higher the satisfaction. As for high-relationship quality customers, procedural justice did not impact satisfaction. (See Figure 3.)

(Figure 3 about here)

Also, the effect of the interaction between relationship quality and interactional justice on satisfaction was also significant ($\beta = 0.361$, $p = 0.016$). For low-quality respondents, interactional justice did not impact satisfaction. For high-quality respondents, the higher the perceived interactional justice the higher the satisfaction. (See Figure 4)

(Figure 4 about here)

As for H5b, the interaction between relationship quality and procedural justice on loyalty was also significant ($\beta = -0.335$, $p = 0.29$). For high-relationship quality customers, procedural justice (high vs. low) does not affect loyalty significantly. For low relationship quality customers, the higher the procedural justice, the higher their loyalty. (See Figure 5)

(Figure 5 about here.)

The moderation effects of culture on the “justice \rightarrow customers’ responses” relationships were tested (hypotheses H6a, H6b, H6c and H6d) through the following two-way interactions: Culture by justice on 1) negative WOM 2) satisfaction 3) loyalty 4) anger. There were no significant effects for any of the dependent variables so H6 could not be validated.

We found some non-hypothesized findings concerning the second half of the model that deserve attention. First, the main effects of relationship quality on satisfaction are significant and positive ($\beta = 0.319$, $p = 0.20$), that is, the better the relationship quality, the higher the level of satisfaction. Also, the Canadian group had a significant effect on negative word-of-mouth as a dependent variable ($\beta = 0.56$, $p = 0.054$). Which is to say, Canadians are more likely to use negative word-of-the-mouth than the other groups.

(Table 16 about here)

(Table 17 about here)

(Table 18 about here)

(Table 19 about here)

Chapter 5: Discussion and Conclusion:

<p>Hypothesis H1a: Actions by the firm have an impact on justice: the higher the compensation, the higher the impact on distributive justice.</p>	<p>H1a supported</p>
<p>Hypothesis H1b: Actions by the firm have an impact on justice: the more sincere the apology, the greater the impact on interactional justice.</p>	<p>H1b supported</p>
<p>Hypothesis H1c: Actions by the firm have an impact on justice: with downward social comparison, the more the customer feels that the situation of another customer is worst, the greater the impact on distributive justice.</p>	<p>H1c not supported</p>
<p>Hypothesis H2: Justice has an impact on consumers' response. The three dimensions of justice impact consumers' response:</p> <ul style="list-style-type: none"> a) It impacts positively satisfaction and customer loyalty. b) It impacts negatively negative word-of-mouth and anger. 	<p>H2a and H2b supported</p>
<p>Hypothesis H3a: Relationship quality moderates the relationship between compensation and distributive justice, such as: the path between compensation and distributive justice is weaker for high-levels of relationship quality (compared to low-levels of relationship quality).</p> <p>Hypothesis H3b: Relationship quality moderates the relationship between apology and interactional justice, such as: the path between apology and interactional justice is stronger for high-levels of relationship quality (compared to low-levels of relationship quality).</p> <p>Hypothesis H3c: Relationship quality</p>	<p>H3a, H3b and H3c not supported</p>

moderates the relationship between downward social comparison and distributive justice, such as: the path between downward social comparison and distributive justice is stronger for high-levels of relationship quality (compared to low-levels of relationship quality).	
<p>Hypothesis H4a: Culture moderates the relationship between compensation and distributive justice, in the following way: the relationship between compensation and distributive justice is stronger for individualists (compared to collectivists).</p> <p>Hypothesis H4b: Culture moderates the relationship between apology and interactional justice, in the following way: the relationship between apology and interactional justice is weaker for individualists (compared to collectivists).</p> <p>Hypothesis H4c: Culture moderates the relationship between downward social comparison and distributive justice, in the following way: the relationship between downward social comparison and interactional justice is weaker for individualists (compared to collectivists).</p>	<p>H4a supported</p> <p>H4b not supported</p> <p>H4c not supported</p>
<p>Hypothesis H5: Relationship quality moderates the relationship between justice and consumers' responses:</p> <p>a) The path between justice and satisfaction is stronger for high-level relationship quality clients (compared to low-level relationship clients) when they perceive high levels of justice.</p> <p>b) The path between justice and loyalty is stronger for high-level relationship quality clients (compared to low-level relationship clients) when they perceive high levels of justice.</p> <p>c) The path between justice and negative word-of mouth is stronger for high-level</p>	<p>H5a supported</p> <p>H5b supported</p> <p>H5c not supported</p>

<p>relationship quality clients (compared to low-level relationship clients) when they perceive low levels of justice.</p> <p>d) The path between justice and anger is stronger for high-level relationship quality clients (compared to low-level relationship clients) when they perceive low levels of justice.</p>	<p>H5d not supported</p>
<p>Hypothesis H6: Culture has a moderating effect on the relationship between justice and consumers' responses.</p> <p>a) The relationship between justice and satisfaction is stronger for collectivists (compared to individualists) when they perceive high levels of justice.</p> <p>b) The relationship between justice and loyalty is stronger for collectivists (compared to individualists) when they perceive high levels of justice.</p> <p>c) The relationship between justice and negative word-of-mouth is stronger for collectivists (compared to individualists) when they perceive low levels of justice.</p> <p>d) The relationship between justice and anger is stronger for individualists (compared to collectivists) when they perceive low levels of justice.</p>	<p>H6a, H6b, H6c and H6d not supported.</p>

5.1 Discussion:

The lack of significant results relating to collectivism in our sample, made it essential to understand the reasons by researching further through the literature. “The largest distinction in individualist cultures is between self and others; the largest distinction in collectivist cultures is between in-group and out-groups” (Triandis, 2001). Triandis (2001) points out that individualism-collectivism is the most important cultural construct, “both historically and cross-culturally.” However, it should not be assumed that because an individual is born in a collectivist society that he/she holds these characteristics. Furthermore, this dimension is very situation-dependent.

According to many authors, collectivism-individualism is said to be the most marked difference between cultures. However, in our sample, no significant effects were found for this variable. But, this may be due to the fact the population at hand here is composed mainly of students. Although Korea and Japan are very homogeneous cultures, no significant differences were found between the North American and Japanese students that were being compared (Oyserman, Coon, and Kemmelmeier 2002; Fiske, 2002). Furthermore, Japanese students scored much higher on individualism, than the North American students (Oyserman et al. 2002). Fiske (2002) points out that a limitation of the meta-analyses by Oyserman et al. (2002) is that the sampled population were college students, and these may be more Western and Individualistic, and less Collectivistic, in comparison to adults of their respective countries. Additionally, Fiske (2002) underlines that there is reason to believe that Japanese are less collectivistic than North Americans (NA). In fact, on several scales Japanese people are found to be more individualistic, and less collectivistic than NA. It is further noted that there is no justification to treat Individualism and Collectivism as polar concepts of one continuum. The most important aspect to remember from Oyserman et al’s (2002) meta-analyses is that the Individualism and Collectivism constructs are not valid (Fiske 2002).

Although the key distinctive value measuring the difference between Canada and Japan was individualism, Hofstede highlights that Japan and Canada are very different on a number of dimensions: Canada is low on power distance, whereas Japan is relatively

high; Canada is an uncertainty accepting society, whereas Japan is not at all; finally, Canada is a moderately masculine society, whereas Japan is an extremely masculine one (<http://geert-hofstede.com/japan.html>). Although these dimensions were not measured in the questionnaire, these dimensions could certainly explain why there were no found differences between Canada and Japan pertaining to individualistic values, but rather pertaining to the country-of-origin.

Following the *acculturation hypothesis* (Kitayama, Imada, Ishii, Takemura, and Ramaswamy 2006), mainland Japanese are not different from other mainland Japanese upon arriving to an insular region (Hokkaido), but after settling in this new area, they likely become acculturated to this new culture and become no different from the local population after a given amount of time. In our case, a certain number of the Japanese students in our sample had previously lived abroad (mainly the US or Canada) in order to learn English. This may have made them acculturated to an Individualist North American society.

Also, a small portion of our sample is composed of Japanese people living in Canada. The *self-selection hypothesis* (Kitayama et al., 2006) claims that a relatively small number of people are attracted to the values of a certain country and are likely to move there. Japanese participants in our sample may have moved to Canada because they were attracted to individualist values and are likely to hold these values as well. Also, the large majority of the sample at hand were students, and about half of those were Japanese students studying at Keio University. The entrance exam to this University is extremely selective, which means that the students had to study hard for many years to be able to pass this exam, and possibly be selected to enter Keio University. This implies that the students had to surpass the competition, by focusing solely on their success, not on the success of the group. This is by definition the opposite of collectivist values. Also, Hofstede (2007) underlines that as a country becomes wealthier, the score for individualism also increases; this has found to be the case for Japan. Hence, as the country becomes wealthier, more and more people who are becoming increasingly individualist, would be attracted to visit or live in a country that is seen as typically individualistic; such as Canada or the USA.

Since collectivism / individualism did not offer an interesting base of comparison, a comparison between the Japanese, Canadian and “other” group was used instead. The group labeled “other” served as a control group and is composed of individuals coming neither from Japan or Canada.

In the following paragraphs, we will summarize the results in order to have a better understanding of the ways a firm can optimize the service recovery to retain its current customer base. Moreover, concerning the research questions tackled in this research, we will also address the ways a firm can repair the service depending on the cultural background of the customer and of the relationship quality towards the firm.

5.1.1 Supported Hypotheses:

5.1.1.1 Direct effects:

As expected compensation had a significant impact on distributive justice (H1a), this makes sense since distributive justice implies compensation. Similarly, apology impacted interactional justice (H1b), this makes sense for the same reason. Unexpectedly, compensation also had an impact on interactional justice; compensation and apology also impacted positively the perception of procedural justice.

Furthermore, the three dimensions of justice had an impact on consumers’ responses (H2). For example, it was found that the higher the perception of procedural justice, the lower the negative WOM. In the same vein, the higher the perception of distributive justice, the higher the satisfaction. The higher the perception of distributive justice, the higher the level of loyalty. Finally, procedural justice had a negative impact on anger; the lower the perception of procedural justice, the higher the feeling of anger.

5.1.1.2 Moderating effects:

As for the moderating effects, culture moderated the relationship between compensation and distributive justice (H4a). For Canadian respondents, the fact of receiving compensation had a greater impact on distributive justice, than for Japanese respondents.

In fact, in their case, receiving compensation gave them a slightly negative perception of distributive justice. Furthermore, in the case of Japanese participants, they had much better perceptions of distributive justice when they received no compensation. This is consistent with what has been found in the literature. As found by Mattila and Patterson (2004 B), compensation is important for American customers in order to restore the perception of justice; but it is not so important for East-Asian customers. East Asians put more value on receiving an explanation and being treated with respect. As explained by Mattila & Patterson (2004), for Americans, individual gains are valued, whereas, for Asians, avoidance of loss is valued. Furthermore, for Asian participants, they found that after a service failure, it is important to offer a quick resolution and an apology. This type of preferred resolution might help to explain why we found a negative perception of distributive justice for Japanese respondents, after receiving compensation. As though the sense of fairness diminished after compensation in the case of a service failure. Greenberg (2001) found that Japanese people do not assess justice through rewards, rather they put a lot of importance on politeness, respect and harmony in interpersonal relationships. Also, Mattila and Patterson (2004) found that East-Asians participants do not value rewards, but rather avoidance of loss; they value equality over equity. Mattila and Patterson (2004) also wrote that for the Asian participants regaining face after a service failure is of tremendous importance. Hence, for Japanese participants, compensation cannot counterbalance the loss of face.

Relationship quality moderates the relationship between procedural justice and loyalty (H5a). Specifically, for high-relationship quality respondents, procedural justice does not affect their (high) loyalty, whereas for low-relationship quality respondents, the higher the perceived procedural justice the higher the loyalty. This finding is directly related to those by Grégoire et al. (2009) who found that low-level relationship quality respondents, do not value the human aspect of the relationship, but want to be compensated materially for their loss. Procedural justice is related to the value of time involved in the recovery process. Our finding complements that of Grégoire et al. (2009) in the sense that both material compensation (in their findings) and time (in our findings) affect loyalty only in the case of low-relationship quality customers. High relationship quality seems to serve as a cushion that reduces the effects of lack of compensation and/or adequate procedure.

It was expected that relationship quality would moderate the relationship between apology and interactional justice, which was not found. We rather found that relationship quality moderates the relation between apology and distributive justice as follows: the presence (vs. absence of) apology did not impact distributive justice for low-relationship quality respondents, but it increased the distributive justice for high-relationship quality respondents. When high-relationship quality participants receive no-apology, their perception of distributive justice is higher.

5.1.2 Unexpected Findings:

5.1.2.1 The unexpected moderating effect of culture:

Concerning the unexpected moderating effects of culture, Japanese respondents have a lower perception of interactional justice than other respondents. Since respondents had the service failure occur either in their home country or abroad, it would be interesting to find out if the perception of interactional justice varies according to the ethnic origin of the employees of the firm. Also, Mattila and Patterson (2004 B) found that East Asians have higher perceptions of interactional and distributive justice, before and after receiving an explanation. This is incompatible with what was we found here, in our sample, Japanese participants had lower perceptions of interactional justice.

Perceived procedural justice was higher for Canadian respondents, than it was for the other groups. Furthermore, Canadian participants are more likely to have negative WOM behaviours. This was all the more surprising since the common belief is that Japanese people are known to be silent bombs, in the sense that they will not complain directly to the service provider (especially when they are abroad); however they will warn their friends and family (in-group) about the service failure in order for them to avoid this service provider in the future.

5.1.2.2 The unexpected moderating effect of relationship quality:

As for the moderating effects of relationship quality that were not expected, we found a significant interaction between relationship quality and procedural justice on satisfaction. The impact was not significant for high-relationship quality customers (H-RQ), but for

low-relationship quality customers (L-RQ), high procedural justice significantly impacted satisfaction. In other words, a prompt and hasty service recovery made L-RQ very satisfied, while H-RQ remained highly satisfied regardless of the speed of the recovery.

Additionally, the interaction between RQ and interactional justice affected satisfaction. As was already found by Grégoire et al. (2009), H-RQ customers are very sensitive to the humane aspect of the relationship. Accordingly, H-RQ's were much more satisfied when their perception of interactional justice was high. Conversely, for these customers, low interactional justice made them unsatisfied. However, for L-RQ, the level of interactional justice did not impact their satisfaction; it remained low (unsatisfied) anyway.

The interaction of RQ and procedural justice affected loyalty. On the one hand, H-RQ had a relatively high level of loyalty, no matter the level of procedural justice. On the other hand, L-RQ were disloyal customers when this justice is low, and very loyal when this justice is high. For L-RQ, the fact that employees handle the service recovery quickly and promptly encourages them to do business with this firm many times again.

5.2 Theoretical and Managerial Implications:

In general, apology and compensation impacted positively the perception of procedural justice. A high level of procedural justice led to less negative word-of-mouth on the part of the consumers, and also lesser feelings of anger. This means for the firm that offering compensation and an apology to the client after a service failure will make them less likely to bad-mouth the firm, and also less likely to get angry. This is also beneficial for front-line employees who have to deal with customer anger. The stress related to complaints may have an impact on the job satisfaction and the commercial behaviour of the employees (e.g., Chebat and Kollias 2000; Schneider, 1980 *in* Chebat and Slusarczyk 2005). Furthermore, compensation directly impacts distributive justice. A higher perception of distributive justice leads to more feelings of satisfaction and also more loyalty behaviour from the customer. Satisfaction and loyalty are key components in service relationship, and so in a general manner, they can be augmented through

compensation. As we will see in the next paragraphs, this is not necessarily true for Japanese or Canadian clients, and for high vs. low-quality relationship clients.

For Japanese clients, when offered compensation after a service failure, their perception of distributive justice becomes slightly negative. This means that Japanese participants do not perceive compensation as a fair outcome. It can be supposed they prefer to be treated in a respectful manner, to receiving compensation. Furthermore, Japanese participants tend to have lower perceptions of interactional justice. So it is all the more important for firms to treat them in a polite and respectful manner throughout the service recovery. Also, of all cultures, it is the Canadians who are more likely to bad mouth the firm after a service failure.

Relationship quality also has an impact on how firms should treat customers. For high-relationship quality (HRQ) customers, not receiving an apology, increased the perception of distributive justice. For low-relationship customers, the perception of distributive justice was negative, with or without an apology. But for HRQ customers, not receiving an apology have made the cues for the other types of actions by the firm more salient, i.e. compensation.

Also, for high-relationship quality customers, a high perception of interactional justice greatly increases the satisfaction level of these customers. So polite and respectful employees is what drive these customers to be satisfied. As for low relationship quality, having a low perception of procedural justice made them disloyal customers, but a high perception of this justice made them very loyal. The cues of justice for these two types of customers high (HRQ) vs. low-relationship quality (LRQ) are completely different. The HRQ are satisfied with a service recovery that is infused with respect and courtesy, whereas the LRQ are satisfied with a service recovery that is quick and hasty.

Furthermore, a high perception of procedural justice not only makes LRQ more satisfied, but it also makes them very loyal customers; a low perception makes them disloyal. Once again, for this type of customers, what is important is a quick and speedy service recovery.

5.3 Limitations and Future Research:

One limitation of this study is the size of the sample, had the sample been larger it would have had better external validity. Also, surveys do not allow testing the causality and there is always a potential problem of common method bias. Moreover, the variable downward social comparison had to be dropped because not enough participants had experienced it. Having a large sample with enough participants who have experienced that, it would be interesting to understand the interplaying effects of culture and of downward social comparison.

Moreover, a topic that would have been very interesting to tackle, is whether there is a difference within the Canadian population regarding individualist values; more exactly, a difference between Anglophones and Francophones. This was not addressed directly in the questionnaire, so it was impossible to differentiate the Anglos from the Francos when analyzing the data. But it is very possible that the two populations, are in fact, very different and that firms have to formulate their message differently, not only in regards to language. Pepsi for example is much more successful in Quebec, than it is in the rest of Canada and their advertising is adapted to this region.

Also, since a definition of *group* was not offered in the questionnaire, it is possible that the notion of *group* differs for Canadians and Japanese and this might help to explain why there was no significant difference between these two groups in relation to individualism/collectivism. For example, the notion of group for Japanese may refer to *uchi*, the in-group, whereas for Canadians it could refer to society as a whole.

Furthermore, some dependent variables have been dropped because of lack of time. Future research could explore, through a similar research, the effects on betrayal, positive WOM and exit.

Additionally, for the same reasons, 3-way interactions were not performed. In the future, some researchers could try to see what are the optimal ways to deal, for example, with Japanese high-quality relationship customers or Canadian low-quality relationship customers.

Also, some of the participants have lived abroad or are living outside of their home country, so this must have changed the way they answer the questionnaire. But, this reflects the reality of globalization and multiculturalism, and individuals do not fit in the boxes researchers lay out for them. For future research, it would be interesting to study the migratory paths of individuals and how this impacts and layers their perceptions in the case of service failure.

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Tables:

Table 1: Sex of Participants

	Frequency	Valid Percent
Male	44	41,1
Female	63	58,8
Total	107	100,0

Table 2: Age

	Frequency	Valid Percent
18 to 24	49	45,8
25 to 34	36	33,6
35 to 44	15	14,0
45 to 54	3	2,8
55 to 65	3	2,8
65 and over	1	,9
Total	107	100,0

Table 3: Country-of-origin of the participants

	Frequency	Valid Percent
NA	1	,9
Algeria	2	1,9
Argentina	2	1,9
Brazil	1	,9
Bulgaria	1	,9
Cameroon	1	,9
Canada	33	30,8
Central African Rep.	1	,9
China	3	2,8
France	6	5,6
Haiti	1	,9
Iran	1	,9
Japan	49	45,8
Lebanon	1	,9
Peru	1	,9
Romania	1	,9
Togolese Republic	1	,9
USA	1	,9
Total	107	100,0

Table 4: Country where the service failure occurred

	Frequency	Valid Percent
NA	1	,9
Canada	51	47,7
China	1	,9
France	2	1,9
Italy	1	,9
Japan	40	37,4
Korea	1	,9
Singapore	1	,9
Spain	1	,9
Switzerland	1	,9
Turkey	1	,9
UK	1	,9
USA	5	4,7
Total	107	100,0

Table 5: Type of compensation

Type of compensation	Size	Percentage
A discount	4	21.05%
A coupon	1	5.26%
Store credit	2	10.53%
Free merchandise	3	15.79%
A refund	5	26.32%
Other	4	21.05%
Total	19	100%

Table 6: Actions of the firm model

Item	Factor 1	Factor 2
<u>ACTIONS OF THE FIRM</u>		
Actions of the firm (M=4.1; SD=1.30 ; $\alpha=.83$)		
-Did the compensation match your loss, or was it...(1-5)	.88	
-How satisfied were you with this compensation? (1-7)	.85	
-How satisfied were you with this apology? (1-7)	.87	
Sincerity (M=4,4; SD=1.6)		
-The apology offered by the service firm felt sincere (1-7)		.98

Table 7: Relationship quality model

Item	Factor 1	Factor 2	Factor 3
<u>RELATIONSHIP QUALITY</u>			
RQ- Trust (M=3.7; SD= 0.77; α =.85)			
- Very undependable (1)-Very dependable (7)	.62		
- Very incompetent(1)-Very competent (7)	.79		
- Of low integrity(1)-Of high integrity (7)	.97		
- Very unresponsive to consumers (1)-Very responsive to consumers (7)	.73		
RQ- Relationship satisfaction (M=3.7; SD=0.81 ; α =.87)			
- I was satisfied with the relationship I had with the organization (1-7)		.72	
- Compared to other relationships I knew or heard about, the one I had with the organization was quite good (1-7)		.86	
- I was happy with the effort this organization was making towards consumers like me (1-7)		.76	
RQ- Commitment (M=4.4; SD=1.4 ; α =.85)			
- This relationship was something I was very committed to (1-7)			.82
- This relationship was something I intended to maintain indefinitely (1-7)			.82
- This relationship deserved a maximum effort to maintain (1-7)			.83

Table 8: Culture model

Item	Factor 1
<u>CULTURE</u>	
Collectivism/Individualism (M=3.4; SD=.62 ; α =.75)	
- Individuals should sacrifice self-interest for the group (1-5)	.74
- Individuals should stick with the group even through difficulties (1-5)	.70
- Group welfare is more important than individual rewards (1-5)	.76
- Group success is more important than individual success (1-5)	.78
- Individuals should only pursue their goals after considering the welfare of the group (1-5)	.59

Table 9: Justice model

Item	Factor 1	Factor 2	Factor 3
<u>JUSTICE</u>			
Procedural (M=2.8; SD= 1.1; $\alpha=.91$) Please indicate your degree of agreement with the following statements:			
- Despite the hassle caused by the problem, the firm responded fairly and quickly (1-5)	.77		
- I feel the firm responded in a timely fashion to the problem (1-5)	.83		
- I believe the firm has fair policies and practices to handle problems (1-5)	.72		
- With respect to its policies and procedures, the firm handled the problem in a fair manner (1-5)	.79		
Interactional (M=3.0; SD=1.1 ; $\alpha=.91$) The employee(s) who interacted with me...			
- Treated me in a polite manner (1-5)		.92	
- Gave me detailed explanations and relevant advice (1-5)		.75	
- Treated me with respect (1-5)		.90	
- Treated me with empathy (1-5)		.74	
Distributive (M=3.7; SD=1.7 ; $\alpha=.93$) Referring to all outcomes you received, indicate your level of agreement with the following statements:			
- Overall, the outcomes I received from the service firm were fair (1-7)			.87
- Given the time, money and hassle, I got fair outcome (1-7)			.91
- I got what I deserved (1-7)			.84

Table 10: Consumers' responses (emotions) model

Item	Factor 1	Factor 2
<u>CONSUMERS' RESPONSE (Emotions):</u>		
Anger (M=.50; SD= 1.3; α =.82)		
- I felt very angry about my experience with this firm (1-7)	.94	
- I felt very displeased with the service at this firm (1-7)	.92	
- The more I think about it, the more hostile I feel towards the firm (1-7)	.90	
Satisfaction (M=3.3; SD= 1.7; α =.94)		
- Overall, I am satisfied with this firm (1-7)		.89
- This firm meets my expectations		.87
- This firm is very close to my "ideal retailer"		.73

Table 11: Consumers' responses (behaviour) model

Item	Factor 1	Factor 2
<u>CONSUMERS' RESPONSE (Behaviour):</u>		
Negative Word-of-mouth (M=2.9; SD=1.2 ; $\alpha=.86$) Since the service failure...		
-....I spread negative WOM about the firm (1-5)	.91	
- ...I bad-mouthed against this firm to my friends	.84	
- ... when my friends were looking for a similar product or service, I told them not to buy from this firm	.86	
Loyalty intentions (M=3.0; SD=1.5 ; $\alpha=.93$)		
-I say positive things about this firm to other people (1-5)		.90
- I recommend this firm to someone who seeks my advice		.95
- I encourage my friends and relatives to do business with this firm.		.92
- I consider this firm my first choice to buy this type of product		.90
-I will do more business with this firm in the next few months		.71

Table 12 : Correlation Matrix

	Compen	Apology	RQ	Collectiv	Procedu	Interac	Distrib	Anger	- WOM	Exit	Loyalty	Satis
Compen	1											
Apology	,193 [*]	1										
RQ	-,005	-,216 [*]	1									
Collectiv	-,124	,013	,084	1								
Procedu	-,324 ^{**}	-,238 [*]	,038	,032	1							
Interac	-,319 ^{**}	-,366 ^{**}	,033	,102	,636 ^{**}	1						
Distri	-,407 ^{**}	-,191 [*]	,138	,197 [*]	,662 ^{**}	,482 ^{**}	1					
Anger	,245 [*]	,083	-,018	-,209 [*]	-,473 ^{**}	-,402 ^{**}	-,466 ^{**}	1				
- WOM	,115	,123	-,137	-,031	-,387 ^{**}	-,263 ^{**}	-,325 ^{**}	,571 ^{**}	1			
Exit	,086	,173	-,027	-,059	-,289 ^{**}	-,297 ^{**}	-,234 [*]	,415 ^{**}	,526 ^{**}	1		
Loyalty	-,144	-,216 [*]	,175	,140	,461 ^{**}	,330 ^{**}	,499 ^{**}	-,457 ^{**}	-,405 ^{**}	-,453 ^{**}	1	
Satis	-,169	-,300 ^{**}	,265 ^{**}	,159	,469 ^{**}	,365 ^{**}	,564 ^{**}	-,433 ^{**}	-,491 ^{**}	-,481 ^{**}	,799 ^{**}	1

Table 13 :Dependent variable: Distributive Justice

Parameter	B	Sig.
Intercept	2,830	,000
Japan	,595	,157
Canada	,393	,376
Other	.	.
Compensation	1,682	,000**
Apology	,417	,211
RQ	,135	,408
Japan* Compensation	-2,295	,053*
Canada* Compensation	-,697	,575
Other* Compensation	.	.
Japan* Apology	-,468	,585
Canada* Apology	-1,323	,144
Other* Apology	.	.
Compensation * RQ	-,581	,108
Apology * RQ	,898	,006**

R^2 : 0.329 (R^2 Adjusted 0.251); DF : 105; p= 0.000

Table 14 : Dependent variable: Interactional justice

Parameter	B	Sig.
Intercept	2,667	,000
Japan	-,563	,026*
Canada	,194	,463
Other	.	.
Compensation	,762	,002**
Apology	,757	,000**
RQ	,012	,902
Japan* Compensation	-,536	,448
Canada* Compensation	-1,162	,122
Other* Compensation	.	.
Japan* Apology	-,170	,742
Canada* Apology	,470	,386
Other* Apology	.	.
Compensation * RQ	-,133	,548
Apology * RQ	,326	,102

R^2 : 0.271 (R^2 Adjusted 0.227); DF : 105; p= 0.000

Table 15 : Dependent variable: Procedural justice

Parameter	B	Sig.
Intercept	2,189	,000
Japan	,085	,740
Canada	,716	,009**
Other	.	.
Compensation	,758	,003*
Apology	,540	,009**
RQ	-,009	,926
Japan* Compensation	-,422	,567
Canada* Compensation	-,530	,496
Other* Compensation	.	.
Japan* Apology	-,075	,888
Canada* Apology	-,301	,594
Other* Apology	.	.
Compensation * RQ	-,237	,296
Apology * RQ	,227	,266

R^2 : 0.149 (R^2 Adjusted 0.098); DF : 105; p= 0.012

Table 16 :Dependent variable: Negative word-of-mouth

Parameter	B	Sig.
Intercept	2,867	,000
Japan	-,345	,232
Canada	,566	,054*
Other	.	.
RQ	-,083	,422
Procedural	-,495	,002**
Interactional	-,110	,428
Distributive	,057	,693
Japan* Procedural	,081	,858
Canada* Procedural	,504	,286
Other* Procedural	.	.
Japan* Interactional	,315	,456
Canada* Interactional	-,048	,907
Other* Interactional	.	.
Japan* Distributive	,492	,202
Canada* Distributive	,110	,770

Other* Distributive	.	.
RQ * Procedural	,100	,426
RQ * Interactional	-,158	,169
RQ * Distributive	,210	,105

R^2 : 0.229 (R^2 Adjusted 0.182); DF : 105; p= 0.000

Table 17 :Dependent variable: Satisfaction

Parameter	B	Sig.
Intercept	3,260	,000
Japan	,193	,611
Canada	-,056	,883
Other	.	.
RQ	,319	,020*
Procedural	,281	,184
Interactional	,149	,415
Distributive	,620	,001**
Japan* Procedural	-,207	,737
Canada* Procedural	-,330	,606
Other* Procedural	.	.
Japan* Interactional	,364	,525
Canada* Interactional	,497	,370

Other* Interactional	.	.
Japan* Distributive	-,042	,935
Canada* Distributive	-,611	,233
Other* Distributive	.	.
RQ * Procedural	-,354	,031*
RQ * Interactional	,361	,016*
RQ * Distributive	,034	,840

R^2 : 0.339 (R^2 Adjusted 0.299); DF : 105; p= 0.000

Table 18 :Dependent variable: Loyalty

Parameter	B	Sig.
Intercept	3,163	,000
Japan	-,180	,606
Canada	-,253	,473
Other	.	.
RQ	,192	,125
Procedural	,377	,054*
Interactional	,003	,987
Distributive	,464	,009**
Japan* Procedural	-,376	,512
Canada* Procedural	-,272	,647

Other* Procedural	.	.
Japan* Interactional	,190	,721
Canada* Interactional	,449	,385
Other* Interactional	.	.
Japan* Distributive	-,137	,778
Canada* Distributive	-,438	,357
Other* Distributive	.	.
RQ * Procedural	-,335	,029*
RQ * Interactional	,203	,144
RQ * Distributive	,016	,918

R^2 : 0.315 (R^2 Adjusted 0.274); DF : 105; p= 0.000

Table 19 :Dependent variable: anger

Parameter	B	Sig.
Intercept	,006	,976
Japan	-,172	,476
Canada	,242	,321
Other	.	.
RQ	,045	,602
Procedural	-,282	,037*
Interactional	-,175	,132

Distributive	-,192	,115
Japan* Procedural	,264	,501
Canada* Procedural	,051	,901
Other* Procedural	.	.
Japan* Interactional	-,246	,501
Canada* Interactional	-,183	,604
Other* Interactional	.	.
Japan* Distributive	,398	,233
Canada* Distributive	,390	,232
Other* Distributive	.	.
RQ * Procedural	,082	,432
RQ * Interactional	-,121	,209
RQ * Distributive	,178	,101

R^2 : 0.335 (R^2 Adjusted 0.295); DF : 105; p= 0.000

Figures:

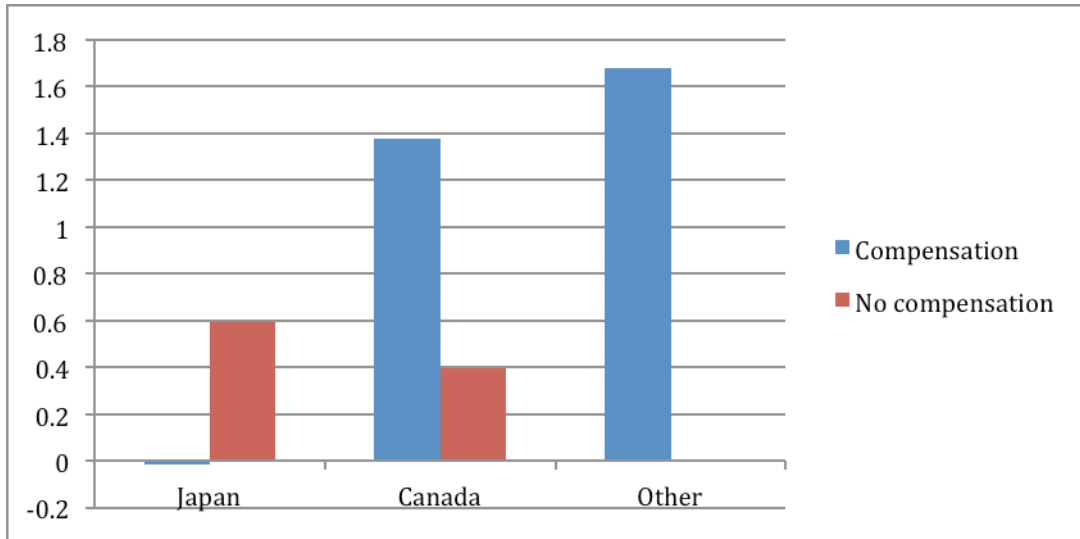


Figure 1: Interaction between relationship quality and country-of-origin on distributive justice.

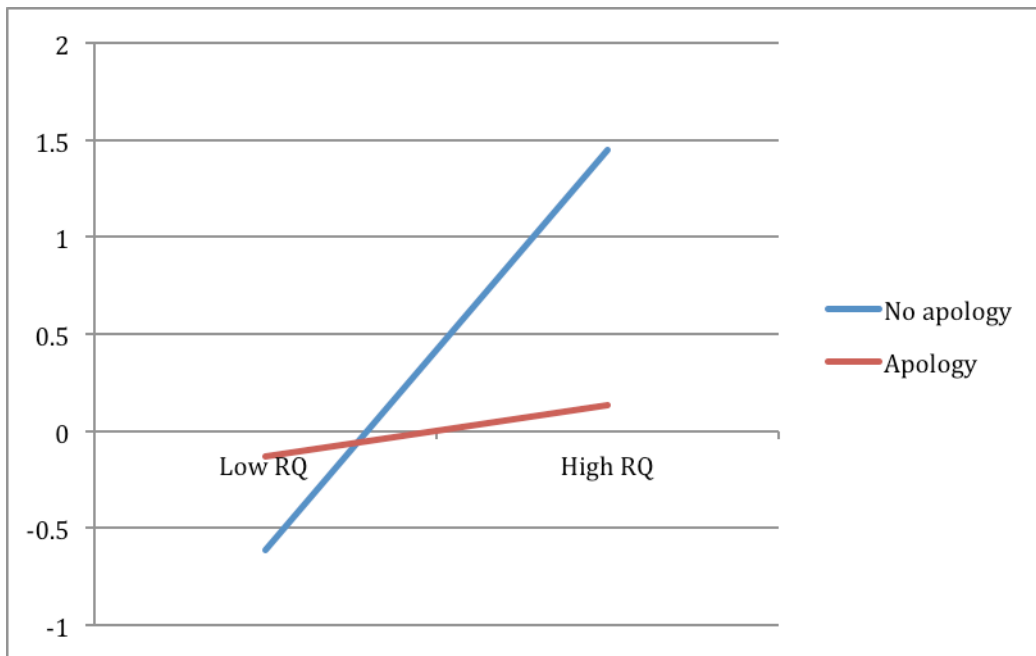


Figure 2: Interaction between relationship quality and apology on distributive justice

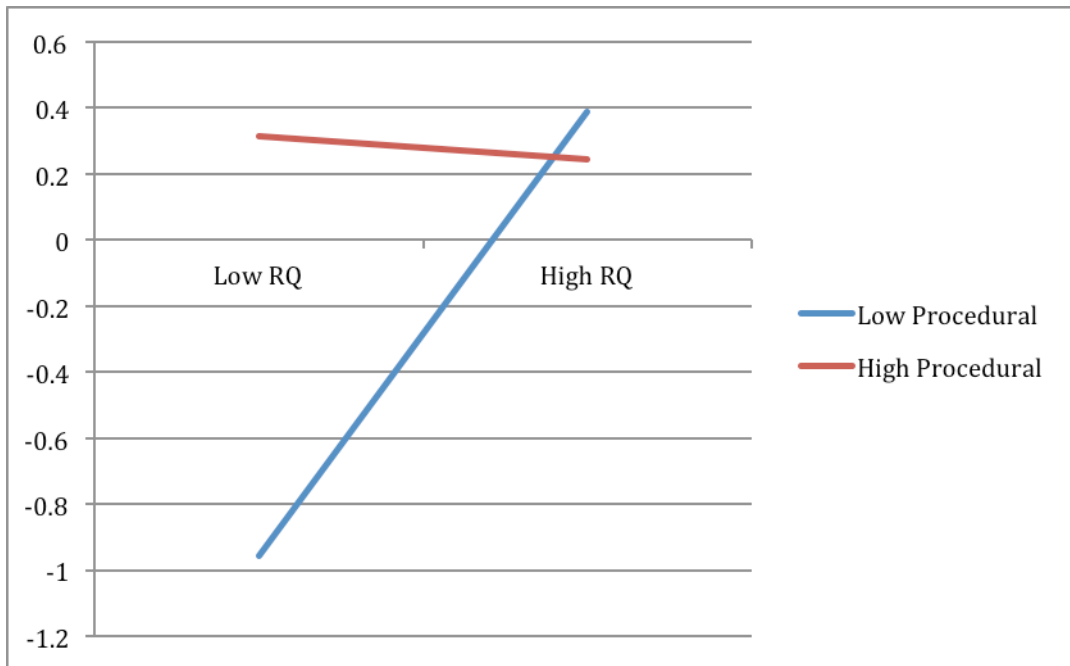


Figure 3: Interaction between relationship quality and procedural justice on satisfaction

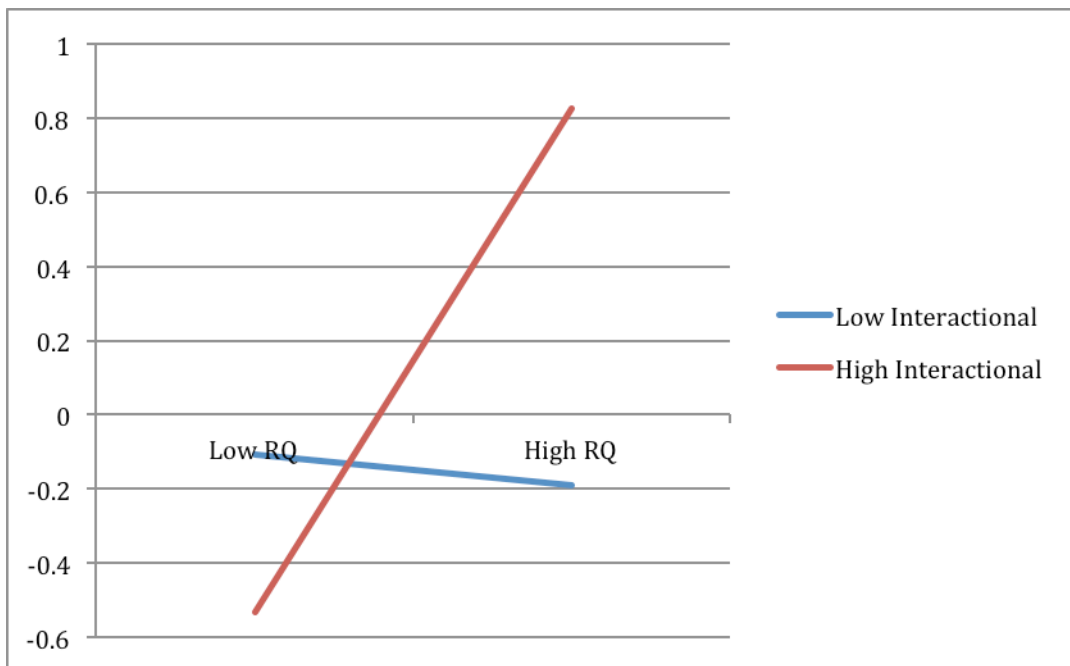


Figure 4: Interaction between relationship quality and interactional justice on satisfaction

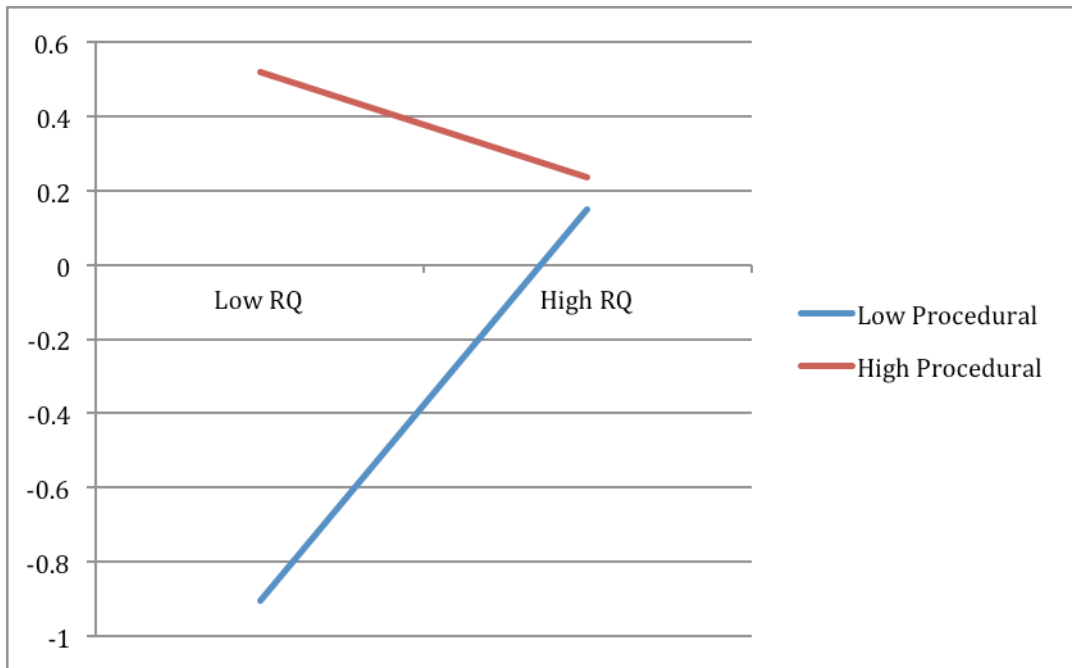


Figure 5: Interaction between relationship quality and procedural justice on loyalty

Annex 1: Questionnaire:

During the last twelve months, have you experience a problem or incident in a service setting?

- ☐ Yes
- ☐ No

Please try to recall the service failure, and detail it here briefly:

Did you complain to the service provider after this service failure?

- ☐ Yes
- ☐ No

Did the service provider try to resolve your complaint?

- ☐ Yes
- ☐ No

How satisfied were you with this complaint handling?

- ☐ Very Dissatisfied
- ☐ Dissatisfied
- ☐ Somewhat Dissatisfied
- ☐ Neutral
- ☐ Somewhat Satisfied
- ☐ Satisfied
- ☐ Very Satisfied

This part of the survey asks questions about your relationship with the service firm **BEFORE THE SERVICE FAILURE OCCURED**. Please try to put yourself back in time just before the service failure occurred, and answer the questions as you thought or felt then.

Before the service failure, how long had you been a customer of this service firm approximately (in months)?

Before the service failure, I felt the firm was...

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
...dependable	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...competent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...of high integrity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...responsive	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Before the service failure...

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
...I was satisfied with the relationship I had with the organization.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...compared to other relationships I knew or heard about, the one I had with the organization was quite good.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
... I was happy with the effort this organization was making towards consumers like me.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Before the service failure...

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
...this relationship was something I was very committed to.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...this relationship was something I intended to maintain indefinitely.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...this relationship deserved a maximum effort to maintain.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Perception of the service failure: This section asks you questions about the service failure you have encountered. To answer them, please try to recall the thoughts and feelings you experienced at the time of the service failure.

At the moment of the service failure, did the firm tell you about a customer who experienced a service failure worst than yours?

- ☐ Yes
- ☐ No

Did you feel that the situation of that other customer was in fact worst than yours?

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Somewhat Disagree
- ☐ Neither Agree nor Disagree
- ☐ Somewhat Agree
- ☐ Agree
- ☐ Strongly Agree

After this comparison, how did you feel about your own situation?

- ☐ Very Dissatisfied
- ☐ Dissatisfied
- ☐ Somewhat Dissatisfied
- ☐ Neutral
- ☐ Somewhat Satisfied
- ☐ Satisfied
- ☐ Very Satisfied

At the moment of the service failure, did the firm try to offer you compensation?

- ☐ Yes
- ☐ No

What type of compensation was it?

- ☐ Money.
- ☐ A discount.
- ☐ A coupon.
- ☐ Store credit.
- ☐ Free Merchandise.
- ☐ A refund.
- ☐ Other. _____

Did the compensation match your loss, or was it...

- ☐ Much Less
- ☐ Less
- ☐ The Same
- ☐ More
- ☐ Much More

How satisfied were you with this compensation?

- ☐ Very Dissatisfied
- ☐ Dissatisfied
- ☐ Somewhat Dissatisfied
- ☐ Neutral
- ☐ Somewhat Satisfied
- ☐ Satisfied
- ☐ Very Satisfied

At the moment of the service failure, did the firm offer you an apology?

- ☐ Yes
- ☐ No

How satisfied were you with this apology?

- ☐ Very Dissatisfied
- ☐ Dissatisfied
- ☐ Somewhat Dissatisfied
- ☐ Neutral
- ☐ Somewhat Satisfied
- ☐ Satisfied
- ☐ Very Satisfied

The apology offered by the service firm felt sincere.

- ☐ Strongly Disagree
- ☐ Disagree
- ☐ Somewhat Disagree
- ☐ Neither Agree nor Disagree
- ☐ Somewhat Agree
- ☐ Agree
- ☐ Strongly Agree

This section asks you questions about the service failure you have encountered. To answer them, please try to recall the thoughts and feelings you experienced at the time of the service failure.

Please indicate your degree of agreement with the following statements.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Despite the hassle caused by the problem, the firm responded fairly and quickly.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I feel the firm responded in a timely fashion to the problem.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I believe the firm has fair policies and practices to handle problems.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
With respect to its policies and procedures, the firm handled the problem in a fair manner.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The employee(s) who interacted with me...

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
...treated me in a polite manner.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...gave me detailed explanations and relevant advice.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...treated me with respect.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...treated me with empathy.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Referring to all outcomes you received (such as the compensation, exchange, refund, gift or discount), indicate your level of agreement with the following statements.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
Overall, the outcomes I received from the service firm were fair.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Given the time, money and hassle, I got fair outcomes.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I got what I deserved.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

The service failure caused me...

<input type="radio"/> ...minor problems 1	<input type="radio"/> 2	<input type="radio"/> 3	<input type="radio"/> 4	<input type="radio"/> 5	<input type="radio"/> 6	<input type="radio"/> ...major problems 7	
<input type="radio"/> ...small inconveniences 1	<input type="radio"/> 2	<input type="radio"/> 3	<input type="radio"/> 4	<input type="radio"/> 5	<input type="radio"/> 6	<input type="radio"/> ...big inconveniences 7	
<input type="radio"/> ...minor aggravation 1	<input type="radio"/> 2	<input type="radio"/> 3	<input type="radio"/> 4	<input type="radio"/> 5	<input type="radio"/> 6	<input type="radio"/> ...major aggravation 7	

Overall, the service firm was...

	...not at all responsible for the service failure 1	2	3	4	5	6	...totally responsible for the service failure 7
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Overall, the service failure was...

	...in no way the service firm's fault 1	2	3	4	5	6	...completely the service firm's fault 7
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

To what extent do you blame the service firm for what happened?

	Not at all 1	2	3	4	5	6	Completely 7
	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

At the moment of the service failure: Please indicate your degree of agreement with the following statements.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I felt very angry about my experience with this firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I felt very displeased with the service at this firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The more I think about it, the more hostile I feel towards the firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

At the moment of the service failure...

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
...I felt betrayed by the firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...I felt cheated by the firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...the firm broke their promise made to me.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...my confidence in this firm was violated.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...the firm let me down in a moment of need.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...I felt "stabbed in the back" by the firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

AFTER THE SERVICE FAILURE. This part of the survey asks you questions about the thoughts and actions that followed the service failure. Since the service failure, please indicate the frequency with which you have had the following experiences.

Since the service failure...

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
...I spread negative word-of- mouth about the firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
... I bad- mouthed against this firm to my friends.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...when my friends were looking for a similar product or service, I told them not to buy from this firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...I spent less money at this business.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...I stopped doing business with this firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...I reduced frequency of interaction with this firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
...I brought a significant part of my business to a	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

competitor.					
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Please indicate your degree of agreement with the following statements.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
I say positive things about this firm to other people	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I recommend this firm to someone who seeks my advice.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I encourage my friends and relatives to do business with this firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I consider this firm my first choice to buy this type of service.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
I will do more business with this firm in the next few	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

years.							
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Please indicate your degree of agreement with the following statements.

	Strongly Disagree	Disagree	Somewhat Disagree	Neither Agree nor Disagree	Somewhat Agree	Agree	Strongly Agree
Overall, I am satisfied with this firm.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
This firm meets my expectations.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
This firm is very close to my "ideal retailer".	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Personal views: Now, we would like to ask some questions about you and your vision of the world.

To what extent do you agree with the following statements.

	Strongly Disagree	Disagree	Neither Agree nor Disagree	Agree	Strongly Agree
Individuals should sacrifice self- interest for the group.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Individuals should stick with the group even through difficulties.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Group welfare is more important than individual rewards.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Group success is more important than individual success.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Individuals should only pursue their goals after considering the welfare of the group.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Group loyalty should be encouraged	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

even if individual goals suffer.					
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Socio-demographic information:

In which country did this service failure happen?

What is your country of origin/ nationality?

What is the highest level of formal education that you have completed?

- ☐ Primary
- ☐ High School
- ☐ College (Cage)
- ☐ University Certificate
- ☐ Bachelor degree
- ☐ Master or PhD degree
- ☐ Don't know/ Do not want to answer

In which of the following categories is your income before taxes?

- ☐ Less than 15,000\$
- ☐ 15,000- 29,999\$
- ☐ 30,000\$- 39,999\$
- ☐ 40,000\$-49,999\$
- ☐ 50,000-59,999\$
- ☐ 60,000\$-59,999\$
- ☐ 60,000\$-79,999\$
- ☐ 80,000\$-99,999\$
- ☐ Over 100,000\$
- ☐ Don't know/ Do not want to answer

Gender

- ☐ Male
- ☐ Female

What is your occupation?

- ☐ Full time job
- ☐ Part time job
- ☐ Student

How old are you?

- ☐ 18 to 24
- ☐ 25 to 34
- ☐ 35 to 44
- ☐ 45 to 54
- ☐ 55 to 65
- ☐ 65 and over

What is your family status?

- ☐ Married or common law
- ☐ Single
- ☐ Divorced
- ☐ Widowed

Thank you very much for your help and patience.