

## SERVICE FAILURE-RECOVERY IN ONLINE SHOPS IN IRAN

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**Abstract** - Present article focuses on service failure and recovery in the online shops in Iran. The article investigates interaction between service failure and online shops readiness for service recovery and resulting impact on customer reaction. The data was collected by an e-questionnaire from 615 Iranian online shoppers. The findings suggest, although many online shops are severely breaching few fundamental business principles, defection is not happening as vast as in other similar studies. Furthermore, winning the customers back via service recovery seems to be depended rather on the process than the outcome of service recovery, which is very similar to the findings of another study in Chinese environment. Discussion of the findings suggests the researchers and managers to be conscious of the possible impact of the culture and environment on customer's responses to service failure and service recovery states.

**Keywords:** Service Failure, Service Recovery, Complaint Management, Iran, Online Shops.

### INTRODUCTION

Highly competitive and dynamic service sector market of the last two decades of twentieth century has changed its environment to e-market in the third millennium. Also, a drastic change has happened in the structure of the market. Entering into the

market, computer brings the market to the customer. Consequently, customer has more time to search in a particular service for more numbers of businesses than before. In such a condition customer expectations increase and quality of services gets more visible and becomes the center of attention.

At the same time, because of the variable nature of services, failure is an unavoidable part of it, which has been identified [2,12] as the major cause of customer's defection. Keaveney [18] presents eight reasons behind service switching behavior out of which three ones refer to service failure. Thus, because of the unavoidable negative impact of service failure, customer's retention becomes a key management activity. Based on such state, the term of "service recovery" is coined to response to failure when they occur [16]. On one hand, it has been recognized that a poor service recovery response or lack of it can yield into aggravated dissatisfaction and certain customer defection [16]. On the other hand, a successful service recovery can result in higher customer satisfaction and loyalty than if no service failure has occurred [9,20]. An effective service recovery which encourages customers to complain and respond effectively will benefit the firm in that it not only wins the dissatisfied customers back, but also enhances firm's information about their shortages and what they have to do to improve customer's satisfaction.

Academic research on service failure and recovery is relatively recent and still evolving. As far as the authors are concerned, no research has been done in this field in Iranian environment, particularly, in its Internet environment. A research on the state of service failure and recovery in Iranian e-shops is of much importance, since the Internet usage in Iran is still young and is growing rapidly. The number of Internet users in Iran has increased from roughly 1 million users in 2001 to approximately 5 million in 2003 [21]. Moreover, ONI [21] reports that TCI (Telecommunication Company of Iran) expects such market to reach 25 million users by 2009. According to a Stanford University Report [28], Internet usage is growing faster in Iran than anywhere else in the Middle East.

Rapid explosion of Internet usage can be a great threat to e-companies if they do not treat service failure and recovery in a conscious manner, while it could be a great opportunity for retaining the customers in an opposite way.

In present paper, authors will not present the managerial complexities of the entire service recovery process, but rather examine certain aspects of online shopping experiences from a consumer's perspective. Especially an attempt is made to describe the frequency of service failure occurrence and recovery performance of the online shops and the impact of each on the customer's reactions and to compare the reaction with that of the similar studies.

## BACKGROUND

A term that is synonymously used for a problem that a customer has with a service is “service failure” [27]. Service failures are inevitable and occur in both the process and outcome of service delivery. In online business, just as the same as offline businesses, service delivery fails when it can not deliver services as promised. In these situations, there is a gap between customer’s expectations and performance of the system, which leads into dissatisfaction. Some authors [5,18] determined failure as a major cause of customer defection. To avoid such defections, literature suggests two kinds of strategies. First is to get things right the first time [5], by proactive planning, training and anticipating customer’s needs and possible service failure and eliminating the most likely areas of them. Yet, service failures are not completely avoidable. Thus, if they occur, the second type of strategy called service recovery should be activated in order to satisfy and retain the unhappy customer. Service recovery could be considered as a proactive process, which seeks out and deals with failure [16]. However, most of the studies consider service recovery as a process, which should be invoked after the complaint is reported. Service recovery is of crucial importance, because if successfully implemented, it will lead into positive WOM (Word Of Mouth) and customer loyalty [27]. Otherwise, poor implementation is a major cause of dissatisfaction [2,16] and results in customer defection [3] and / or his exit [25].

Figure 1 presents a simplified overview of the service recovery framework and its possible outcomes. By facing a service failure, customer behaves in different ways, which is called Consumer Complaint Behavior (CCB). Hirschman [11] introduces CCB as exit, voice, and loyalty. "Exit" refers to the termination of the relationship; "voice" is the customer's efforts to maintain the relationship by pressurizing the firm to change its practices, products and policies through complaints to seller; and finally "loyalty" derivates customer's hope for improvements. The "voice" complaint behavior will help the firm to improve customer satisfaction and retention by recovering “at risk” customers [8].

Many customers do not bother to complain / voice [24]. They, instead, exit or “infect” others. Thus, service recovery should have some strategies in place to increase the voice rate. Two main strategies can be considered, first considering those activities, which increase the customer’s willingness to complain. For instance, service guarantees are a tactic for encouraging customers to complain [1]. The second strategy is related to communication channels. In online businesses, in particular, customer should have multiple channels to report complaints. These channels should make complain filling hassle free and easy. In fact, in offline transactions, buyers interact with a seller and if a service failure occurs, seller can quickly take necessary measures for service recovery,

while in online shopping a buyer interacts with a mediating environment, which does not detect service failure. Therefore, to voice quickly and easily is of much importance, particularly in online environment [1]. Once the complaints are lodged, the recovery procedures should be invoked, with the aim of satisfying customers.

Unfortunately, despite the critical impact of service recovery responses on customer retention, many service providers look at complaints negatively and do not want to hear about them. [5]. Bitner, et al. [2] and Hoffman, et al. [13] all point to lack or poorness of responses in many firms, as a fact. Jelassi and Enders [15] root these problems to managers who are mostly graduated from right answer schools and are not actively aware of the value of failure. Boshhoff [4] presents "denial" as the source of dissatisfaction, defection and negative WOM. Ahmad [1] found "willingness" of the representative to solve the problem as a necessary element of an effective service recovery, and reported 100% of those who had experienced denial as lost customers.

Yet, even, if the service provider acknowledges service failures and decides to provide redress through recovery procedures, many options are available. However, the effectiveness of the recovery strategy, which is the complete salvage of the customer's problem, depends on many items such as type of failure [19], "level of atonements" [4], type of service [26] and compensation.

Thus, not every service recovery process leads into complete salvage of the problem. Boschhoff [4] identifies the consequences of "willingness/making effort" both as dissatisfied or satisfied customers. In fact, his model depicts that the right combination of service recovery options is the identifier of satisfaction, retention, and WOM behavior. If this combination is not right and the problem is not solved, the customer may not be satisfied. Similarly, 100% of lost customers is occurred if the problem has not been resolved despite representatives' efforts [1]. Anyhow, if the service recovery is implemented effectively, it can restore customers to a satisfied or delighted state [17] and result in positive WOM and loyalty [2,27].

## **ONLINE SHOP INDUSTRY IN IRAN**

Based on EIU rankings [8], in 2002, among 60 countries, Iran has the 53<sup>th</sup> place in e-readiness. Obviously, e-commerce is something new in Iran, but it is growing rapidly. There is still no information available about online shops industry in Iran. A pilot test has been conducted by the authors on a convenient sample of 15 online shop managers to gain a realistic picture of this industry. These managers have been interviewed either by phone or face-to face.

The pilot study revealed some main issues about online shop industry. The industry has an age of not more than three years (June 2005). Moreover, online shopper seems to

be very young and neither has enough credit nor are decision makers of the family to buy large volumes of items. Furthermore, many of them are said to buy just out of curiosity. Yet, some buy particular goods, which are not available in their geographic areas and some even started to buy such items online and distribute them in their own area as a business. With regard to the payment-delivery process, Internet payment does not exist by now (June 2005). Thus, payment is either through bank accounts or Cash On Delivery (COD) system. Some of the online shops have contracts with post-office, which allows them to distribute their goods widely across the country with COD system. However, some who do not have such contracts have to sell their items to a restricted geographic area or work with bank accounts. Many online shops complain about the problems that they have in their business, which seem to be caused by weak integration before and after main processes. Some of these problems are such as problems with delivery and payment, inconsistency with their suppliers, problems with their websites that have not been designed by themselves and did not provide them the desired options, and finally problems with the staff to update the website regularly.

## **METHODOLOGY**

Data of this study was collected by an e-questionnaire from 615 people, who have shopped from Iranian online shops at least once. They were asked whether they have had problems in their shopping. And those who confronted problems were further asked about their subsequent experiences from service recovery.

Because of the little size of the online shoppers' population and their widespread across the country, "survey" was the most suitable method for this research. Furthermore, among survey techniques, Internet survey was the best option because of meeting anonymous desire and cost constraints. It also reduces the non-response error by lowering the re-delivery cost, which is a major weakness among self-administered surveys [6]. Many other issues were also taken into consideration in order to minimize the non-response error. That is, e-mails in the form of cover letter were sent to the address of each online shopper. The e-mails contained anonymous promises, monetary incentives, well improved instructions for how to fill the questionnaire and an introduction to survey sponsor who was a well-known brand among online shoppers. Finally, there was a link to the questionnaire.

The questionnaire was selected from the study of Ahmad [1], which was a paper questionnaire handed out to students in US. The original questionnaire tailored to Iranian format and content, and its Internet environment, where the speed is low and costs are high. These adjustments took place by three steps. First, calling 20 online shoppers and adopting the translated questionnaire, second, handing out the

questionnaire to web designers who had online shopping experiences to get ideas on designing the e-questionnaire and finally sending 200 e-questionnaires and correcting it base on replies.

The questionnaire consisted of four main parts: Demographic information, Internet usage patterns, online shopping profile, and finally service failure-recovery experiences and subsequent reactions. Main variables of the study, which are illustrated in Table 1 and Figure 1, are mainly in the fourth part of the questionnaire.

Table 1: Main variables of the questionnaire.

Variable	Question	Answer (Code)
Service failure	Any bad experience with online shopping?	N (1) Y (2)
Voice:	Did you try to contact the online shop Regarding your problem?	
Voice:	Were you able to contact the online shop?	
Denial/ Acknowledgement	Did the online product/service provider (online shop) make an effort to fix the problem?	
Output of process	Was the problem resolved to your satisfaction?	
Retention	Would you consider shopping at the E-commerce site in the future?	N (1) MB (2) Y (3)
WOM:	Would you voluntarily recommend this e-commerce site to your friends?	SD (1) D (2) NL (3) R (4) SR (5)

Abbreviations: N-No; Y-Yes; MB-Maybe; SD-Strongly Discourage;D-Discourage  
NL-Neutral; R-Recommend; SR-Strongly Recommend [1].

In this part, the customers were asked for any possible experience regarding service failure-recovery with YES/NO answer. That is, customers were asked whether they had bad experiences in their online shopping or not. If they had experiences of service failure, the next two questions asked would be “if they were willing to complain” and, in case of willingness, “if they were able to complain.” These two questions check complaints or not. Again if the customers were able to complain, they would be asked about their experiences with regard to representative’s responsiveness. Finally, those customers who experienced representative’s acknowledgement were asked whether their problems were completely resolved or not. Through such answers, frequency of service failure and recovery performance could be achieved in the form of percentages. Next, all the customers with different experiences from service failure-recovery were asked for WOM (Word Of Mouth) and repurchase intentions in the

future, which are measured on a 5 and 3 point scale. Then, to this end, the impact of different service failure-recovery experiences on customer reactions was investigated.

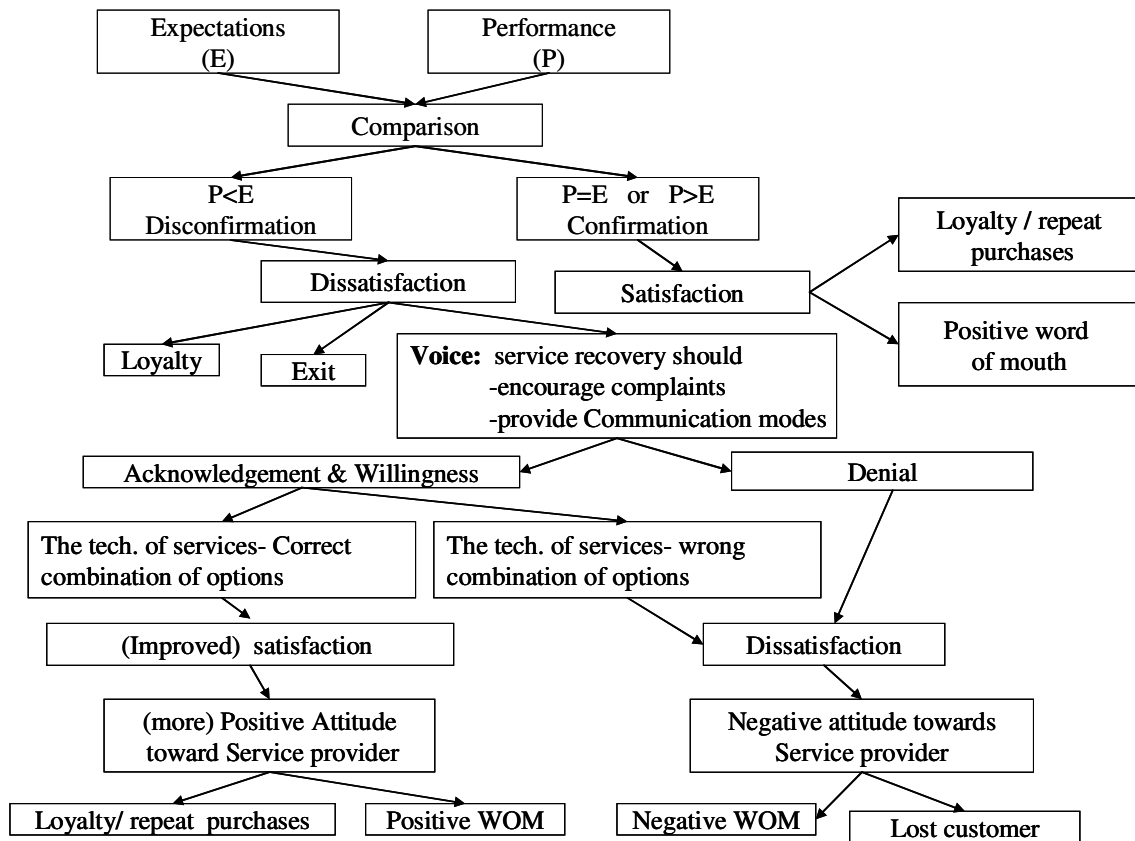


Figure 1: Service recovery framework [4].

The main criterion for choosing the statistical sample was that the respondent should have got at least one online shopping experience. Although a direct access to online shoppers was impossible, online shops were not proper data collection sources. That is, since the purpose of this study is to find out the “online shops” service recovery performance and its impact on customer reaction, “online shops” may not provide us with the real information of their performance and “customers” may not tell their real reactions directly to the online shops. Consequently, the authors considered another organization as a data collection source, which was known as pioneer of e-commerce in Iran in the years 2003-2004 by the Ministry of Commerce of this country. This organization supports online shops in different ways based on their request.

Such supports include: website design, offering global COD system and sending advertising e-mails to online shoppers. Through this organization, authors found access to 20000 unique online shoppers with its 38 under-support online shops. While selling different products, these online shops were located in five provinces of Iran. Choosing this organization as a data collection source was helpful in reaching a wide range of data from Iran’s online shops and shoppers.

Due to the disconnections of Internet and mail-server, about 13000 out of 20000 e-mails were sent properly. Yet, the authors did not re-send them, in order to avoid duplicate e-mails to a single person. After two weeks, replies were collected and edited. Finally, out of 750 replies only 615 records were totally completed, which were left for classification and statistical computation.

## RESULTS

The demographic characteristics show the information gathered of online shoppers are from different segments. Different genders were included and they were from both genders and age 15 to over 40, living in different geographic areas in Iran, with educational spectrum of primary school to PhDs and different levels of income from being jobless to being business owners. Furthermore, respondent's experiences have been from 38 under-support online shops. Although some of the products, which respondents mentioned were not purchased from the 38 mentioned online shops, they were gathered from other online shops. Thus, the provided information is related to more than only 38 online shops in Iran. Actually, it is related to any online shopping experience of 615 Iranian online shoppers.

## ONLINE SHOPPING PROFILE

Curiosity, access to unavailable/rare goods, and convenience respectively with 59%, 45% and 58% were the reasons mentioned by online shoppers. Approximately, 10% of the shoppers experienced their first online shopping before one year ago; other 90% have experienced it in the last 12 months (from June 2005). Furthermore, 48% of shoppers had just one or two online shopping experiences and only 18% had more than five shopping experiences. Just 0.2% of shoppers replied that they would not shop online anymore. All the rest said that they will (81.6%) or may (18.2%) shop online in the future.

## SERVICE FAILURE OCCURRENCE AND RECOVERY PERFORMANCE

Problem avoidance rate was equal to 74.8%. That is, less than one third of the online shoppers (25.2%) had experienced problems in their online shopping. From those who confronted problems, 34.4% (53) were willing to repurchase from the particular shops. Furthermore, 47% (24) were willing to repurchase, because they believed in improvements or were looking doubtfully to the system. 14.2 % (8) of shoppers said they had to buy from those shops because of their needs and having no other option.

Only a little more than half (51%) of those who experienced problems were *willing*



to complain, out of which just 55.7% were able to contact the online shop. In fact, 44.3% of them were not able to contact the online shop to complain. In most of these cases (71.4%), they had written e-mail to the online shop but never received any answers. 22.8% had called the online shop but were confronted with busy lines or no one answering the phone. Finally, 5.8% used both modes, yet they still were not able to contact the representatives. Out of 44 online shoppers who were able to complain to the online shop, 28 (63.6%) confronted a positive response from the online shop representative and 16 (36.4) representatives did not try to solve their problems.

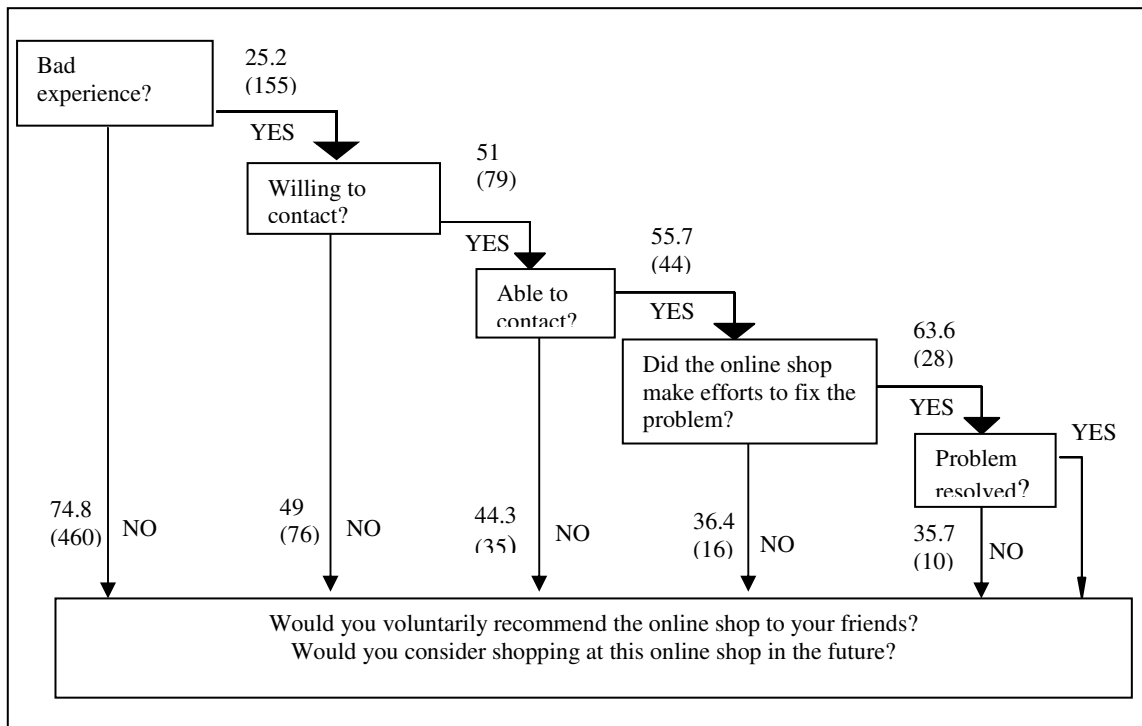


Figure 2: Online shopping pattern extracted from research analysis.

Some described confronting unrelated or negative replies from the representatives. Ultimately, out of 28 problems, which online shops made effort to solve, only 18 problems (64.3%) were completely resolved (Figure 2).

**IMPACT OF SERVICE FAILURE AND DIFFERENT STATES OF RECOVERY ON CUSTOMER REACTIONS**

Impact of service failure variable on customer retention and WOM variables was tested by Spearman correlation, which showed a significant negative relationship between service failure and customer retention and WOM variables. That is, the correlation between service failure and WOM had a result of  $p=0.00$  and  $r = - 0.3$  and service failure and repurchase intention has also resulted in  $p=0.00$  and  $r = - 0.3$ .

In order to describe the impact of service recovery states on customer WOM and

repurchase intention, the authors considered the following negative states of recovery: Customer is “**not willing**” to complain; is willing to complain but “**not able**” to contact; is able to contact but confronts denial “**no effort**” of the service representatives. Service representative intended and tried to solve the problem after it had been reported, however it had “**not been resolved**” completely; and the problem is reported and representatives effort to solve it concluded in a completely “**resolved**” state, which is the aim service recovery.

Author’s logic behind such consideration is two-folded. First, if the impact of the positive states (i.e. being able to contact, etc.) on customer retention is tested, it could never be known what has happened next to this customer, and the reactions might have been a sequence of the next experiences. For instance, one may be able to contact the online shop but has negative intentions because of confronting denial in the next step. On the other hand, if the negative states are tested, what exactly could be known are the positive and negative experiences of that customer. For instance, if a customer was not able to contact, it would become clear that he/she had been willing to complain. When customer’s intentions are analyzed, it could be clear whether it is related to the last negative experience or to the pre-last positive experience. Table 2 and Table 3 provide an overview of the retention and WOM information in different service recovery states.

Two tables depict high repurchase intention and positive WOM in “not resolved” and “resolved” group and low repurchase intentions and low positive WOM in “not willing”, “not able” and “no effort” group. After this initial picture of the impact of service recovery on retention and WOM, some tests were carried out.

Table 2: The impact of service recovery states on WOM extracted from research process.

Status	Word of Mouth (frequency)				
	Strongly Discourage	Discourage	Neutral	Recommend	Strongly Recommend
No problem	0 (0)	0.7 (3)	7.2 (33)	54.1 (249)	38 (175)
Not complaining	0 (0)	2.6 (2)	27.6 (21)	52.6 (40)	17.2 (13)
Not able to contact	0 (0)	2.9 (1)	34.3 (12)	54.3 (19)	8.5 (3)
No efforts to solve	6.7 (1)	20 (3)	40 (6)	26.7 (4)	6.7 (1)
Problem not resolved	0 (0)	0 (0)	20 (2)	50 (5)	30 (3)
Problem resolved	0 (0)	0 (0)	5.9 (1)	58.8 (10)	35.3 (6)

First, the variation of **repurchase intention** in different states has been tested (Table 3). Most of the customers who were in the first three states (i.e. not willing, not able, no effort) had negative or neutral repurchase intentions as it has been 63.8%, 82.8% and 87.6% in “not willing”, “not able” and “no effort” respectively, whereas this rate is much lower in those who have not experienced problems (30.4%). A Kruskal-Wallis test among these three states ( $p=0.1$ ) showed that repurchase intentions are not significantly different among them ( $p=0.14$ ). Yet, as we entered the “no problem” group beside these three groups and repeated the Kruskal-Wallis test, it was shown the existence of a significant difference ( $p=0.000$ ). That is, if customer does not want or is not able to complain or if his/her complains’ confronts are not considered by the representatives, the customer is much more likely to be defected from the shop, compared to those who did not faced problems at all.

Table 3: The impact of service recovery states on retention extracted from research process.

Status	Re-buy in the future (frequency)		
	No	Maybe	Yes
No problem	1.7 (8)	28.7 (132)	69.6 (320)
Not complaining	23.7 (18)	46.1 (35)	30.3 (23)
Not able to contact	37.1 (13)	45.7 (16)	17.1 (6)
No efforts to solve	31.3 (5)	56.3 (9)	12.5 (2)
Problem not resolved	10 (1)	20 (2)	70 (7)
Problem resolved	0 (0)	11.8 (2)	88.2 (15)

Thus, these three states have all a negative impact on repurchase intention. Based on this fact, it is clear that willingness and ability to complain are necessities of service recovery.

Yet, a positive trend in repurchase intentions was obvious in those customers who experienced the willingness to the online shop to solve their complaints, regardless of whether their problems were solved or not. In fact, totally 70% in “not resolved” and “88.2%” in “resolved” group were intended to repurchase from the particular shop, in the future. As was expected, a Kruskal-Wallis test showed a significant difference ( $p=0.013$ ) between the three above-mentioned similar-negative states and “not resolved” group. Thus, it seems just willing to resolve customer’s problems, largely

changes the behavior of Iranian customers in a positive manner. Moreover, a Man-Whitney test between “not resolved” and “resolved” groups showed no significant differences ( $p= 0.2$ ) in repurchase intentions of these two groups. The comparison of these two recent groups with “no problem” group by Kruskal-Wallis, as well, showed no significant differences ( $p= 0.248$ ). Thus, it seems that just willingness to solve the customer’s problem is quite enough to win back the Iranian customer to a normal state, regardless of resolution of the problem.

In the next step, **WOM** has been analyzed in the same manner. As it could be seen in Table 2, people voted for negative or neutral WOM as much as 30.2% , 37.2% and 66.7% respectively in three groups of “ not willing”, “not able” and “no effort”, which in turn, depicts a negative behavior in these groups compared to that rate in the group of “no problem” (i.e. 7.9%). Man-Whitney and Kruskal-Wallis tests were used for two and more than two independent samples (i.e. states). Actually, “not willing” and “not able” were not significantly different ( $p=0.2$ ) in WOM; besides negative WOM was significantly ( $p=0.00$ ) more in these two groups than in “no problem” group. At the same time, Kruskal-Wallis showed a significantly ( $p=0.00$ ) more negative WOM in “no effort” group compared to the two similar-negative states. That is, WOM has a negative trend in “not willing” and “not able” and particularly in “no effort” group compared to those who do not have problem in the first place.

Just as the same as repurchase intentions trend, it can be seen positive WOM in “not resolved” and “resolved” group, which is not significantly different from “ no problem” group. That is, willingness and efforts to solve customer’s problems have been enough to improve the WOM, regardless of what the outcomes of these efforts have been (i.e. problem solved or not solved).

## CONCLUSIONS AND DISCUSSIONS

The author’s findings suggest unwillingness to complain, lack of chance to complain and particularly, confronting no efforts from online shops with regard to solving reported problems, creation of negative WOM and repurchase intentions. Such finding complies with Ahmad [1], Blodgett, et al. [3], Hart, et al. [9] and Singh [25], in that the poor service recovery has let to negative repurchase intentions and WOM. Yet, these findings are different from Ahmad [1] in that extent, that the reactions of USA online shoppers are much more negative than Iranian shopper. In fact, Ahmad has reported 100% defection and negative WOM in each of these states while this rate has been (NWOM=2.9% - defection=37.1%) in “not able” and (NWOM=26.7% - defection=31.3%) in “no effort” in Iran.

One main reason for this difference is that since many Iranian online shoppers are

new to this system, they may not have an initial negative attitude to poor recovery. However, according to Boschhoff [4], if the failure will be repeated for them, the resulting dissatisfaction may gradually result in overall negative attitude toward the firm. Thus, it may witness higher rates of negative WOM and repurchase intentions of those who experience poor recovery in the future. This matter can be unveiled by further researches. However, it is important to notice that this is not the only possible reason for the existing difference.

One alternative interpretation for the existence of such a difference could be referred to lower expectation of Iranian customers. In this case, author's finding is supporting Hui and Kevin [14] result. They state PRC customers have much lower expectations on service quality (i.e. service recovery) than industrialized countries due to their underdeveloped service industry. He concludes that Chinese awareness of consumer rights and existence of consumer protection laws are far behind that of western. Thus, seeking redress is much less than in industrialized countries.

Furthermore, COD payment system, which has been used in many online shops in Iran (June 2005), may also cause lower recovery expectation of Iranian customers. Actually, the failures might be less serious in this kind of payment system than in common Internet payment (i.e. pre-paid) systems, because in COD the customer will pay money when he/she accepts the parcel. Consequently, since expectations from service recovery differ based on the type of failure [16], Lower recovery expectations could be assumed in Iranian COD-based systems.

Interestingly, authors' findings also revealed that Iranian customers are significantly driven to positive WOM and repurchase intentions when they just confront online shops willingness to solve their problems. Furthermore, it seems that positive behaviors in this state are not significantly different (i.e. less) from when the problem is completely resolved. Yet, many studies show "complete problem resolution" as a determinant of positive behaviors. For instance, Boschhoff [4] illustrates a model in which the customer reactions after service recovery were depended on whether the right process is implemented or not. In addition, Rust, et al. [24] and Hays and Hill [10] have not distinguished problem resolution into efforts/willingness and problem resolution, yet Hays and Hill [10] denote the not resolved group as dissatisfied customers, and the resolved group as satisfied ones. Rust, et al. [24] reported 60% repurchase intentions in the not resolved group compared to 90% in the resolved group. Moreover, Ahmad [1] reports 100% defection and 88.9% NWOM in the group of customers who confronted unsuccessful efforts of online shops, whereas this rate falls to 0% in the problem completely resolved group.

One interpretation for the existence of such a difference could be lower customer expectations in Iran, which in turn, results in positive behavior of customers by minor

recovery strategies. Yet, it should be noticed in the present case we would expect higher positive reactions to “complete resolution”. However, this is not the case and positive WOM and repurchase intention in the “problem completely resolved” group are not significantly higher than that of the “not resolved” group. This statistical result might have been achieved because of the low rate of cases in the last branches of Figure 2. Actually, the percentage of repurchase intention has been 18% more in the “resolved group” compared to the “not resolved” group, as it is 88.2% against 70% and it is 94.1% against 80% for WOM. Yet, further research with larger samples is needed to disclose this matter. To reach higher level of samples in last branches, more than 750 responses should be received in the first place, which initially needs a sample of more than 12000 online shoppers.

If lower expectation would not be the case, another alternative explanation for the difference might be the impact of cultures. Some studies such as Hui and Kevin [14] have provided theories which interpret perceptions of the fairness of service recovery processes as cultural dependants. This means some service recovery processes may be of varied importance to different nations. In this case, “making effort” should be of great importance to Iranian people. In this regard, author’s finding on Iranian shopper matches with that of Hui and Kevin [14] on Chinese people. Hui and Kevin [14] define Chinese to be of “collectivists” culture who are more conscious in their relationship with other people and put high values on conflict avoidance, group harmony, and respect. Chinese rather seem to be responsive to the fairness of the process of service recovery, which could be a symbol of respect. If we consider Iranians as collectivists, their positive responses to “representatives’ willingness and efforts to solve their problems” (i.e. service recovery process) might be because of their respect perception of this process. Yet, this study has not focused on the fairness/respectfulness of the service recovery process. It just disclosed that Iranian customers are likely to differ in their responses to service recovery strategies. Further research can reveal this difference in more details, especially if it would be conducted on an old and stable industry of Iran.

## IMPLICATIONS

The most important point for Iranian managers of online shops that should be taken into consideration is that the sales figure seems to be unreliable since many people said to buy online out of curiosity. In addition, this number is increasing tremendously as it has increased from 20000 in June 2005 at IrPostStore to 80000 in Oct 2005. It actually seems that more and more people are hearing about the new system and like to test it. Thus, as Porter [22] says, notice should be taken not to correlate the revenue with numbers of unique users (“reach”), number of site visitors, or click through rates.

Another noteworthy issue for managers is to know that the number of online shops is being multiplied rapidly as it has risen from 38 online shops in June 2005 (just in IrPostStore system) to 158 online shops in OCT 2005. The major reason to that is mentioned as low barriers to entry, which is a danger sign [22]. In such a high competitive market, managers should concentrate attention on retaining rather than attracting new customers [23].

Furthermore, findings revealed service failure and poor responses have negative impact on customer repurchase intention and WOM. Yet, this negative impact may worsen, as the service failure happens repeatedly and/or competition becomes higher. The high rate of new customer's should not neglect the managers of the long-term impact of service failures and poor service recovery responses, which are happening in high rates in Iran by now.

Getting it right the first time is the first and best strategy in dealing with failures [5], since there is no guarantee on the outcome of service recovery. Service failures should be avoided as much as possible through proactive planning, training, anticipating customer needs and possible service failures and eliminating the most likely areas of them instead of reactive fixing of failures [5].

In the case of service failure occurrence, effective service recovery should be in place to retain the customers who have confronted failures. Since Iranian customer seems to be rather influenced by the process of service recovery than its outcome, managers should be aware that the effectiveness of service recovery strategies might be different from elsewhere. Thus, since service recovery is a battleground in which stakes are high and outcome is uncertain, its effectiveness should be first redefined in Iranian environment. Otherwise, service recovery may just happen to be a waste of money.

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