The Moderating Effect of Power-Distance Belief on the Relationship Between Employees’ Service Failures and Fitness Center Customer’s Behavioral Outcomes

Hyunseok Song, Indiana University
Kevin K. Byon (Advisor), Indiana University

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Once service failures occur, customers engage in negative responses such as negative word-of-mouth (nWOM) and switching intentions. To mitigate such negative reactions, service providers attempt to recover from their service failures by apologizing and offering monetary compensation. However, compensation is not always the best solution because of the associated costs. Thus, scholars have focused on customers’ intrinsic characteristics, which may assuage their negative responses to service failures and consequently minimize the use of service providers’ tangible resources (e.g., Consiglio & Van Osselaer, 2019). Within the framework of intrinsic factors, we focus on the moderating effect of power-distance belief (PDB, Zhang et al., 2010)—the degree of power disparity that customers are willing to accept—on customers’ reactions to service failures in the context of a fitness center. Scholars have found that PDB is a determining factor when customers evaluate service. Those with high PDB believe in inequality between customers and employees, expecting a high level of employees’ attitude (Kim & Aggarwal, 2016). The purpose of the current study was to examine the moderating effect of PDB on the relationship between employees’ service failures and customers’ nWOM and switching intentions. The following hypotheses were tested:

High PDB will respond more negatively than low PDB to the service failures of employees (H1), and the moderating effect of PDB will be smaller in the high level of severity of service failure than in the low service failure (H2).

This study conducted a 2×2 (high/low service failure × high/low PDB) between-subject experiment with 247 samples collected from M-Turk. Participants were randomly assigned to a high or low service failure severity scenario. The result of the manipulation check for the service failure severity (e.g., “I would consider it as a big problem.”) showed a significant difference between the scenarios (M_lowseverity=3.62 vs. M_highseverity=5.12, t =7.54, p<0.05). PDB, nWOM, and switching intentions were measured by 7-point Likert scales (Zhang et al., 2010; Bougie et al., 2003). Via Hayes’ PROCESS macro (Model 1; 5000 bootstrap resampling), the moderating effect of PDB was found on the nWOM (F(1,243)=3.92, p<0.05) and switching intentions (F(1, 243) = 3.93, p<0.05), respectively. Specifically, in the low SF severity, the high PDB group was found to be more engaged in nWOM (-1SD_PDB=3.35 vs. +1SD_PDB=4.00, effect size = 0.60) and switching intentions (-1SD_PDB=3.90 vs. +1SD_PDB=4.60, effect size = 0.68). However, in the high SF severity, the group difference was not significant to neither nWOM nor switching intentions. The current study’s findings suggest that customers’ responses to the severity of employee’s service failure vary by the level of PDB. Specifically, when a minor level of service failure occurred, the moderating effect of PDB is more prominent. Segmenting customers who engage in negative responses due to low/high levels of service failure may allow fitness center managers to allocate resources more efficiently to recover from the failures. Suggestions about how fitness center managers could utilize PDB as customer retention strategies dealing with service failure is discussed in the presentation.