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The Power of Saying Sorry – Insights on Customer Service in New Media Online Channels

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ABSTRACT

Customers often rely on peers’ opinions and experiences when forming expectations and evaluating a service provider. New media channels like consumer review platforms and social networking sites help customers obtain firsthand information from other customers to evaluate a service. While prior research confirms the effects of positive and negative electronic word-of-mouth on recipients, less is known about how companies should respond to negative electronic word-of-mouth. We conducted a series of experimental studies in the context of different new media online channels (consumer review sites, social media brand pages) to investigate the effects of various company response strategies on consumers’ perceptions. Our results reveal the importance of admitting responsibility for the resultant problem – regardless of whether the company is responsible. We expand knowledge from service recovery research to new media channels and assess effects on eWOM receivers who observe customer-service provider and customer-to-customer interactions.

Keywords: Negative word-of-mouth, new media, service recovery, attribution of responsibility, response adequacy, trust

Track: Marketing

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INTRODUCTION
Because of the new online media service review platforms (e.g., Yelp), social networking sites (e.g., Facebook), and micro blogging sites (e.g., Twitter), individuals today have many ways to express their opinions (electronic word-of-mouth [eWOM]) about services, brands, companies, and employees (Hennig-Thurau et al., 2010). While positive comments from former customers can convince potential customers to try a service (Park and Lee, 2009), negative online published opinions can have a significant impact on a consumer’s choice by influencing the eWOM recipient’s attitudes and behaviors (Laczniak et al., 2001; Senecal and Nantel, 2004). The viral quality of negative eWOM diffusion in new online media can ruin a company’s reputation and put a service company out of business. The interaction between social media users and companies increasingly challenges companies to react appropriately (van Laer and de Ruyter, 2010). Despite the importance of negative eWOM, the question of how to systematically react to unfavorable online comments has been widely neglected in academia.

Therefore, the goal of this study is to investigate the effects of company response strategies on consumers’ perceptions of negative eWOM. In particular, we are interested in the effects of two response strategies (or social accounts): apologizing and making excuses (Bies, 1987). Apologies have often been described as a mixed blessing (Jorgensen, 1996): by admitting responsibility rather than trying to convince the complainant that the company is not at fault (i.e., excuse), the apologizing company is still taking responsibility for the problem, but seeks forgiveness from the complainant (Bies et al., 1988). To the best of our knowledge, the trade-off between attributed responsibility and the adequacy of a company’s response has not been empirically verified in the new media context to date, which represents a major research gap for service marketing. In addition, we investigate the influence of potential customers who observe the interaction between a complainant and a service company in two online media environments. Thus, with this research we aim to answer the following research questions: Which social accounts are best suited for service companies to react to negative eWOM reporting a perceived service failure? What role does the service failure’s severity play for the individual who evaluates the situation described via the eWOM message? What role does the support by other platform users play for the individual who evaluates the reported situation?

To answer these questions, we execute a series of experimental studies that were conceptualized based on attribution and attributional theories (Kelley and Michela, 1980), conflict theory (Sitkin and Bies, 1993), and excuse theory (Snyder and Stukas, 1999). In the first study, we focus on the social accounts of apologies and excuses, and their effects on the eWOM receiver’s evaluation of the service company in the context of a consumer online review site, such as TripAdvisor.com. In the second study, we build on the findings from the first study and integrate additionally public interactions based on the complainant negative eWOM on social media brand pages in the scenario.
Based on our data, we can show that apologizing is always the most effective eWOM response strategy – regardless of whether a particular company is responsible for the failure. Further, we can show that an apology has a greater effect on eWOM receivers when a highly severe service problem is reported. Our data explains the influence of repliers’ comments within the social media environment, which is known for its high degree of interactivity between different actors.

The study contributes in several ways to the research and management of service complaints in online environments in several ways. First, we expand the research field of service complaints and recovery to the context of today’s media. As the public sphere for individual complaints plays an increasing role for service companies, we can show the importance of response strategies that also consider observers who are indirectly affected by the complaint situation. Second, with social accounts based on organizational conflict resolution literature, we propose not only a systematic approach to online response strategies for service failures but also assess their influence on eWOM receivers empirically in two studies. Third, by considering the context of the situation in which eWOM occurred (e.g., failure severity, failure type, adequacy of response), we can derive specific implications for service recovery management in new media channels.

In the following sections, we give a brief overview of the literature regarding eWOM, companies’ response strategies, and the role of service providers’ trustworthiness in online environments. We then describe our initial experiment and describe the methodology of the study as well as show the experimental results. In the second study, we replicate and expand findings from the first study by integrating the role of public interaction on social media brand pages. We close with a discussion of the managerial implications, limitations of the study, and further research suggestions.

**RESEARCH BACKGROUND**

**Electronic word-of-mouth and its effects on service evaluation**

Recently, eWOM has received considerable attention from academics studying its effects on its recipients. The first considerable line of research studied the role of eWOM, e.g., via online reviews, in predicting sales (Chevalier and Mayzlin, 2006; Duan et al., 2008; Forman et al., 2008). In addition, empirical investigations have repeatedly confirmed the influence of eWOM on customer decision-making processes (Senecal and Nantel, 2004; Smith et al., 2005). Furthermore, an increasing number of empirical studies have considered the effects of eWOM messages on purchasing intentions (Chatterjee, 2001; Park and Lee, 2009; Tsang and Prendergast, 2009), product and brand choice (Senecal and Nantel, 2004), and consumer attitudes (Lee et al., 2008).

Some studies highlight the importance of responding to negative eWOM online. Empirical studies confirm that negative eWOM not only affects recipients’ service evaluation and service decision (Laczniak et al., 2001), but it also impacts revenue (Chevalier and Mayzlin, 2006; Dellarocas et al., 2007), influences a firm’s stock returns (Tirunillai and Tellis, 2010), and is more useful than positive eWOM messages for several product categories (Sen and Lerman, 2007). In addition, Schlosser (2005) investigated social influences on reviewing behavior online. Her findings show that reviewers adjust their product evaluations downwards when they are exposed to negative reviews by other consumers. Furthermore, in a recent study,
Ein-Gar and colleagues (2011) reported a counterintuitive effect of negative reviews: when presented along with other reviews that evaluate the product positively overall, negative information in reviews can even have a positive effect on eWOM receivers. Therefore, instead of fighting negative reviews through deceptive behavior (Ott et al., 2011), companies should instead embrace this opportunity and use information in negative reviews to improve their image (Ein-Gar et al., 2011).

**Company response strategies: social accounts in organizational conflict and service recovery management**

While existing research highlights the importance of negative eWOM communication as a threat to trust and company integrity (van Laer and de Ruyter, 2010; Ward and Ostrom, 2006), the literature so far has largely neglected a discussion of how to actively deal with those articulations in order to mitigate their effects on potential customers. Because the form of negative eWOM has often been referred to as serving to complain to the masses (Ward and Ostrom, 2006), we turned to the literature on service recovery and organizational conflict resolution management to answer the identified research gaps. Using the organizational conflict management literature (Bies, 1987; Sitkin and Bies, 1993), we identified two potential response strategies – or social accounts – in conflict situations: apologizing and excuses.

Response strategies such as social accounts could be effective and less expensive means – compared to monetary recovery efforts – to deal with negative WOM via new media channels (Lee and Song, 2010; Mattila, 2006). Social accounts are defined as “a statement made by a social actor to explain unanticipated or untoward behavior” (Scott and Lyman, 1968, 46) and have found their way into the complaint management and service recovery literature (Bradley and Sparks, 2009; Mattila, 2006). While the company accepts full responsibility for the problem by apologizing, the company rejects responsibility by excusing it (Bobocel and Zdaniuk, 2005). As a consequence, the responding harmdoer tries to convince the victim of the non-representativeness of the event of the service in general and seeks forgiveness from the complainant by expressing regret in the form of an apology (Bies et al., 1988; Bobocel and Zdaniuk, 2005). By choosing an excuse, the company tries to convince the complainant that the negative event is not the fault of the firm and that extenuating circumstances have led to the consequence (Bies et al., 1988). In social media, observers also represent potential actors participating in the interaction. Moreover, observers can respond, comment, and become repliers.

To our knowledge, only one study has investigated the effects of responses from companies and repliers to negative eWOM in social media. In an experimental study, Lee and Song (2010) showed the positive effect of an apology on causal attribution to the company and the overall evaluation of the company. In addition, they were able to show a positive effect of replier agreement with the initial statement on causal attribution and a negative effect of this high consensus on company evaluation. Nonetheless, prior research has not compared the adequacy of a company’s response and its effects to causal attribution. The perceived adequacy of a company’s response probably influences the company’s evaluation positively, even if it accepts responsibility for the failure. Furthermore, in prior research, the social account type and the replier’s response type have only been researched independently, and the highly probable interaction effect between them has been neglected thus far, to the best of our knowledge. In reality, it is more appropriate to
include both of these reactions, as the repliers’ responses may influence an evaluation of the adequacy of the company’s response by the eWOM receiver.

To close this research gap, we conducted two experimental studies. In study 1, we used a pre-post test designed to show the effect of the social account on the perception of the service company, while in study 2, we investigated the relationship between the social account and further repliers’ consensus. In both studies, we considered the adequacy of the company’s response and the attribution of responsibility for the problem as mediating variables.

**Trustworthiness of service providers in online contexts**

Only a few studies have investigated the effects of different aspects of eWOM on credibility and trust as perceived by the receiver. Senecal and Nantel (2004), for instance, compared the perceived credibility of online reviews by other consumers to recommendations from recommender systems, while Tsang and Prendergast (2009) investigated the effects of review valence on the trustworthiness of the review. By investigating the effects on the company, Chatterjee (2001) found that negative reviews significantly deteriorate the service provider’s perceived credibility.

Aside from those few exceptions, trust and credibility have so far received little attention in the field of service recovery and eWOM. This lack of research is surprising because credibility and trust have been discussed as being crucial in service environments (Ganesan, 1994; Garbarino and Johnson, 1999; Lee and Turban, 2001; Moorman et al., 1993; Morgan and Hunt, 1994). Several researchers have presented various attempts to define trust. According to Rotter (1967, p. 651), trust can be seen as “an expectancy held by an individual (...) that the word, promise, verbal or written statement of another individual (...) can be relied upon.” Trust is crucial in order to build long-term relationships with customers and is directly linked to behavioral intent (Rousseau et al., 1998). Therefore, trust is an essential contextual factor in our research.

In addition, research on trust and related concepts point to a person’s or institution’s trustworthiness as essential antecedent or basis of trust (Colquitt et al., 2007; Mayer et al., 1995). Individuals determine trustworthiness based on two key characteristics of a trustee: perceived credibility and perceived benevolence (Mayer et al., 1995). The first characteristic is reflected by whether a service provider is reliable and well proven, and is capable of delivering good quality consistently. The second dimension is reflected by faith in the integrity, goodwill, and honesty of the partner (Kantsperger and Kunz, 2010).

Both components are conceptually distinct but essential for trust (Colquitt et al., 2007; Mayer and Gavin, 2005). Thus, a service provider can be completely upright and benevolent in the sense of a customer’s needs, but still not have the capacity to deliver the necessary quality of service for the customer. On the other hand, a company can be capable of delivering high-quality service, but have selfish reasons or motivation that does not take into consideration the customer’s best interest (Kantsperger and Kunz, 2010). A firm’s credibility could be also labeled as the can-do component, while perceived benevolence focuses on the firm’s positive intentions and the will-do component of trustworthiness (Colquitt et al., 2007).

In addition to the importance of trust in the online environment, eWOM messages are used as credible and unbiased sources of information to minimize the perceived risk prior to a purchase decision (Vázquez-Casielles et al., 2010). The response of the
company presents a potentially powerful means to improve trust perceptions of eWOM seekers as compared to their perceptions based only on negative reviews (Lee and Song, 2010; Mattila, 2006), and will therefore be empirically tested in two experimental studies.

STUDY 1: COMPANY RESPONSE STRATEGIES TO NEGATIVE EWOM

Context and hypothesis development

In study 1, we investigated the effects of a company’s response strategy on negative eWOM. Existing conceptual and empirical research provides some evidence that the different types of social accounts should be effective in the case of negative events and therefore improve the individual impressions of the harmdoer (Bobocel and Zdaniuk, 2005). Individuals tend to expect an explanation in response to a service failure and want to understand what went wrong. Therefore, providing an explanation should always be a better strategy than not taking this step at all (Bradley and Sparks, 2009; McColl-Kennedy and Sparks, 2003). Even though some studies challenge the general favorability of social accounts (Skarlicki et al., 2004), the vast majority of past research provides evidence that social accounts in general reduce the perceived harm of a failure or conflict (Bradley and Sparks, 2009; Liao, 2007; Mattila, 2006). Thus, we expected in the online context:

H1: The eWOM receiver’s (a) attitude towards the company and his/her perceptions of the company’s (b) credibility and (c) benevolence are more positive after the company’s response than before.

Moreover, insights gained from attribution theory suggest that different social accounts will have varying degrees of favorability (Kelley and Michela, 1980): Explanations in which the harmdoer accepts responsibility are perceived to be more favorable by the complainant (i.e., apology) than those in which the harmdoer denies responsibility (i.e., excuse) (Weiner, 2000). Empirical findings confirm the effects of explanations on the complainant’s satisfaction (Bradley and Sparks, 2009; Conlon and Murray, 1996), willingness to do business with the company (Conlon and Murray, 1996), and evaluation of the company (i.e., reputation) (Lee and Song, 2010).

H2: An apology (i.e., the company accepts responsibility) will have a greater positive effect on the eWOM receiver’s (a) attitude towards the company and his/her perceptions of the company’s (b) credibility and (c) benevolence than an excuse (i.e., the company denies responsibility).

Further, research empirically supports the importance of a company’s response in severe service failures (Smith et al., 1999). Based on a meta study on the effects of social accounts, Bobocel and Zdaniuk (2005) proposed that social accounts are even more effective when the negative event is of greater as opposed to lesser severity. Several empirical studies in service recovery research have included the magnitude of the problem and confirmed its effect on the respondents’ perceptions (Conlon and Murray, 1996; Hess Jr et al., 2003; Smith et al., 1999). Therefore, we expected the following in an online environment:

H3: The social account has a greater positive effect on the eWOM receiver’s (a) attitude towards the company and his/her perceptions of the company’s (b) credibility and (c) benevolence when the service failure is very severe than when it is of low severity.
Additionally, we considered different types of service failures in our study. Resource exchange theory and mental accounting explain that individuals prefer to exchange resources from proximal categories (Brinberg and Wood, 1983; Foa and Foa, 1980; Smith et al., 1999). In our case, for instance, this means that a process failure, such as a lack of attentiveness and friendliness, represents a social loss for the harmed customer. As a consequence, we would expect that a social account, which has conceptual proximity to the social loss (related to the unfriendly employees) has a greater effect in the case of the process failure than an outcome failure.

**H4:** The social account has a greater positive effect on the eWOM receiver's (a) attitude towards the company and his/her perceptions of the company's (b) credibility and (c) benevolence after a process failure than after an outcome failure.

Furthermore, theoretical approaches discuss the effects of established causal attributions in mediating the effects of e.g., social accounts on outcome variables (Weiner, 1986). Based on attribution theory, the literature conceptually and empirically assesses individuals' negative attitudes towards a company as well as the effects on trust-related outcome variables (Folkes, 1984). Consistent with attribution theory, Laczniak and colleagues (2001) empirically confirm the mediation of causal attribution, which therefore was expected in our study:

**H5:** The effect of the social account type on the eWOM receiver's (a) attitude towards the company and his/her perceptions of the company's (b) credibility and (c) benevolence is mediated by the attribution of responsibility to the service provider.

Finally, Folger and Cropanzano (1998) integrated the importance of the perceived adequacy of an explanation in response to a problem. Empirical analyses confirm that the perceived adequacy mediates the effects of social accounts on outcome variables such as trustworthiness (Bies et al., 1988; Shapiro et al., 1994). Therefore, we expected a second mediation of the social account type on our dependents variables through explanation adequacy:

**H6:** The effect of the social account type on the eWOM receiver's (a) attitude towards the company and his/her perceptions of the company's (b) credibility and (c) benevolence is mediated by perceived adequacy of the social account type.

**Method**

To test our hypotheses, we conducted an online experiment including a 2 by 2 by 2 between-subjects design: severity of the failure (low, high) x service failure type (process, outcome) x social account type (apology, excuse). We also measure credibility, benevolence, and attitude towards the company—before and after the company’s response—in order to measure the dynamics.

As the context for the study, we chose a hotel review site. Negative hotel reviews were taken as stimuli, considering the importance of eWOM via online reviews for experience goods (Sen and Lerman, 2007). In the scenarios we examined, the complainant described a problem with unfriendly and inattentive employees in the case of a process failure and with the cleanliness of the hotel room in the case of an outcome failure (Grönroos, 1984; Smith and Bolton, 2002). We successfully tested for the severity manipulation in a pre-test with 82 participants (see sample scenarios...
in the appendix). Measures used were adapted from existing research in service recovery and organizational justice, and respondents answered on a seven-point Likert scale (1=totally disagree and 7=totally agree; see appendix for quality of instruments). The trust-related dependent variables, credibility and benevolence, have been measured as proposed by Vázquez-Casielles and colleagues (2010). These measures included: “The described hotel seems sufficiently qualified to meet customer requirements”, “The described hotel seems to have an adequate knowledge about the services consumers need to be satisfied” (credibility), “When problems arise, the described hotel looks for solutions, keeping in mind the customer’s interests”, “The described hotel keeps the promises it makes”, “The described hotel is sincere and honest with customers”, “I consider that the described hotel is concerned about its customers and tries to help them when necessary”. (benevolence). Measures of the third dependent variable, attitude towards the company, were taken from Holbrook and Batra (1987): “The described hotel is good”, “I have a positive opinion about the hotel”, “I like the hotel”. The attribution of responsibility was operationalized through descriptions proposed by Russel (1982) as well as Hess Jr. and colleagues (2003) including “The cause of the failure is likely to be highly controllable by the hotel”, “…preventable by the hotel”, “…something the hotel is responsible for”. Measures of the provided response’s perceived adequacy were “I would think the reason the hotel’s representative gave to the customer for the service problem was adequate”, “…sufficient” and were adapted to the context from Sparks and Fredline (2007). Study participants were recruited in a university environment via an email link. The final sample contains 208 respondents randomly assigned to the treatments and equally distributed through the eight cells.

Results

We conducted several MANOVAs and ANOVAs to test our hypotheses. In addition, we applied the same procedure proposed by Hayes and Preacher (Hayes and Preacher, 2011; Preacher and Hayes, 2008) to test for mediation in H5 and H6; this procedure considers the recently articulated criticism (Zhao et al., 2010) towards stepwise procedures as proposed by Baron and Kenny (1986).
Table 1: ANOVA and mediation analysis results for study 1

#### ANOVA results

<table>
<thead>
<tr>
<th>H1</th>
<th>Main effect</th>
<th>DV</th>
<th>F</th>
<th>( \eta^2 )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre/Post</td>
<td>Attitude</td>
<td>.144</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credibility</td>
<td>1.028</td>
<td>.005</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Benevolence</td>
<td>2.557</td>
<td>.014</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>H2</th>
<th>Interaction</th>
<th>DV</th>
<th>F</th>
<th>( \eta^2 )</th>
<th>( \Delta M_{\text{apology}} )</th>
<th>( \Delta M_{\text{excuse}} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre/Post x Social Account</td>
<td>Attitude</td>
<td>2.931*</td>
<td>.015</td>
<td>.40***</td>
<td>.09</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credibility</td>
<td>7.856***</td>
<td>.038</td>
<td>.63***</td>
<td>.06</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Benevolence</td>
<td>8.095***</td>
<td>.039</td>
<td>.62***</td>
<td>.12</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>H3</th>
<th>Interaction</th>
<th>DV</th>
<th>F</th>
<th>( \eta^2 )</th>
<th>( \Delta M_{\text{low}} )</th>
<th>( \Delta M_{\text{high}} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre/Post x Failure Severity</td>
<td>Attitude</td>
<td>2.637</td>
<td>.013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credibility</td>
<td>2.175</td>
<td>.011</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Benevolence</td>
<td>9.010***</td>
<td>.043</td>
<td>.106***</td>
<td>.632***</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>H4</th>
<th>Interaction</th>
<th>DV</th>
<th>F</th>
<th>( \eta^2 )</th>
<th>( \Delta M_{\text{low}} )</th>
<th>( \Delta M_{\text{high}} )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre/Post x Failure Type</td>
<td>Attitude</td>
<td>.633</td>
<td>.003</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Credibility</td>
<td>1.878</td>
<td>.009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Benevolence</td>
<td>1.007</td>
<td>.005</td>
<td></td>
<td></td>
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</tbody>
</table>

Additional finding:

- Process failure: \( \Delta M_{\text{low}} = .01 \)
- Outcome failure: \( \Delta M_{\text{low}} = .21 \)

Significance levels: *** p < .01; ** p < .05; * p < .1; \( \Delta M \) indicates magnitude of change between means before (pre) and after (post) response by company; significance of change in dependents based on Wilcoxon Signed Ranks Test.

#### Mediation analysis results

<table>
<thead>
<tr>
<th>IV: Social Account</th>
<th>DV</th>
<th>Coeff.</th>
<th>95% BCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>H5 MED: Attribution of Responsibility</td>
<td>Attitude</td>
<td>-.012</td>
<td>[-.079; .047]</td>
</tr>
<tr>
<td></td>
<td>Credibility</td>
<td>-.020</td>
<td>[-.102; .034]</td>
</tr>
<tr>
<td></td>
<td>Benevolence</td>
<td>-.023</td>
<td>[-.087; .027]</td>
</tr>
<tr>
<td>H6 MED: Response Adequacy</td>
<td>Attitude</td>
<td>-.573</td>
<td>[-.796; -.373]</td>
</tr>
<tr>
<td></td>
<td>Credibility</td>
<td>-.797</td>
<td>[-1.063; -.552]</td>
</tr>
<tr>
<td></td>
<td>Benevolence</td>
<td>-.681</td>
<td>[-.972; -.462]</td>
</tr>
</tbody>
</table>

Results of mediation analysis using 95% bootstrapping confidence intervals (BCI) with 5,000 bootstrap resamples; BCI must exclude zero to indicate a significant indirect effect through the proposed mediator. Social account manipulations treated as variable with 1 apology and 2 excuse.

Abbreviations: IV = independent variable, DV = dependent variable; MED = mediator.

Table 1 gives an overview of the main results. Based on this data, we must reject H1. This result challenges the often-discussed belief that all explanations should improve the victim’s and/or observer’s perception (Bradley and Sparks, 2009), and is more consistent with studies reporting mixed results—both positive and negative effects of different explanation types (Conlon and Murray, 1996; Skarlicki et al., 2004). We found support for the expected interaction effect between the pre and post perceptions of the company and the social account (H2). A further analysis using the
robust Wilcoxon Signed Ranks Test revealed that the company achieved a significant improvement in the dependent variables attitude towards the company (Z=-3.76; p<.001), credibility (Z=-4.43; p<.001), and benevolence (Z=-4.74; p<.001) by apologizing. The expected interaction between the pre/post factor and the magnitude of the failure (H3) is only significant for benevolence, which highlights the importance of company response strategies on the will-do component of a firm’s trustworthiness. In addition, while the interaction with the service failure type is non-significant for all three dependents (H4), we found an interesting three-way interaction between the pre/post factor with the two between-subjects factors, failure severity and failure type, on benevolence. While company evaluation improvement is significantly greater for the highly severe scenarios than the lowly severe failure, this improvement is significantly higher for the highly severe process failure than the highly severe outcome failure. This result provides support for theoretical approaches such as resource exchange theory and mental accounting from an observer’s view.

We also confirmed that the effect of the social account on our dependent variables is mediated by the perceived adequacy of the company’s response (H4). However, our results provide no support for the expected mediation through the attribution of responsibility (H3). This reveals that the social account type affects the respondent’s attribution of responsibility in the expected direction. Attributed responsibility is higher after an apology by the company than an excuse (F = 8.753; p<.01; η² = .042), but the proposed mediator has no significant effect on the dependent variables.

STUDY 2: COMPANY RESPONSE STRATEGIES AND REPLIER INTERACTION WITHIN BRAND PAGES

Context and hypothesis development

While the results of study 1 show how the social account types affect the eWOM receiver’s perceptions of the company in an online environment, the influence of additional potential customers who observe the interaction between a complainant and a service company in a public thread and reply through comments is not considered. Such public visibility of a complaint situation and establishing of consensus and disaccord is typical for the new media online channels.

In study 2, we used brand pages (e.g., fan pages on Facebook, channels on YouTube, G+ pages on Google +) as a forum for integrating repliers who react to initial negative comments. Based on our findings in study 1, we expected to replicate our findings, and that the social account would have a significant effect on our dependent variables of credibility, benevolence, and attitude (H1). Furthermore, we hypothesized—based on attribution theory (Kelley and Michela, 1980; Weiner, 2000) and prior empirical research (Laczniak et al., 2001) — that consensus between the initial negative statement and the repliers’ statements would have a substantial effect on the dependent variables:

H7: The eWOM receiver’s (a) attitude towards the company and his/her perceptions of the company’s (b) credibility and (c) benevolence will be higher when the consensus between the initial negative statement and the repliers’ statements is low than when the consensus is high.

We also expected the type of social account to interact with the consensus. In other words, we hypothesized that an apology would lead to a better evaluation of the company than an excuse in the case of a high level of consensus, while an excuse
would lead to higher evaluations by the respondent in the case of low consensus among the eWOM senders. We expect this effect based on attribution theory (Weiner, 2000), reasoning that the attempt to convince others that the company is not at fault (i.e., excuse) when repliers are in disaccord with the negative statement:

\[ H8: \text{When the consensus of the initial statement and the repliers' statements is high, the eWOM receiver's (a) attitude towards the company and his/her perceptions of the company's (b) credibility and (c) benevolence will be higher after an apology by the company than after an excuse, and vice versa when the consensus is low.} \]

In line with study 1, we also assumed that the effects of social account and consensus on our dependent variables are mediated by the attribution of responsibility (H4, H6) and explanation adequacy (H5, H7).

**Method**

As in study 1, we conducted an online experiment but this time in the context of Facebook fan pages. To focus on the interaction between consensus and social account type, we implemented a 2 by 2 between-subjects factor design: consensus by other individuals agreeing or disagreeing with the initial negative statement (low, high) x social account type (apology, excuse). Again we measured credibility, benevolence, and attitude towards the company, responsibility, and response adequacy.

For the scenario, we used a negative statement reporting dissatisfaction with general malfunctions of a photo camera as stimuli for the initial negative eWOM message, as well as short statements by other individuals published on a Facebook fan page. In the scenario, the customer service representative of the company responded to the failure according to the two social accounts. We chose a photo camera, because this category is likely to be discussed in general social networking sites and the stimuli — negative statement and company response — were successfully pretested with 86 participants. Participants for this study were regular users of the social networking platform Facebook; they were recruited in a university environment and randomly assigned to one of the treatments. The final sample consisted of 244 participants.

**Results**

As in study 1, we carried out several MANOVAs and ANOVAs, as well as integrated bootstrap confidence intervals, to test our developed hypotheses. The results of the hypothesis tests are depicted in Table 2.
Table 2: ANOVA and mediation analysis results for study 2

ANOVA results

<table>
<thead>
<tr>
<th>H1</th>
<th>Main effect Social Account</th>
<th>DV</th>
<th>F</th>
<th>( \eta^2 )</th>
<th>mapology=</th>
<th>excuse=</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Attitude</td>
<td>12.817***</td>
<td>.052</td>
<td>4.17</td>
<td>3.64</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Credibility</td>
<td>.006</td>
<td>&lt;.001</td>
<td>3.86</td>
<td>3.87</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Benevolence</td>
<td>45.802***</td>
<td>.163</td>
<td>4.40</td>
<td>3.27</td>
</tr>
<tr>
<td>H7</td>
<td>Main effect Consensus</td>
<td>Attitude</td>
<td>25.470***</td>
<td>.098</td>
<td>M\text{low} = 4.25</td>
<td>M\text{high} = 3.53</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Credibility</td>
<td>6.798**</td>
<td>.028</td>
<td>M\text{low} = 4.06</td>
<td>M\text{high} = 3.68</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Benevolence</td>
<td>3.113*</td>
<td>.013</td>
<td>M\text{low} = 3.99</td>
<td>M\text{high} = 3.63</td>
</tr>
<tr>
<td>H8</td>
<td>Interaction Social Account x Consensus</td>
<td>Attitude</td>
<td>.096</td>
<td>&lt;.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Credibility</td>
<td>.238</td>
<td>.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Benevolence</td>
<td>.137</td>
<td>.001</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Significance levels: *** \( p < .01 \); ** \( p < .05 \); * \( p < .1 \).

Mediation analysis results

<table>
<thead>
<tr>
<th>IV: Social Account</th>
<th>DV</th>
<th>Coeff.</th>
<th>95% BCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>H4 MED: Attribution of Responsibility</td>
<td>Attitude</td>
<td>.145</td>
<td>[.022; .272]</td>
</tr>
<tr>
<td></td>
<td>Credibility</td>
<td>.043</td>
<td>[-.009; .122]</td>
</tr>
<tr>
<td></td>
<td>Benevolence</td>
<td>.010</td>
<td>[-.060; .069]</td>
</tr>
<tr>
<td>H5 MED: Explanation Adequacy</td>
<td>Attitude</td>
<td>-.423</td>
<td>[-.591; -.277]</td>
</tr>
<tr>
<td></td>
<td>Credibility</td>
<td>-.250</td>
<td>[-.438; -.079]</td>
</tr>
<tr>
<td></td>
<td>Benevolence</td>
<td>-.669</td>
<td>[-.932; -.427]</td>
</tr>
<tr>
<td>IV: Consensus</td>
<td>Attitude</td>
<td>-.224</td>
<td>[-.359; -.116]</td>
</tr>
<tr>
<td>H6 MED: Attribution of Responsibility</td>
<td>Credibility</td>
<td>-.074</td>
<td>[-.195; .017]</td>
</tr>
<tr>
<td></td>
<td>Benevolence</td>
<td>.024</td>
<td>[-.076; .115]</td>
</tr>
<tr>
<td>H7 MED: Response Adequacy</td>
<td>Attitude</td>
<td>-.123</td>
<td>[-.224; -.005]</td>
</tr>
<tr>
<td></td>
<td>Credibility</td>
<td>-.048</td>
<td>[-.127; .001]</td>
</tr>
<tr>
<td></td>
<td>Benevolence</td>
<td>-.204</td>
<td>[-.412; -.003]</td>
</tr>
</tbody>
</table>

Results of mediation analysis using 95% bootstrapping confidence intervals (BCI) with 5,000 bootstrap resamples; BCI must exclude zero to indicate a significant indirect effect through the proposed mediator. Social account manipulations treated as variable with 1 apology and 2 excuse (H4, H5) or with 1 low consensus and 2 high consensus (H6, H7). Abbreviations: IV = independent variable, DV = dependent variable; MED = mediator.

As predicted by H1, the study replicated the results from study 1. The social account type has a significant impact on the dependent variables of attitude, credibility, and benevolence. As predicted by H2, the consensus manipulation affects the eWOM receiver’s evaluations of the firm. However, we found no support for H8, which proposed an interaction between consensus and the social account type. The findings show therefore, that while the company’s interaction (i.e., social account type) as well as the fan interaction (i.e., consensus) significantly influence the eWOM receiver’s perceptions of the company respectively, the interaction is non-significant.
Our mediation analyses provide support for the expected indirect effects of the social account type on our dependent variables through explanation adequacy (H5). However, the indirect effect of the social account type through the attribution of responsibility is only significant for consumers’ attitude towards the company (H4). Our results provide only partial support for the indirect effects of consensus (H6 and H7). Response adequacy and the recipient’s attribution of responsibility for the reported event only mediate the effects of the fan interaction on the eWOM receiver’s attitude towards the firm. Furthermore, the perceived adequacy of the firm’s response significantly mediates the effect of consensus on benevolence.

GENERAL DISCUSSION

Our research contributes to the existing marketing literature from several standpoints. First, we highlight the importance of dealing with negative eWOM communication with social accounts in two contexts: online review sites as well as brand pages within social networking sites. We transfer knowledge from the service recovery and conflict management literature to expand the research field of service complaints and recovery to the context of today’s media. Second, we empirically assess the effects of specific types of complaint management tools (i.e., apologies, excuses) on eWOM receivers, and study the effect of potential consumers who are not directly affected by the problem (Bobocel and Zdaniuk, 2005). Third, while eWOM research on consumer online reviews has received considerable attention, eWOM within social networking sites, including the information from other individuals, is to the best of our knowledge widely neglected in the literature.

Through our investigation within new media channels our results have important implications for marketing management. First, we were able to show the power of an apology in dealing with negative eWOM. Although an apology leads to a higher attribution of responsibility, an apology ultimately has a positive effect on attitude, credibility, and benevolence, since it is always perceived as a more adequate response than an excuse. In contrast, making an excuse cannot completely permit a company to avoid the attribution of some responsibility and has a negative effect on the response’s perceived adequacy. Therefore — leaving aside legal concerns — social media managers should prioritize apologies over excuses for problems that arise. Our research demonstrates that an apology is a mixed blessing. Nevertheless, our results show that the question of who is responsible for the problem is only of minor importance for the eWOM receiver; the attribution of responsibility has only limited effects on subsequent evaluations of firm. Therefore, even in the event that the cause for a problem lies outside a company’s responsibility, it is better for the company to apologize and accept responsibility for the problem.

Second, we can show the influence of consensus between the initial negative commenter and other social media users on attitude, credibility, and benevolence. This illustrates the relevance of a vibrant fan community in social media; such a community is capable of defending the company when it is attacked. The opinion of other users is much more credible than communication from the company itself and may help to reduce or even avoid negative viral effects. But despite the positive effect of social media users’ defensive behaviors, our results reveal that it is better to admit responsibility when a problem occurs, even if some users may not agree with the initial negative comment. This is a very important finding, because management often denies responsibility completely (van Laer and de Ruyter, 2010).
We believe our study has interesting implications, but we are also aware of its limitations. We focused on apology/excuse and consensus/contradiction when we considered company and social media user responses. Future research should also include the company's lack of response in order to underline the importance of an apology. In addition, the importance of the intensity of consensus between the initial negative comment and other social media users remains unclear. Therefore, more research is needed to understand the effects of a company's response to negative eWOM in social media, as well as its interaction effects with other social media users.

CONCLUSION

New media channels enable customers to articulate experiences and express themselves in various ways. WOM communication on the Internet provides consumers with considerable power. In particular, the voicing of unfavorable opinions online could endanger a company's reputation (van Laer and de Ruyter, 2010). Despite this potential threat to firms, the visibility of online communication and the possibility of monitoring it enable companies not only to passively use customer feedback systematically for service improvement, but also to respond to customers and participate in the communication process (Dellarocas, 2003).

Our study is the first step toward achieving a better, more comprehensive understanding of eWOM in the context of new media channels. This new social media environment challenges traditional business practices, but offers new opportunities to understand consumers' needs and respond to them.
REFERENCES


APPENDIX

Sample stimuli study 1

Negative online review (process failure / low severity)

**Recommendation with restrictions**

We stayed in this hotel as a couple. We are slightly dissatisfied and therefore cannot recommend this hotel without reservation. Even though the hotel is altogether ok and corresponds to the descriptions in the brochure, something really bothered us: Both at the reception as well as during breakfast we had to wait several times to be served. Indeed, the employees were somewhat kind, but before serving us they finished unhurriedly their obvious private conversations with their colleagues. The personnel should be more attentive and be friendlier after the waiting time to be served. For this reason, we were not 100% satisfied and cannot recommend the hotel without reservation.

Negative online review (outcome failure / high severity)

**Never again!**

We stayed in this hotel as a couple. We are extremely dissatisfied and can only advise everybody staying at this hotel. Even though the hotel is altogether ok and corresponds to the descriptions in the brochure, something really bothered us a lot: the cleanliness of the rooms is disastrous. Housekeeping does not, in our experience, even take place at all before new guests check in. The bed sheets are old, have holes, and are simply not clean. At first glance, in the bathroom you immediately see the dirty curtains and you find hair from former guests in the shower trap. We were really disgusted by the room, which spoiled our vacation!

**Apology**

We would like to formally apologize to you for the problem that you have experienced in our hotel. We know that you looked forward to your stay in our hotel and therefore ask for your forgiveness. We assure you that the cause for the problem is not representative of the hotel, and we are sure that this was a singular event.

**Excuse**

The discomfort caused by the problem you have encountered is comprehensively very irritating for you. Nevertheless, we would like to alert you to the fact that the hotel is not at fault. Due to an economically difficult situation, we were forced to collaborate with an external service provider and the problem you experienced was caused by this collaboration. Because of this constrained collaboration, we unfortunately encountered problems and decided to end this relationship.
Sample stimuli study 2

Negative comment on fan page

**Totally disappointed**

I’m totally disappointed of my *Pictolino* camera! Better save your money or buy a good camera of another brand! Each time when I use my *Pictolino* camera, all I have are problems. There is always something that does not work. And I’m absolutely unhappy with the results of the camera!

*Fan reaction on the negative comment (Consensus)*

**Consensus with the negative comment**

Fan 1: I totally agree. *Pictolino* didn’t meet my expectations.
Fan 2: Same experience. I also have problems with my *Pictolino*.
Fan 3: Same opinion. *Pictolino* is shit.
Fan 4: I’m totally unhappy with my *Pictolino*.

**Disagreement with the negative comment**

Fan 2: Totally different experience. I never have problems with my *Pictolino*.
Fan 3: Totally different opinion. *Pictolino* is great.
Fan 4: I’m totally happy with my *Pictolino*.

*Company reaction on the negative comment (Social Account)*

**Apology**

Hello Julian. Too bad, that you made such bad experiences with our camera. We apology for any caused problem and try to resolve it as soon as possible. Please visit our service center: Our service employees will check your camera, so that you too can make great pictures in the future with your *Pictolino*.

**Excuse**

Hello Julian. Too bad, that you made such bad experiences with our camera. We can’t imagine any failure of our products, because we test our cameras always extensively for their functionality. Please look at page 5 in the user manual: Here you can find some helpful tips for beginners, so that you too can make great pictures in the future with your *Pictolino*. 
Quality of used instruments in the two studies

<table>
<thead>
<tr>
<th>Construct</th>
<th>Study 1</th>
<th>Study 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Items</td>
<td>α</td>
</tr>
<tr>
<td>Attribution of responsibility</td>
<td>3</td>
<td>.79</td>
</tr>
<tr>
<td>Response adequacy</td>
<td>2</td>
<td>.83</td>
</tr>
<tr>
<td>Attitude towards the company</td>
<td>3</td>
<td>.95</td>
</tr>
<tr>
<td>Credibility</td>
<td>2</td>
<td>.93</td>
</tr>
<tr>
<td>Benevolence</td>
<td>4</td>
<td>.91</td>
</tr>
</tbody>
</table>

All items measured on 7-point Likert (1=strongly disagree; 7=strongly agree). α = Cronbach’s alpha; TVE = Total Variance Explained; Item-total = Item-to-total correlation.