

**A STUDY ON CONSUMER BEHAVIOR POST ONLINE SERVICE FAILURE:
EXPLORING THE ROLE OF SOCIAL MEDIA**



सिद्धिमूलं प्रबन्धनम्
भा. प्र. सं. इन्दौर
IIM INDORE

**A THESIS
SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE FELLOW PROGRAMME IN MANAGEMENT
INDIAN INSTITUTE OF MANAGEMENT INDORE**

**BY
KHADIJA ALI VAKEEL**

Date: 05/21/2017

THESIS ADVISORY COMMITTEE

PROF. SHUBHAMOY DEY [CHAIRMAN]

PROF. SANJOG RAY [MEMBER]

PROF. JAYASIMHA K. R. [MEMBER]

S. Dey

Sanjog Ray.

A STUDY ON CONSUMER BEHAVIOR POST ONLINE SERVICE FAILURE: EXPLORING THE ROLE OF SOCIAL MEDIA

Abstract

Internet has transformed the way companies conduct and market their business. The concentration has now shifted from traditional retailing to technology based online retailing. Service quality such as on-time delivery, ease of website navigation has recently gained attention in online environment. If the quality of service offered is less than the adequate service expected by the customer, there exists a mismatch in actual and desired service which is termed as service failure. It leads to customer dissatisfaction and might force customers to switch resulting in revenue loss to the service provider.

Companies are coming up with innovative business models for online retailing to attract more customers. Online flash sales are a recent phenomenon where the vendor offers discounts online for a short time window. Online flash sales have faced wide discontent due to service failures at the pre-purchase stage. Social media has gained centre stage where participants after experiencing service failure share their bad experiences online. Failure of service leads to significant costs to the firm, such as negative word-of-mouth (WOM) and decrease in purchase intention.

I aim to understand the role of social media in negative WOM propagation and the process of failure attribution in online flash sale. Scant literature was found in this context and hence undertake a two prong study to explore the phenomenon. In the first study, I examine consumer-consumer (sender-receiver dyad) interaction on social media post service failure in an online flash sale backdrop. Specifically, I investigate the impact of interpersonal and non-interpersonal WOM characteristics of the dyad on receiver's WOM transmission. I also look at the moderating effect

of service provider's responsiveness in the propagation of WOM. Results of this study show community engagement, dispersion, valence, and homophily are predictors of WOM propagation. Moreover, service provider responsiveness plays an important role in curbing negative effect of positive dispersion.

In the second study, using attribution theory I examine how the attribution of service failure by consumer takes place in online purchase and its impact on re-participation intention. The findings show that internal locus of attribution has more negative impact on re-participation intention as opposed to external locus of attribution. Secondly, for a deal prone consumer, negative past emotion decreases intention to participate in online flash sale. The study has implications for the service provider as they can use social media for pre-crisis management.

Keywords: Service failure, Social media, Attribution Theory, Word-of-Mouth, Electronic-commerce, Flash Sales

Contents

1.0	INTRODUCTION	11
1.1	TRADITIONAL AND ONLINE SERVICES	12
1.2	FLASH SALE	13
1.3	FLASH SALE AND SOCIAL MEDIA	14
1.4	MOTIVATION	16
1.5	RESEARCH OBJECTIVES	19
1.6	GUIDING FRAMEWORK	19
1.7	DISSERTATION STRUCTURE	21
2.0	THEORETICAL BACKGROUND	22
2.1	OFFLINE AND ONLINE RETAILING	22
2.1.1	<i>E-commerce</i>	22
2.1.2	<i>Flash Sales</i>	23
2.2	SERVICE ENCOUNTER	23
2.3	SERVICE FAILURE	24
2.3.1	<i>Online Service failure</i>	24
2.4	SOCIAL MEDIA	24
2.5	WORD-OF-MOUTH	25
2.6	SERVICE PROVIDER RESPONSIVENESS	25
2.7	CONTAGION THEORY	26
2.8	DEAL PRONENESS	26
2.9	EMOTION	26
2.10	ATTRIBUTION THEORY	27
3.0	WOM PROPAGATION	28
3.1	WORD-OF-MOUTH	28
3.2	ELECTRONIC WORD-OF-MOUTH	29
3.3	SOCIAL MEDIA AND E-WOM	30
3.4	RESEARCH GAP AND RESEARCH QUESTION	31
3.5	SOCIAL NETWORK ANALYSIS	35
3.6	DATA	37
3.7	NON-INTERPERSONAL CHARACTERISTICS	39
3.7.1	<i>Community Engagement</i>	41
3.7.2	<i>Dispersion</i>	41
3.7.3	<i>Valence</i>	42
3.8	INTERPERSONAL CHARACTERISTICS	43
3.8.1	<i>Tie Strength</i>	43
3.8.2	<i>Homophily</i>	44
3.9	ROLE OF SERVICE PROVIDER	45
4.0	RESEARCH METHODOLOGY- WOM PROPAGATION	48
4.1	DATA	48
4.2	ECONOMETRIC MODELLING RESULTS	52
4.2.1	<i>Non-interpersonal characteristics Econometric Model</i>	52
4.2.2	<i>Interpersonal characteristics</i>	56
4.2.3	<i>Interaction effects of service provider's responsiveness on non-interpersonal characteristics</i>	57

5.0	CAUSAL ATTRIBUTION	59
5.1	ATTRIBUTION IN SERVICE FAILURE	59
5.1.1	<i>Typology of Service failure</i>	60
5.2	LITERATURE REVIEW	60
5.2.1	<i>Customer Behavior post-Online Service Failure</i>	60
5.2.2	<i>Deal Proneness</i>	61
5.2.3	<i>Role of Emotions in Service Failure</i>	62
5.3	ATTRIBUTION THEORY	63
5.4	RESEARCH GAP AND RESEARCH QUESTION	67
5.5	THEORETICAL FOUNDATION	68
5.6	NETNOGRAPHY	68
5.6.1	<i>Data collection</i>	69
5.6.2	<i>An Exploratory Study</i>	70
5.7	HYPOTHESES DEVELOPMENT	73
5.7.1	<i>Main Effects of Deal proneness</i>	74
5.7.2	<i>Moderating Effect of Internal LOA</i>	76
5.7.3	<i>Moderating Effect of External LOA</i>	78
5.7.4	<i>Role of Emotions as Second-level Moderator</i>	80
6.0	RESEARCH METHODOLOGY- CAUSAL ATTRIBUTION	83
6.1	NETNOGRAPHY ON TWITTER	83
6.1.1	<i>Preprocessing</i>	85
6.1.2	<i>Sentiment Analysis</i>	86
6.1.3	<i>Clustering of Tweets</i>	87
6.2	SCALE DEVELOPMENT AND CONSTRUCT MEASUREMENT	87
6.2.1	<i>Measurement Model</i>	92
6.2.2	<i>Structural Model and Hypotheses Results</i>	95
7.0	DISCUSSION.....	102
7.1	DISCUSSION OF WOM PROPAGATION	102
7.1.1	<i>Theoretical Contribution</i>	103
7.1.2	<i>Managerial Implication</i>	104
7.2	DISCUSSION OF CAUSAL ATTRIBUTION	105
7.2.1	<i>Theoretical Contribution</i>	107
7.2.2	<i>Managerial Implication</i>	108
8.0	CONCLUSION.....	110
8.1	CONTRIBUTION TO THEORY	111
8.2	BUSINESS AND MANAGERIAL IMPLICATION	112
8.3	LIMITATIONS AND FUTURE RESEARCH- WOM PROPAGATION	113
8.4	LIMITATIONS AND FUTURE RESEARCH – CAUSAL ATTRIBUTION	114
8.5	CHALLENGES	116
8.5.1	<i>Technical</i>	116
8.5.2	<i>Managerial</i>	116
	REFERENCES	118

LIST OF FIGURES

FIGURE 1: EXAMPLE OF SERVICE FAILURE IN FLASH SALES	15
FIGURE 2: RATIO OF NEGATIVITY OF TWEETS IN FLIPKART BIG BILLION DAY SALE 2015	17
FIGURE 3: GUIDING FRAMEWORK.....	21
FIGURE 4: NETWORK FORMATION DURING WOM PROPAGATION ON TWITTER.....	37
FIGURE 5: PROPOSED MODEL	47
FIGURE 6: PARTIAL FLIPKART BIG BILLION DAY SALE 2015 WOM NETWORK.....	49
FIGURE 7: OVERVIEW OF THE STUDY	71
FIGURE 8: RESULTS OF STUDY 1 USING FRAMEWORK BY CORLEY AND GIOIA (2004)	72
FIGURE 9: CONCEPTUAL MODEL.....	76
FIGURE 10: PREPROCESSING STEPS FOR TEXT MINING OF TWEETS	86
FIGURE 11: INTERACTION EFFECT OF LOCUS OF ATTRIBUTION (LOA).....	100

LIST OF TABLES

TABLE 1: LITERATURE REVIEW OF WORD-OF-MOUTH	33
TABLE 2: VARIABLE DESCRIPTION FOR NON-INTERPERSONAL CHARACTERISTICS	39
TABLE 3: VARIABLE DESCRIPTION FOR INTERPERSONAL CHARACTERISTICS	44
TABLE 4: DESCRIPTIVE STATISTICS	50
TABLE 5: DESCRIPTIVE STATISTICS FOR SERVICE PROVIDER RESPONSIVENESS.....	50
TABLE 6: RESULTS OF ECONOMETRIC MODELING.....	55
TABLE 7: LITERATURE ON DEAL PRONENESS.....	62
TABLE 8: SELECTED LITERATURE REVIEW ON LOCUS OF ATTRIBUTION (LOA) IN SERVICE FAILURE	64
TABLE 9: LITERATURE REVIEW OF ATTRIBUTION THEORY IN E-COMMERCE SERVICE FAILURE ...	66
TABLE 10: RESULT OF CLUSTERING	75
TABLE 11: SELECTED TWEETS FROM THE STUDY.....	77
TABLE 12: LITERATURE REVIEW ON NETNOGRAPHY ON TWITTER	84
TABLE 13: LOCUS OF ATTRIBUTION (LOA) MEASUREMENT	89
TABLE 14: PSYCHOMETRIC PROPERTIES.....	94
TABLE 15: HYPOTHESES RESULTS.....	98
TABLE 16: RESULTS OF MULTI-GROUP ANALYSIS (MGA) ON RE-PARTICIPATION INTENTION..	101
TABLE 17: HYPOTHESES, THEORETICAL JUSTIFICATION AND RESULTS FOR RESEARCH QUESTION 1	103
TABLE 18: HYPOTHESES, THEORETICAL JUSTIFICATION AND RESULTS FOR RESEARCH QUESTION 2	106