

# Reparation for Service Failure Through Service Recovery: An Assessment of Consumer Behaviour in an Online Shopping Context

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## Abstract

A service failure in online shopping exacerbates customers' behaviour towards a brand/webstore. However, service recovery is deemed an instrumental factor to atone for the customer loss after a service failure. To examine this, the current study aims to analyse the relationship between service failure and its downstream effect on the future customer behavioural intentions (i.e., customers' switching and repurchasing. Moreover, this study incorporates the mediating role of service recovery between service failure and customers' future intentions. The survey technique was employed to achieve objectives by collecting data from 364 Malaysian customers who purchased from any webstore in the last six months. Data was analysed through SPSS 24.0 and SEM-PLS 3.3.3. The results of the study revealed that service recovery has a positive impact on repurchasing intention and switching intention. Furthermore, it is observed that due to cultural influences, the effect of service recovery on repurchase intention is less significant as compared to switching intention, which shows that in a specific culture, service recovery is less important than social loss. The practical implications of the study are two-fold. Firstly, the service provider should consider customers' expectations regarding service recovery. Secondly, service providers should not be limited to financial compensation only; instead, they should include non-financial compensation to retain customers from a specific culture.

**Keywords:** service failure; service recovery, switching intention, repurchase intention, online shopping, COVID-19

## 1. Introduction

The pandemic has intrigued consumers to purchase through digital platforms (Mason et al., 2021; Shamim et al., 2021). This shift is attributable with the help of available technology and the inclination of young people towards online shopping (Ariff et al., 2014; Bhatti et al., 2020). However, with the surge of online shopping, service failure occurrences have also escalated (Shamim et al., 2021). Such service failures tend to incur during the purchase process of the product (i.e. order, interaction with employees, or delivery service) or at the utility stage (i.e. post-purchase) (Liu & Lin, 2020), which determine consumer future buying behaviour (Harrison-Walker, 2019). Service failures trigger customers' negative emotions, which leads to defection (Sands et al., 2020). Customers make decisions for their future purchases from the same webstore by keeping their previous experience in their mind. Though organisations try to provide error-free services, it is unrealistic due to many factors

(Ogbonna et al., 2015). As service failures are inevitable, but the service providers can retain their customers by doing corrective actions (i.e., service recovery).

Moreover, with the increasing intensity of competition in recent years, organisations no longer rely on stereotypical marketing methods to expand their global market shares. This dilemma emanates from different cultural values and their symbiotic relationship with service failure and service recovery. Accordingly, they customised marketing plans and strategies to capture each set of consumers, with similar consumption and behavioural patterns worldwide (Sian et al., 2010). Previously researchers argued that providing compensation as a service recovery retains customers after a service failure (Kamalapur & Lyth, 2020).

However, customers behave differently as per their social values. It is not possible that service recovery can get the desired result in all cultures. The effects of service recovery can vary from culture to culture and customer to customer (Mazhar et al., 2020), for instance Malaysian customers consider online shopping as a reliable source for purchasing their daily household necessities (Isa et al., 2020). Malaysia, a relatively small young multi-ethnic (i.e., Malays, Chinese, Indians, and others) nation, has a population of approximately 32.7 million people (Meerangani et al., 2021). In the Asian (vs. Western) context, scarce studies illuminate how values in different cultures influence consumer behaviour (Mooij, 2003; Ward et al., 2002). The literature in Western perspective is generalised to be similar (or akin to similar) to other countries; hence, a generic measurement strategy for all situations. Therefore, it implies that a generic adaptation of findings from Western research could sound unwise for Asian countries. The culture, systems, and strategies synonymous with the Western people, but customer future intention couldn't sound like another country.

Previous research has a lack of evidence for service recovery outcomes. Good service recovery actions provide a complete sequence of the impact of service recovery on customers after getting recovery—the level of satisfaction, behavioural intention, word-of-mouth, and repurchase intentions (Swanson & Kelley, 2001). It is unconsidered whether customers who received service recovery will buy from the same organisation again. In reality, even after providing service recovery, businesses continue to lose customers. Why customers are not satisfied even after getting compensation and would not come back to purchase from the same seller. What are the things behind their decisions? How can an organisation improve its service recovery process? These are the key questions that need to be answered to retain dissatisfied customers. Based on the discussion mentioned above, the current study has the following objectives to achieve in the Malaysian context: (1) the relationship between service failure and service recovery; (2) service recovery and customer switching intentions; (3) service recovery and customer repurchase intentions; and (4) the mediation role of service recovery between the antecedent (i.e., service failure) and its consequences (i.e. customers' switching and repurchase intentions). In this study, it is argued that it is imprudent to take and adapt a strategy as it assumes its generic application is thriving in a Western country and considers that it will be successful in another country. Given the skewed literature in the Western (vs. Asian) perspective on service recovery, it is pivotal to learn how collectivist

customer behaves against service failure and service recovery.

Extensive research has been conducted in an offline context like restaurants, retailing, and the airline sector (Borah et al., 2020; Cheng et al., 2019; Matikiti et al., 2019). Furthermore, prior research mainly focused on experimental studies that provide service failure scenarios and asked the customers to put them in that scenario and respond to the subsequent question (Koc et al., 2019; Wei et al., 2020). In this study, an online shopping context was chosen, especially in a culture where people of different ethnicities live together. Though they have their religious beliefs socially, they have some standard behaviour. In such a diverse society, it is a significant contribution to check their behaviour towards online shopping followed by a service failure. It is observed that service recovery influences future behavioural intention, but the effect of service recovery on repurchase intention is not as claimed in previous research. Customers are still tending to be switching after getting service recovery. This kind of behaviour might be affected due to many factors, cultural factors mould customer behaviour. Furthermore, service recovery was used as an independent variable to access the outcomes, whereas, in this study, service recovery was used as a mediator to investigate the customers' behavioural intention.

The remainder of the paper is structured as follows: Section 2 (Literature Review) describes, in brief, the most recent research on service failure, service recovery, and future behavioural intentions. Section 3 (Research Methodology) provides a precise technique that illustrates the most appropriate research design. Section 4 (Data Analysis) presents the results of the study. Section 5 (Findings and Discussion) focuses on explaining the role of service failure on customers' behavioural intention in light of the current study results. Furthermore, mediating effect of service recovery was also discussed. Finally, limitations and directions for future research will be considered to bring the study to a close.

## **2. Literature Review**

Emotions encompass an instigating role to comprehend consumer behaviour from the cognitive and hedonic perspectives (Hirschman & Stern, 1999). Customers' emotional response to service failure influences the evaluation of service recovery. Service failure stimulates customers' negative emotions; therefore, they evaluate the service recovery emotionally. In service failure and recovery, however, studies on emotions in a cultural setting have little traction. Due to the growing significance of emotions in service failure and recovery, this area has earned rapid scholarly attention (Orsingher et al., 2017). Furthermore, consumers differ in evaluating service failures. Some customers value financial or non-social loss, whereas others are more concerned with social loss. Similarly, collectivist customers focus more on process failure than outcome failure; hence, they show more anger on the loss of face, status, and self-esteem. In reaction to such service failures, they intrinsically develop a state of grudge. Thus, consumers are likely to express their bad feelings within their community, bringing loss to the businesses.

### *2.1 Service Failure during the Online Shopping Experience*

Service failures are inevitable because of the integral inconsistency of service performance (Zeithaml et al., 1990). A service failure occurs when a customer is given subpar service and has a negative opinion of the company (Azemi et al., 2019; Gelbrich & Roschk, 2011). If service providers deal with failures incorrectly, they can incur some harmful consequences as it can drive customers to produce negative word of mouth (NWOM) and reduce profits (Chih-Hung et al., 2019; Kamalapur & Lyth, 2020). Process failure and outcome failure are two types of service failure. The first form of failure is caused by social or psychological causes, whereas the second type is caused by physical or instrumental factors (Driver & Johnston, 2001; Li et al., 2016). Put another way, a process failure is personal, whereas outcome failure is impersonal. Service often includes both process and outcome features, but the relative importance of each varies depending on the context (Hinkin & Tracey, 2003). Some groups are more concerned with outcome failure, like in individualistic societies, whereas people related to collectivistic groups give more value to process failure.

There is a high level of engagement between service providers and their customers. Customers demand more from the service provider after developing a relationship with the service provider. If the vendor fails to meet the customer's intended level of expectation, the likelihood of service failure increases. According to several experts, this high level of contact raises consumer expectations and the risk of service failure (Chueh et al., 2014; De Ruyter & Wetzels, 2000; Komunda & Osarenkhoe, 2012; Sasser et al., 1991). Customer satisfaction hinges on the quality of service provided. (Wallin Andreassen, 2000) conclude that the negative impact of customers is a prevalent feature of service failure. This negative effect will also impact customer satisfaction with service recovery and future willingness to buy from the same seller.

Online shopping is a common practice in Malaysia for purchasing daily routine products. According to a survey, almost half of the online customers are still reluctant to provide their credit card details during online shopping due to credit card fraud (Nielsen Holdings, 2014). A survey conducted on 2709 online shoppers revealed that 88% of consumers faced problems during online shopping. Furthermore, 40% of customers stop transacting with faulty webstore due to service failure (Interactive, 2006). Additionally, 91% of customers have concerns about disclosing their personal information (Interactive, 2006). This implies that service failure in any aspect of online shopping produces a negative spillover effect which further affects other aspects of the transaction (Tan et al., 2016). The negative effect of this spillover adversely affects the webstores since customers may be reluctant to repurchase from that webstore due to a bad experience (Mazhar & Ting, 2021; Tan et al., 2016). Customers who have experienced service failure have had their expectations or requests not met by the service provider (Hsu, 2014). They are more likely to switch to another service provider to meet their needs. As a result, one thing that motivates customers to quit or stay with their current service provider is service failure (Bansal et al., 2005). Customers may have fewer options in an offline setting due to geographic limits, but internet shopping provides

customers with many other webstores that offer equivalent products and services. As a result, buyers are more likely to switch while purchasing online. Based on the preceding debate, it has been hypothesised that;

H1: There is a positive relationship between service failure and service recovery.

H2: There is a positive relationship between service failure and switching intention.

H3: There is a negative relationship between service failure and repurchase intention.

## *2.2 Mediating Role of Service Recovery*

Businesses strive to perform at a high level to maximise earnings by retaining satisfied customers. When attracting new clients through an offensive plan, a defensive strategy to keep existing customers is less expensive. It costs five times as much to acquire new consumers as it keeps an existing one (Hamilton et al., 2017; Timm, 2001). It has been discovered that attracting a new customer is 5 to 6 times more costly than retaining existing customers (Manzano-Machob, 2013). Disgruntled customers will increase profit from 25% to 85% (Kotler, 2003). In today's highly competitive service industry, securing dissatisfied consumers and developing an efficient strategy for delivering service recovery to retain customers has become extremely tough (Migacz et al., 2017). Customers have more power to choose the best option for themselves in a competitive atmosphere. It is quite difficult for businesses to stay afloat in this field. According to previous surveys, interest in service recovery has grown due to service failures, which frequently result in customer switching (Keaveney, 1995). It is awful for a firm to lose clients because of poor service performance. When service failures occur, a well-managed service recovery attempt can sometimes result in higher satisfaction than if there had been no service breakdown.

When service failure occurs, it becomes essential for the webstore to reacquire dissatisfied customers so that financial and reputational loss can be minimised. Providing service recovery to dissatisfied/complaining customers is an opportunity for retailers to model customers' perceptions about their brand (Turner, 2018). The literature revealed that poor service recovery was offered to customers. For example, some online retailers respond only to half of the complaints they receive, and in response to those complaints, they just offer an apology or empathy (Rosenmayer et al., 2018). Webstores must be careful about customers' complaints and their expectations regarding service recovery. The method and effectiveness of complaint handling and service recovery could improve customer satisfaction and retention if an online service breakdown cannot be avoided (Tseng, 2021). The current study uses service recovery to mediate service failure and future behavioural intentions. Currently, available research has supported that service recovery is not a precondition for future behavioural intention (Lee & Zahn, 2014; Noone, 2012). There is a possibility that a customer is satisfied with its service recovery efforts but does not wish to return because there is a better alternative available to them. In previous studies, satisfaction with service recovery and perceived justice with service recovery was used as mediators (Asghar Ali et al., 2021). Hence, it is critical to comprehend the significance of customer recovery satisfaction

in the context of online shopping. Therefore, based on the above discussion, we hypothesised that;

H4: Service recovery mediates the relationship between service failure and repurchase intention.

H5: Service recovery mediates the relationship between service failure and switching intention.

### *2.3 Repurchase Intention in Online Shopping*

Repurchase intention refers to a person's decision to acquire a specific service from the same organisation again, considering their current condition and likely circumstances. When a customer encounters service failure, his intentions of repurchasing may change. Culture is a significant force in any social group, whether it is an ethnic group, a religious community, or a collection of people who share a common interest. Culture has a significant impact on individual beliefs and lifestyles, according to researchers, and it cannot be overvalued because it influences people's thoughts, motives, and value systems. From a marketing standpoint, because culture examines customers' value systems, which are subsequently governed by the world around them, it significantly influences consumers' affective and cognitive choices of consuming and spending (Briley & Williams, 1998). According to Hofstede's cultural dimension, Malaysia is under collectivism. The beliefs and behaviour of members are determined by society. People living in a collectivist society learn behaviours from each other and share them. In a collectivist society, people have high social interaction with each other. Therefore, they share their good or bad experiences with their family, friends, and other community members. A collectivist society has a social influence on its member's behaviours and actions, and people act in a situation only for the interest of their society. The impact of national culture on perceptions of recovery efforts has yet to be investigated. Customers from various cultures are likely to have varying service expectations and engage in relational behaviours. (Donthu & Yoo, 1998; Patterson & Smith, 2001; Schutte & Ciarlante, 1998). However, most consumer behaviour research is based on theoretical frameworks developed in Western nations. (Aaker & Maheswaran, 1997; Maheswaran & Shavitt, 2000; Patterson & Smith, 2001). Generally, customers who are satisfied with the service are more inclined to repurchase, and the opposite is true (Asghar Ali et al., 2021). For various businesses, profit maximisation is still the primary goal to pursue (Azhar Ali et al., 2021). To achieve this goal, they strive to build customer loyalty and retention.

### *2.4 Switching Intention*

Switching is defined as “replacing or exchanging the current service provider with another service provider” (Bansal & Taylor, 1999). The polar opposite of loyalty is switching (Singh & Rosengren, 2020). Loyalty is “a deeply held commitment to rebuy or patronise a preferred product/service consistently in future” (Oliver, 1999). Loyalty focuses on positive aspects of webstores whereas, switching focuses on negative aspects of webstore that lead customers to exit (Singh & Rosengren, 2020). Customers that switch to other webstores not only cost the

original webstore money, but they also cost the original webstore money to replace those customers. Also, they lose the future benefits that might be received from those customers if they become loyal. Switching can be in two different methods or categories. Previous research on brick and mortar indicated that customers switch from one retailer to another retailer (Zhang et al., 2008). “Loyalty” focuses on the positive outcome of purchase experience with webstore and a loyal customer must purchase from the same seller in future. Switching behaviour shows the negative result of customers that leads the customer to leave. Technological advancements have changed the business trends nowadays. Companies are shifting their businesses towards online channels to achieve a competitive advantage in the market. One of the key elements that influences switching intentions is service failure (Pieters et al., 2019). It is clear from the literature that if a service provider offers a service recovery to the customers after a service failure, they will be satisfied, it will remove dissatisfaction and make the customer loyal, but due to low switching cost customers shift towards other webstores with a single click (Zhu et al., 2021).

When a customer encounter service failure service provider offers a service recovery in the form of compensation or apology. Based on the offered service recovery customer decide whether he would repurchase or switch to another service provider. The research framework is shown in figure 1.

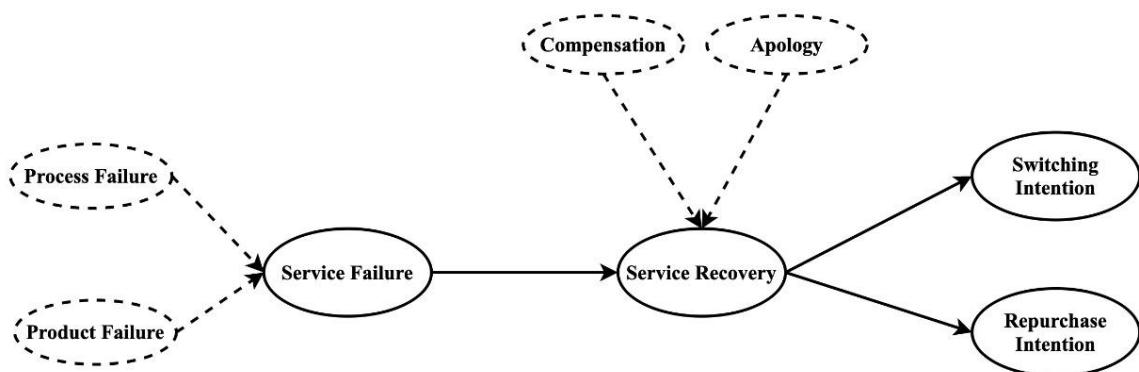


Figure 1. Research Framework

*Source: Conceptualized by authors*

### 2.5 Social Cognitive Theory

Albert Bandura coined the term "social learning theory" (SLT) in the 1960s. It was renamed the Social Cognitive Theory (SCT) in 1986, and it asserts that learning takes place in a social setting involving interaction, environment, and behaviour. “Social cognitive theory favours a model of causation involving triadic reciprocal determinism. In this model of reciprocal causation, behaviour, cognition and other personal factors, and environmental influences all operate as interacting determinants that influence each other bi-directionally” (Bandura, 1989). SCT explains that the environment and individuals are the significant determinants of



individual behaviours (Kursan Milaković, 2021). It also enlightens how individual characteristics are influenced by individuals and the environment (Bandura, 1989). From the triadic relationship, all three determinants are influenced by each other; however, Bandura (1989) stated that “Reciprocal causation does not mean that the different sources of influence are of equal strength. Some may be stronger than others. Nor do the reciprocal influences all coincide (Mehreen et al., 2022). It takes time for a causal factor to exert its influence and activate reciprocal influences”. The emphasis on social impact and external and internal social reinforcement is a distinguishing element of SCT. According to SCT, individuals acquire and maintain specific behaviour within a social context (Wang et al., 2020). The theory considers a person's past experiences, reinforcements, expectations, and expectancies, all of which determine whether a person will engage in a particular behaviour.

### **3. Research Methodology**

This section describes the research design, including how participants were chosen, the study's methodology, and the measurement instrument used in the study.

#### *3.1 Procedure and Participants*

Customers that shop online in Malaysia were surveyed using self-administered questionnaires. This study's questionnaire mainly was based on previous research. Some changes have been made to meet the current research. The questionnaire was distributed to 80 customers who experienced online shopping as part of a pilot test to input the design. The pilot test was undertaken to improve the questionnaire's general quality, and consequently, the current study used this survey method. The survey technique is being used because it has higher generalizability and more external reliability based on actual marketing exchanges (Churchill & Iacobucci, 2006). Non-probability convenience sampling was utilised in this investigation. Probability sampling cannot be employed because there is no list of those customers who have suffered service failure. Respondents filled out a total of 364 surveys. This resulted in a response rate of almost 72 per cent. Only 319 surveys were able to be used out of 364. Forty-five respondents either filled out the surveys incorrectly or did not complete them at all.

#### *3.2 Measurement*

The questionnaire was divided into two parts. The first part contained respondents' demographic information, whereas the second part included questions related to the variables. All variables were measured on interval scales, except demographic questions. Scales from the previous literature are used for all variables. Six items of two different dimensions of service failure were adapted in the questionnaire based on previous research. The six items for service recovery were adapted based on the research of (Chou, 2015). Two dimensions (compensation and apology) were used to measure the service recovery. Three items of repurchase intention and three items of switching intentions were adapted from the (Maxham III, 2001) and (Sánchez-García & Currás-Pérez, 2011) respectively. A five-point Likert scale was used, ranging from “strongly disagree” (1) to “strongly agree” (5).

#### 4. Data Analysis

PLS-SEM approach was applied by using Smart PLS v 3.3.3 to test the model in this study (Ringle et al., 2015). The advantage of this approach includes PLS-SEM is variance-based (Hair et al., 2021) and suitable for causal-predictive analysis (Lauro & Vinzi, 2004). Furthermore, it is widely applied in business and social sciences research (Sarstedt & Cheah, 2019). This approach involves estimating the measurement model and structural model (Hair et al., 2021).

##### 4.1 Demographics' Characteristics

The respondent's profile was described based on gender, age, qualification, income, and ethnicity, as presented in Table 1. Among 453 respondents, 244 (53.9%) male and 209 (46.1%) female respondents participated in this study. Most respondents were having aged between 21 to 30 years (60.7%) and hold master's degrees (37.5%). Regarding income, most of the respondents (27.2%) had income below RM2000 (477.78 USD), while 33.1% had Chinese ethnicity.

Table 1. Respondent's characteristics

<b>Criteria</b>	<b>Description</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Gender	Male	244	53.9
	Female	209	46.1
Age	Below 20 years	53	11.7
	21-30 years	275	60.7
	31-40 years	71	15.7
	41-50 years	25	5.5
	51-60 years	22	4.9
	Above 60 years	7	1.5
	Qualification	Secondary	31
Bachelor		50	11
Master		170	37.5
PhD		134	29.6
Others		68	15
Income	< RM2000*	123	27.2

	RM2001-RM4000	100	22.1
	RM4001-RM6000	64	14.1
	RM6001-RM8000	92	20.3
	RM8001-RM10000	44	9.7
	> RM10000	30	6.6
Ethnicity	Malay	149	32.9
	Chinese	150	33.1
	Tamil Indians	89	19.6
	Others	65	14.3

\*Considering 1 MYR = 0.24 USD (Currency update as on 18/02/2022)

Source: Table 1 developed by authors

#### 4.2 Measurement Model Analysis

In the PLS-SEM, first, the measurement of the outer model was assessed, as shown in Figure 1. The formulation of the measurement model could be reflective or formative (Hair et al., 2021). Both reflectively and formatively measured constructs were involved in this study; therefore, the measurement model was assessed in two phases.

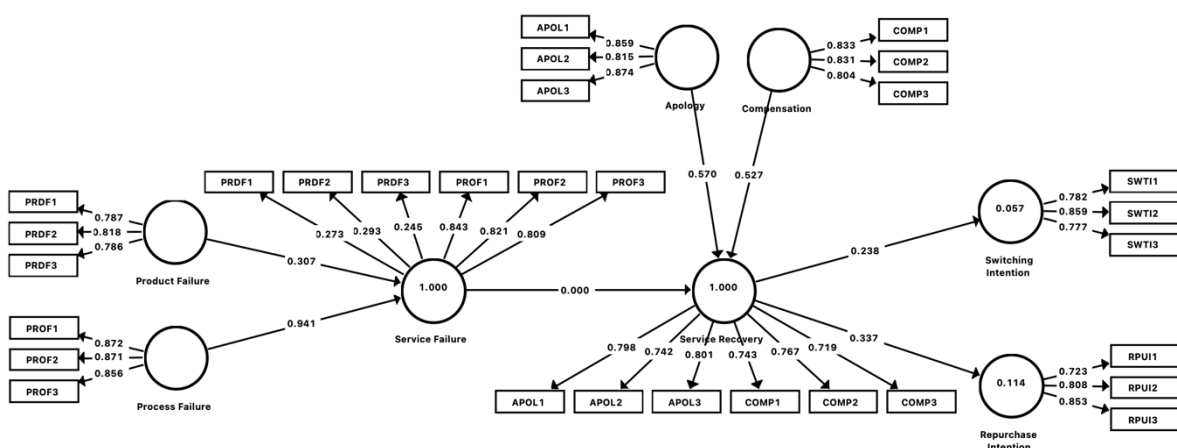


Figure 2. Measurement Model

Source: Calculated by the author through SmartPLS

At phase I, four parameters such as factor loading, Cronbach's alpha, composite reliability and average variance extracted were examined for the reflective measurement model. As shown in Table 2, the results reveal that all four parameters met the threshold criteria set by

Hair et al., (2021). Similarly, a phase II, relevance of weights and their significance were tested for formative measurement model using bootstrapping with recommended 5000 iterations (Ramayah et al., 2018). The results (also reported at the bottom of Table 2) show that all first-order constructs significantly contribute to second-order formative construct. In addition, the convergent validity of formatively measured constructs (i.e., service failure and service recovery) was evaluated through redundancy analysis (Cheah et al., 2018). The finding reveals that service failure and service recovery have a correlation of 0.782 and 0.729 with their respective global item constructs. The correlation of both paths was above 0.70, suggesting that formatively measured constructs have sufficient convergent validity. The VIF test was also applied to detect the collinearity issue. However, all values of VIF were found below 3; hence, no collinearity issue was detected in both reflective and formative measurement models (Hair Jr et al., 2021).

Table 2. Measurement Model

<i>Stage I: Results of the assessment of measurement model for first-order reflective constructs</i>							
<b>First-order constructs</b>	<b>Code</b>	<b>FL</b>	<b>VIF</b>	<b><math>\alpha</math></b>	<b>CR</b>	<b>AVE</b>	
Apology	APOL1	0.859	1.838	0.807	0.886	0.722	
	APOL2	0.815	1.589				
	APOL3	0.874	1.957				
Compensation	COMP1	0.833	1.601	0.761	0.863	0.677	
	COMP2	0.831	1.554				
	COMP3	0.804	1.480				
Product Failure	PRDF1	0.787	1.353	0.714	0.839	0.636	
	PRDF2	0.818	1.413				
	PRDF3	0.786	1.435				
Process Failure	PROF1	0.872	1.955	0.834	0.900	0.750	
	PROF2	0.871	1.987				
	PROF3	0.856	1.860				
Repurchase Intention	RPUI1	0.723	1.305	0.715	0.839	0.635	
	RPUI2	0.808	1.513				
	RPUI3	0.853	1.453				
Switching Intention	SWTI1	0.782	1.443	0.738	0.848	0.651	
	SWTI2	0.859	1.447				
	SWTI3	0.777	1.502				
<i>Stage II: Results of the assessment of measurement model after generating second-order formative constructs</i>							
<b>Second-order construct</b>	<b>Relationship</b>	<b>VIF</b>	<b>Weight</b>	<b>Mean</b>	<b>S.D</b>	<b>t-value</b>	<b>p-value</b>
Service Recovery	Apology → Service Recovery	1.778	0.319	0.328	0.161	1.978	0.024
	Compensation → Service Recovery	1.778	0.760	0.745	0.140	5.443	0.000
Service Failure	Process Failure → Service Failure	1.001	0.744	0.725	0.124	5.994	0.000
	Product Failure → Service Failure	1.001	0.642	0.643	0.133	4.831	0.000

FL= Factor loading, VIF= Variance inflation factor,  $\alpha$ = Cronbach's alpha,  $\rho_A$ = Dijkstra constant, CR= Composite reliability, AVE= Average variance extracted

*Source: Table 2 calculated by the author*

In the end, the Fornell-Larcker criterion was utilised to scrutinise discriminant validity. Table 3 reveals that the values in bold, which are the square root of AVEs, are higher than other construct's correlation coefficients. It is evidence of adequate discriminant validity. However, following the guidelines of Hair Jr et al. (2021), the HTMT ratio of correlations was also applied to validate the results of the Fornell-Larcker criterion. As shown in Table 4, the ratios of correlation are below the threshold of  $HTMT_{0.85}$ , validating that every construct of this study has an adequate discriminant validity level.

Table 3. Discriminant Validity (Fornell-Lacker criterion)

Construct	Apology	Compensation	Process Failure	Product Failure	Repurchase Intention	Switching Intention
Apology	<b>0.850</b>					
Compensation	0.661	<b>0.823</b>				
Process Failure	0.167	0.243	<b>0.866</b>			
Product Failure	0.125	0.220	0.036	<b>0.797</b>		
Repurchase Intention	0.282	0.334	-0.029	0.191	<b>0.797</b>	
Switching Intention	0.253	0.178	-0.017	0.197	0.431	<b>0.807</b>

*Source: Table 3 calculated by the author*

Table 4. Discriminant Validity (HTMT)

Construct	Apology	Compensation	Process Failure	Product Failure	Repurchase Intention	Switching Intention
Apology						
Compensation	0.843					
Process Failure	0.202	0.304				
Product Failure	0.164	0.299	0.056			
Repurchase Intention	0.365	0.442	0.053	0.263		
Switching Intention	0.324	0.221	0.048	0.272	0.603	

*Source: Table 4 calculated by the author*

#### 4.3 Structural Model Analysis

After the measurement models were proven to be reliable and valid, the evaluation of the structural model findings was the next step. Its criteria usually involve hypotheses testing, determining the effect sizes, coefficient of determination, and evaluating prediction relevance.

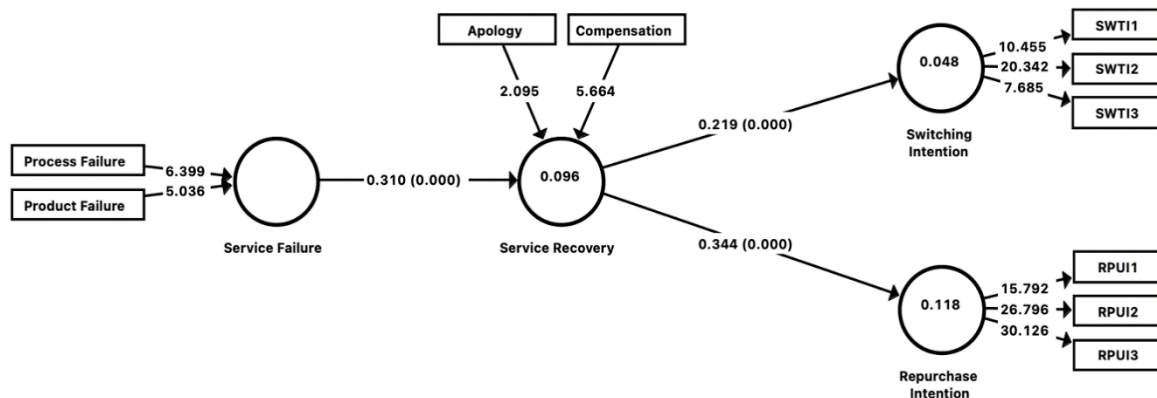


Figure 3. Structural Model

Source: Calculated by the author through SmartPLS

A bootstrap process with 5000 iterations was run to test direct and indirect relationships, as shown in Figure 2 (Hair Jr et al., 2021). The results are reported in Table 5. It reveals that all direct relationships (i.e., H<sub>1</sub>, H<sub>2</sub>, and H<sub>3</sub>) and indirect relationships (i.e., H<sub>4</sub> and H<sub>5</sub>) are significant. Similarly, Table 5 also listed effect size ( $f^2$ ) values of every exogenous construct based on the PLS-SEM results. It shows that the exogenous constructs had a small to medium effect size on the endogenous constructs involved in this study.

Table 5. Hypotheses testing (Direct and Indirect)

Relationship	Beta value	Mean	S.D	t-values	p-values	$f^2$
<b>Direct Relationships</b>						
H <sub>1</sub> : Service Failure → Service Recovery	0.310	0.313	0.051	6.069	0.000	0.106
H <sub>2</sub> : Service Recovery → Repurchase Intention	0.344	0.353	0.052	6.626	0.000	0.134
H <sub>3</sub> : Service Recovery → Switching Intention	0.219	0.228	0.058	3.774	0.000	0.050
<b>Indirect Relationships (Mediation)</b>						
H <sub>4</sub> : Service Failure → Service Recovery → Switching Intention	0.068	0.071	0.021	3.288	0.001	---
H <sub>5</sub> : Service Failure → Service Recovery → Repurchase Intention	0.107	0.110	0.024	4.477	0.000	---

Source: Table 5 calculated by the author

Next to this, coefficient of determination and predictive relevance were also assessed. Table 6 summarise its results. The R<sup>2</sup> (0.096) explains that the dimensions of service failure, such as process failure and product failure, together contribute 9.6% only to service recovery (Hair et. al., 2021). Similarly, service recovery contributes 11.8% to repurchase intention and only 4.8% to switching intention. Besides, Table 6 also shows that all the values of Q<sup>2</sup> are above zero; however, they fall in a small category of predictive relevance, which means the proposed model has low predictive relevance (Chin, 1998; Hair Jr et al., 2021).

Table 6. Predictive relevance and coefficient of determination

Construct	Coefficient of Determination	Predictive Relevance
	R <sup>2</sup>	Q <sup>2</sup>
Service Recovery	0.096	0.066
Repurchase Intention	0.118	0.072
Switching Intention	0.048	0.026

*Source: Table 6 calculated by the author*

## 5. Findings, discussion, and conclusion

This section discusses the findings of the empirical analysis, with a particular emphasis on the most important findings of the study. Consequently, we first investigate the relationship between service failure and future behavioural intentions, followed by an examination of the mediating role of service recovery; finally, the implications for practice arising from the findings of this research are discussed. Finally, we discuss the study's major limitations and provide recommendations for future research on this topic.

### 5.1 Discussion on Findings

All the hypothesised correlations between service failure and recovery, repurchase intention, and switching intentions were supported by the empirical findings. However, it is shown that service recovery has a less substantial effect on repurchase intention. Service recovery tends to have a more significant impact on consumers' switching intentions than repurchase intentions. The results are similar to (Tesfom et al., 2021), which found that service recovery has a more substantial impact on customers' switching intention. Similar to this study (Yaqub et al., 2019) also identified a speedy response that could minimise the intention of customers to switch webstore. Therefore, the webstore should implement an effective and friendly complaint system. Awareness should be provided to employees and customers to complain to the webstore in the situation of service failure. Quick and positive responses should be given to customers so that their negative emotions can be reduced. The present study's findings do not indicate the existence of a strong association between repurchase intention and service recovery that shows that service recovery doesn't enhance repurchase after a service failure. It might be affected due to cultural or personal factors.

### 5.2 Implications of the Study

Competition among webstores in Malaysia's online shopping market is becoming intense, and webstores are continuously seeking to keep their customers loyal. Malaysia's eCommerce industry is constantly expanding, propelled by COVID-19-related online services and the country's growing smartphone usage. Malaysia's dynamic economy and excellent infrastructure for digital technologies have made it a desirable market for eCommerce in Southeast Asia (Jan et al., 2018). Malaysia's eCommerce income is expected to reach \$4

billion by 2020. Malaysia's eCommerce market grew by 37 per cent in 2020, contributing to the global growth rate of 26 per cent. According to Global Data eCommerce Analytics, Malaysia's eCommerce market is expected to increase by 24.7 per cent in 2021. Between 2020 and 2024, the market is estimated to grow at a CAGR of 14.3%, reaching \$12.6 billion. This growing rate of online shoppers creates an atmosphere of competition where competitors provide alternative and excellent services (statistics). Moreover, the switching cost is meagre, and customers can switch with a single click. In such conditions, webstores are required to provide flawless services, and if a service failure occurs, the recovery process should be excellent to retain their customers. The importance of choosing the right recovery actions to avoid customer switching intents was emphasised in this study. The findings of this study may be valuable to industry practitioners to prevent failure in the future and know how to recover failure more efficiently if it occurs. It also indicates which recovery strategy, or combination of recovery strategies, is most beneficial in preventing customers from switching providers.

This study could lead to improved profitability and long-term sustainability for service providers who would use the findings to improve service delivery. As (Grace & O'Cass, 2001) stated, switching intentions have a negative impact on profitability and reduce market share; due to the cost of obtaining a new customer being significantly higher than the cost of keeping an existing customer, service providers are keen to reduce customer defection. In terms of demographic characteristics, limiting churn and maintaining customers may require adequate identification and targeting of segments with a higher propensity to switch. Webstores, on the other hand, must target these customers to prevent failure before it occurs and, in any case, to recover as quickly as possible to avoid switching. The complaint management system should be very efficient, and employees should be trained to tackle the service failure issues adequately.

### *5.3 Limitations and Future Research*

This study is not without exceptions that limit the generalizability of the findings and provide avenues for further research. First, because this research was limited to a single service sector (i.e., online shopping) and a single country, the findings cannot be applied to other service sectors or geographic areas. As a result, future research could duplicate this study in other service industries and nations. Second, because this study was based on a cross-sectional survey, the results could be influenced by respondents' recall bias. As a result, future research should utilise a longitudinal design and might use a scenario-based experiment instead of a survey. In addition, future research in the relationship between service recovery and switching intentions may incorporate several other essential characteristics.

### *5.4 Conclusion*

Online shopping has been increased in recent years, especially in the COVID-19 pandemic. The effect of service failure has been widely studied in offline retailing and restaurants. The current study revealed that service failure positively influences the switching intention and



reduces the repurchase intention, in line with prior literature. Previously, service recovery was assumed to be a successful tool for retaining customers but empirically tested in the current study; it is investigated that service recovery has varying results. Services recovery reduces the switching intention but is less significant in repurchasing intention. Cultural factors have effects on customers' buying behaviour (Jan et al., 2019).

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