

Service Recovery Strategies in Service Industry Affecting Consumer Forgiveness and Repurchase Intentions: Moderating Role of Online Brand Community Engagement

¹Uzma Noor*, ²Tooba Israr, ³Zoia Khan

Article History:	ABSTRACT
Received: 04 Oct, 2022	Purpose: This study investigated the impact of service recovery strategies; namely apology (AP) and compensation (CP) on consumer forgiveness (CF) as well as repurchase intention (RI). Online brand community engagement (OBCE) was investigated as a moderator on the relationship between recovery strategies and RI. Consumer forgiveness served as a mediator on the relationship between service recovery strategies and RI.
Revised: 31 Oct, 2022	Design and Methodology: A cross sectional study was designed. Data was collected from faculty members and students of universities located in Rawalpindi and Islamabad. The sample was selected by convenience sampling; a questionnaire was sent to 1210 respondents. About 606 responses were received out of which the 426 usable responses were included in the analysis. Data was analyzed by using AMOS and PROCESS.
Accepted: 29 Nov, 2022	Findings: The results have shown that the effect of apology on purchase intention proved to be insignificant whereas the effect of compensation on purchase intention was significant. The mediation role of consumer's forgiveness was also significant. The OBCE significantly moderated the effect of CF on RI whereas its effect is insignificant for the direct relationships of AP and CP with RI.
	Implications: The findings provided useful insight for policymakers in service sector organizations for planning. The purpose was to investigate how service recovery strategies can influence the repurchase intention of consumers in a service industry.
	Keywords: Service recovery strategies, RIs, consumer forgiveness, apology, compensation, online brand community engagement

¹Lecturer, Faculty of Management Science, International Islamic University, Islamabad.

Email: uzma-noor@iiu.edu.pk

²Head of Sales, Strategic Marketing Department, Pakistan Detector Technologies Pvt. Ltd.

Email: tooba.israr1417@gmail.com

³Lecturer, University Institute of Management Sciences, Pir Mehr Ali Shah and Agriculture University, Rawalpindi. Email: zoia.khan_zk@uair.edu.pk

1. Introduction

Consumers in emerging markets have shifted the most to online shopping and have hastened the transition to a more digital society. At the same time, people who are not very much familiar with the experience of online shopping, they are more at risk as they have to manage expectations from their limited experience of online shopping. Online businesses that are successful in managing a favorable attitude of consumers toward them are more likely to receive repeat purchases from their customers (Suhaily & Soelasih, 2017). The repurchase intention (RI) is a practice of people buying goods or services from the same company repeatedly, based on previous shopping experiences (Sudaryanto et al., 2021). Consumers who have positive emotions regarding online shopping have a higher likelihood of repurchasing (Tyrväinen & Karjaluoto, 2022). It is important to investigate the factors that can affect repurchase intention of consumers in the online medium as it is well understood by the sellers that retaining existing customers is far more cost effective than approaching new. In this regard, service recovery strategies are an important factor in influencing the repurchase intention of online consumers and to increase their retention rate (Ali, Gilal & Shah, 2018).

Online selling has many positive aspects, it also generate some concerns among the consumers. For example, customers complained about their experience of online shopping on a daily basis due to the immense burden on supply chains and logistics of online businesses (Lafci, Göksu, & Avar, 2020). Organizations are sometimes not able to eliminate complaints entirely, but they can learn to respond to them in an impressive manner. This process through which a service provider tries to resolve a complaint in order to retain that customer is called service recovery (Van Vaerenbergh et al., 2019). If a service issue occurs, the online seller must act promptly to restore the customer's faith in that business (Xie, Qi & Zu, 2020). The effect of recovery strategies has been studied extensively in academic literature (Honora, Chih & Wang, 2022). However, recovery strategies affecting forgiveness emotions and then turning into repurchase intention are rarely focused. Especially, the impact of AP and CP service recovery strategies on repurchase intention through the mechanism of forgiveness still needs to be investigated. Wei et al., (2020) suggested studying the trade-offs between emotional as well as economic recovery strategies to see if there is an optimal balance between the two by deploying various situations to seek such combinations and to see their effect on CF. The current study developed an academic insight on how these service recovery strategies influence customers repurchase intention. Ma et al., (2020) suggested studying forgiveness as a mediating mechanism between service recovery and outcomes such as RI.

Forgiveness is the emotional replacement of anger or fear that follow a perceived hurt or offense, follows reflecting about the wrongdoing, by replacing positive emotions (Berry & Worthington, 2001). Forgiveness has also been observed to have a key part in assisting customers

in reducing the unpleasant feelings brought on by poor performance (Ma et al., 2020). The greater the service remedy quality, the more probable consumers will have pleasant feelings, the stronger intentions will emerge to buy again, thus it will be relatively easy for customers to repurchase. (Xie et al., 2020). Furthermore, online firms are required to create an environment or an “affective climate” for their customers, a place where they can form connections with the audience, with the service providers and build meaningful networks and relationships with the brand (Cropanzano, 2015). OBCE is one of the most important elements reinforcing service recovery strategies towards the customers. A study by McAlexander et al., (2002) stated OBCE as a network of relationships between consumers themselves as well as the brand, other fellow consumers among them along with the marketer. The interacting effect of OBCE and service recovery strategies calls for investigation. Yuan et al., (2020) analyzed RI of the customers in response to the CF. They recommended studying the interaction of OBCE with service recovery strategies to see how well it can enhance their effects.

The study has contextual significance where the audience of daraz.pk in Pakistan is to be seen struggling with unexpected service failures and the attempts of the service provider to seek forgiveness from the customer. At this point in time where businesses could thrive or fail depending upon service quality satisfaction of customers, it is important to know that in presence of a strong influence of online brand community engagement, whether it becomes easier for the customer to generate positive emotions of CF that turn into RI. Current study aimed to make few major contributions. Firstly, this study extended literature on service recovery strategies and repurchase intention in the context of Pakistan. Secondly, this model also emphasizes the role of customer forgiveness as a positive emotion generated by the people receiving AP and CP from service providers in case of a mishap among the online consumers. Finally, the moderating effect of OBCE on the relationship of service recovery strategies and customer repurchase intention is also investigated. The conceptual framework of the current study is supported by Affective Events Theory (Weiss & Cropanzano, 1996). It explains how customers respond to the service recovery strategies implemented by service providers, where AP and CP act as an event. The events trigger an emotional response of CF, which then gives a response in the form of RI. OBCE is explained as an affective climate by the recent advancements in the Affective Events Theory (Cropanzano & Dasborough, 2015).

2. Literature Review

2.1 Apology and Repurchase Intentions

Apology (AP) is defined as being in regret and acknowledging a failure or wrongdoing followed by a formal statement expressing regret (Liu, Dib & Ranaweera, 2019). As service failure occurs, the service provider must seek AP from the affected individuals. By apologizing, they are

accepting their failure and taking the responsibility for the grievances and inconveniences felt by the customers. When a company immediately apologizes, the customer feels positive and satisfied which in turn depicts a positive effect of AP on RI. Thus it is an important step to ensure retention of customers is to effectively apply these service recovery strategies (Ali, Gilal & Shah, 2018). AP is the most cost effective service recovery strategy to deal with a service failure. A sincere and heartfelt AP can generate positive attitudinal and behavioral responses from the customers (Jung & Seock, 2017). A study by Tang et al., (2018) suggested that customers having intense emotions in response to a service failure when a company offers them a sincere AP, have increased RI. Thus, responding to customers with apologies not only ensures a good relationship with the customers but it also ensures positive responses like repurchase behavior from the customers (Li, Ma & Bai, 2020). Sciarelli et al., (2017) also confirmed that once a company apologizes in a timely manner, the customer will get certain positive intentions including repurchase and patronage intentions etc. Thus, it is hypothesize that:

H1: Apology significantly and positively affects consumers' repurchase intentions

2.2 Compensation and Repurchase Intentions

Compensation (CP) is a provision of coupons, refunds or discounts in service recovery contexts to mitigate the loss of customers after a service failure situation (Liu, Dib & Ranaweera, 2019). CP is one of the core recovery strategies as it is more economic in nature, so customers can get a sense of value from the brand in return of a negative experience. It builds positive outcomes like RI as well as other behavioral intentions. (Jeong & Lee, 2017). A study by Tang et al., (2018) suggested that customers having less intense negative emotions in response to a service failure if the company responsible offers them economic CP. It positively affects their RI. It is also stated by a study by Xie et al., (2020) that CP in form of coupons or refunds as well as other materials equivalent to the loss of the customer can mend the relationship between the brand and customer effectively and transform their attitude and behavior into positive outcomes. Hence it can be hypothesized that:

H2: Compensation significantly and positively affects consumers' repurchase intentions

2.3 Apology and Consumer Forgiveness

The results of a study by Xie et al., (2020) shows customers usually have the least level of attention if a company provides an AP. It is because of the belief that AP is not a solution to the problems or failures in service. However it shows a positive relationship with the emotional wellbeing of the customers. When service providers seek an AP, it causes a reduction in overall negative emotions faced by the clients. It also creates a smooth transition towards implementation of further recovery responses by the brand. As a part of service recovery, the service providers

should explain the reasons behind the service errors faced by the customer, and provide an AP in order to enhance positive feelings and positive attitudinal outcomes in customers (Xie et al., 2020) A study by Bakar, Hidayati and Giffani (2019) studied service recovery strategies against customer forgiveness as a positive emotional outcome. Their results summarized a significant positive relationship of AP with customer forgiveness. They said it is necessary for firms to offer an AP in case a mishap occurs in terms of service failure. As per the theoretical lens of Affective Events Theory (Weiss & Cropanzano, 1996), an event is required to trigger an emotional response from an individual. This event acts as a stimulus from the environment seeking response from the individuals involved. In this case, AP is the event initiated by the brand which wants to implement a service recovery strategy. And emotion is CF, triggered due to the sincere AP by the brand. Hence it is proposed that:

H3: Apology has a significant relationship with consumer forgiveness.

2.4 Compensation and Consumer Forgiveness

The findings of a study indicated that although the customer receives a monetary CP, they may not be able to forgive their service provider completely. Customers face several issues to counter the resentment or negative emotions holding them back from achieving forgiveness. This is where service providers can help by monitoring the responses generated by the consumers during the process to make sure the CP was effective (Tsarenko et al., 2019). One study verified that the customers participating in studies suggested that when companies put in the effort to provide high quality CP, it induces positive emotions in them. They usually see how speedily the CP was provided, how well it was communicated as well as what the tangible factors of CP are and how they are equivalent to the loss. If the loss from service failure cannot be covered with traditional measures like return and exchange, then CP can be used in order to reduce negative feelings of the customers. Service providers can provide an appropriate amount of tangible CP for example via coupons or cash returns since a specific amount of CP could facilitate reduction of negative and induction of positive emotions in consumers. This is an effective way to repair as well as manage the damaging relations among the aggressed customers as well as the service provider thus retaining those customers in the long run (Xie et al., 2020) When consumers feel better satisfaction levels with the service recovery measures implemented by the service provider, they will see a reduction in negative emotions and enhancement in positive emotions as a result. This implies that CP is a cause of emotional forgiveness when provided as a service recovery measure (Babin et al., 2021). As discussed above, Affective Events theory (Weiss & Cropanzano, 1996) has the first assumption that an event occurs which triggers an emotion with the involved individual. In this case, the service recovery strategy implemented by the brand in the form of CP is an event. And when they recover the monetary or non-monetary loss of the individual, it triggers the response of CF. Thus, it is hypothesized that:

H4: Compensation has a significant relationship with consumer forgiveness.

2.5 Consumer Forgiveness and Repurchase Intention

Emotions of a consumer are induced after acquiring a product or service. Consumers are willing to buy more from a brand if they feel positive emotions. And they may discontinue buying from them when negative emotions are felt. This study by Xie et al., (2020) emphasized that in case of online shopping, changes in customer emotions are a precursor to judging their decisions regarding intentions and behaviors relating to purchase. In consumer behavior literature, forgiveness for the brand means the customer wants to continue the relationship with the brand even after the instance of failure as per his desires. So consumers decide to stay with the same brand, willing to repurchase again in future as well as to advocate for the company especially when positive emotions are gained after a service recovery strategy as implemented by the service provider. Customers have a choice to show positive reaction, forgiving and repurchasing from them or negative reactions or complaining and switching (Babin et al., 2021). Literature has reinforced the relationship between CF as well as RI and other outcomes (Tsarenko et al., 2019). It was found that customer forgiveness has a strong influence on a customer's RI and a moderate effect on other outcomes (Muhammad, 2019). As per Affective Events theory (Weiss & Cropanzano, 1996), the emotion generates an attitudinal or behavioral response. That is, after the person acknowledges the emotion, they indulge in a behavior or attitude as a result of the event. In this case, customer forgiveness is an emotion which resulted in the behavioral response of repurchases intention. So it can be hypothesized that:

H5: Customer forgiveness has a significant and positive relationship with repurchase intention.

2.6 Consumer Forgiveness as Mediator between Service Recovery Strategies and Repurchase Intention

A study by Muhammad (2019) concluded that forgiveness has a significant mediation mechanism leading to customer satisfaction from independent variable perceived justice. They chose the banking industry in Pakistan to test the findings. Another study proved their hypothesized relationship of customer forgiveness as a mediator between service recovery strategy and positive behavioral outcomes by the participants. They suggested using the customer forgiveness mediator in more studies in the service recovery domain (Harrison-Walker, 2019). Marketing literature determines forgiveness as a possible outcome from negative experiences by a brand and identifies some factors influencing forgiveness. Another study investigated how firms' service recovery responses affect customer forgiveness; the results of this study by Tsarenko et al., (2019) confirmed the mediating role of forgiveness on customer patronage. The Affective Events theory (Weiss & Cropanzano, 1996) explains that an event cannot directly result in a

behavior or attitudinal response from behavior. An underlying mechanism of emotion must be acknowledged before moving onto developing attitude or behavior. In this case, the event is a recovery strategy implemented by the service provider in the form of AP or CP. The emotion is CF thus induced in individuals, which acts as a mediating mechanism. And it is the repurchase intention as a behavioral response of the consumer. Hence CF is hypothesized as a moderating mechanism on both of the direct links:

- H6: Consumer forgiveness acts as a mediator between apology and repurchase intention
- H7: Consumer forgiveness acts as a mediator between compensation and repurchase intention

2.7 Online Brand Community Engagement as Moderator on the relationship between Service Recovery Strategies and Repurchase Intentions

The firm's service recovery strategies have a positive effect on consumer's responses toward the firm in the form of their intentions to repurchase (Li et al., 2019). The result from Lee and Atkinson (2019) reveals that the level of engagement of an individual in online community effects the RI as well as behaviors towards the brands. The AP and CP will be comparatively more favorable if the individuals have high involvement in the community because they will provide more attention to the message because of higher involvement and engagement. The engagement of the consumer with their service provider and the community around the brand lead to positive emotions and attitudinal behavioral outcomes in the long run (Umashankar et al., 2017), Consumers when attached with the brand, are more willing to let go of the service failures and are more willing to indulge in positive behavior. The perceptions of loyal customers regarding the service recovery efforts are very different from others who are not as close to the brand and its community (Gorlier & Michel, 2020). Thus, it is pertinent for the service providers while deciding on service recovery strategies that whether their customers are engaged to their community or not (Ozuem et al., 2021). As per a new perspective of the Affective Events Theory (Cropanzano & Dasborough, 2015), the environmental factors are now upgraded to affective climates. OBCE, being an interpersonal variable involving the affective relationship of a brand with the individuals over social media, is used as a moderating mechanism under this assumption. Thus the following relationships are hypothesized:

- H8: OBCE moderates the relationship between forgiveness and repurchase intentions such that when OBCE is high the relationship between forgiveness and repurchase intentions is stronger.
- H9: OBCE moderates the relationship between apology and repurchase intentions such that when OBCE is high the relationship between apology and repurchase intentions is stronger.

H10: OBCE moderates the relationship between compensation and repurchase intentions such that when OBCE is high the relationship between compensation and repurchase intentions is stronger.

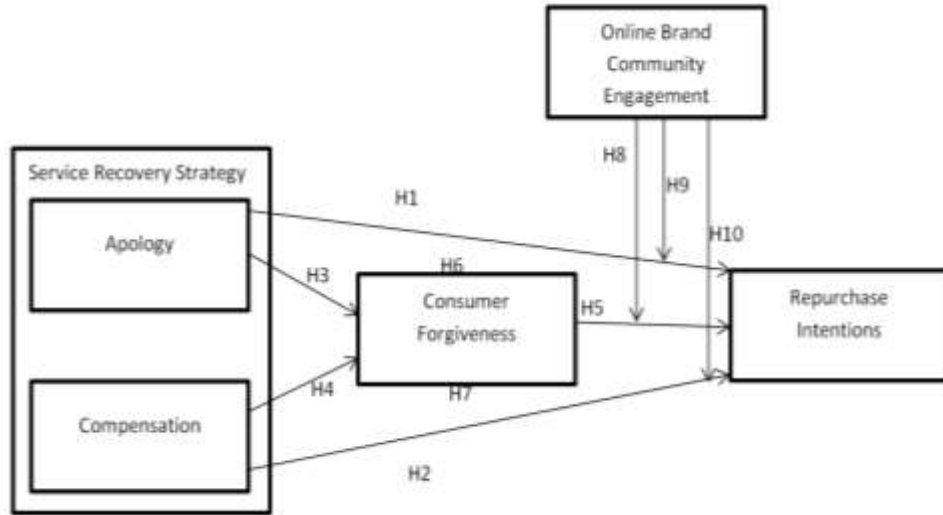


Figure 1: Conceptual Framework

3. Methodology

3.1 Population and Sampling

This study has employed quantitative research to test the hypothesized relationships. This study is cross sectional in nature, where data was collected at one point in time. The study has used a survey method to collect the data. The population comprised of people who are actively engaged in online communities and also purchase products online. The data was collected from the faculty members and students of universities located in Rawalpindi and Islamabad. Daraz.pk is a popular online retailer in Pakistan providing cash on delivery services everywhere in Pakistan. Due to the popularity of this service provider throughout Pakistan, this online service provider was selected for the current study.

The sample is chosen by using convenience sampling. Faculty members and students from all universities of twin cities were approached. The email addresses of 1210 faculty members and students were obtained from their respective university portals/websites and LMS. The target audience was approached to fill an online questionnaire created on Google form. The total of 606

responses was received out of which the usable responses of 426 were considered for this research. The sample size of 426 is considered a good representation of its population (Forza, 2002).

The data was collected in fall 2021. The respondents of the study were selected based on screening questions. The screening questions were: Do you shop online? Are you the customer of daraz.pk? Have you ever returned the merchandize purchased from daraz.pk? If the answer of the respondents was 'yes' to all three of the screening questions, they were eligible to fill the questionnaire. The following scenario was described on Google form questionnaire to help respondents visualize a situation. "You shopped from an online store; daraz.pk. The product you received was not as per your expectations. You filed a complaint and a return request. The management of daraz.pk responded. Please fill the questionnaire by keeping this situation in mind."

Respondents include 57% male and 43% females. Average age of the respondents was 30 years. Regarding Income, 29.8% of the respondents had less than 21000 PKR, 33.7% respondents had income in the range of PKR 22000-81000, and the remaining 31.6% had income above PKR 82000.

3.2 Research Instruments

All the items in the scales are adapted in the context of daraz.pk. The OBCE scale was adapted from Yuan et. al., (2020). It is a tens scale. Sample items include, "Anything related to Service provider's community grabs my attention". The Customer Forgiveness scale was adapted from Ma, Zhong and Hu (2020). It has three items. Sample item is, "I accept the failure and will give them another chance". The scale for service recovery strategies was adapted from Cengiz at el., (2007). Both scales of AP and CP have three items each. Sample item from AP is, "I received a sincere "I am sorry"" from my service provider. Sample item from CP is, "After receiving the service provider's response, I am in the shape or better than I was before the complaint." The scale of RI was adapted from Siu et al., (2013). It has three items, and the sample item is, "I may still buy from this seller in the future".

Variable	Measure	Items
AP and CP	Cengiz at el., (2007)	3
CF	Ma et al., (2020)	3
RI	Siu et. al., (2013)	3
OBCE	Yuan et. al., (2020)	10

4. Data Analysis

For data analysis of this study, SPSS Statistics and AMOS were used. The regression analysis was performed in PROCESS by Hayes. The model fit of this study was established in

AMOS through structural equation modeling as per Hair et al. (2014) to check the consistency of collected data with the proposed theoretical model. The model fit values were in acceptable range where RMSEA was reported 0.085, CFI was reported 0.884, GFI was 0.779, AGFI was 0.716, RMR was 0.68, CMIN was 354.519, DF were 197, p was 0.001 and CMIN/DF was 1.80. All of these values lie in acceptable range showing model fitness as appropriate. It can be seen that all study variables have a significant positive correlation with each other. Most of the correlations have a moderately significant ($p=0.01$) impact with the exception of AP with RI as mildly significant ($p=0.05$). This means that all of the study variables are positively and significantly correlated to each other. Cronbach Alpha for all the variables is more than 0.70 (Hair et al., 2014).

Table 1: Descriptive Statistics, Correlation and Cronbach's Alpha

Measure	Mean	SD	1	2	3	4	5
AP	3.27	.776	(.70)				
CP	3.05	.842	.403**	(.79)			
CF	2.96	.875	.415**	.292**	(.82)		
RI	3.25	.607	.214*	.292**	.555**	(.81)	
OBCE	2.95	.705	.296**	.371**	.429**	.476**	(.91)

Correlation is significant at 0.01** and 0.05*

4.1 Regression Analysis

The regression was done through PROCESS by Hayes. One way ANOVA for identifying control variables was performed on demographics variables. None of the demographic variables were found to be significant, so none of them were controlled while performing regression. Model 4 was employed to check mediation. The result showed a significant mediation of forgiveness between AP and repurchase intention ($p=0.001$, LLCI=.0229, ULCI=0.3118), and between CP and repurchase intention ($p=0.001$, LLCI=.0803, ULCI= 0.3409). Both H6 and H7 are accepted.

The direct effect of AP on RI is insignificant (LLCI=-.1512, ULCI=0.1203). Thus hypothesis 1 is not accepted. The direct effect of CP on repurchase intention is significant ($p=0.039$, LLCI=.0059, ULCI=.2360) accepting hypothesis 2. The impact of AP ($p=0.001$, LLCI=.2738, ULCI=.6617) and CP ($P=0.01$, LLCI=.0606, ULCI=.4416) on forgiveness is also significant giving acceptance to H3 and H4. The impact of forgiveness on repurchase intention is also significant ($p=0.001$, LLCI=.2703, ULCI=.5113). Thus, H5 is also accepted.

Model 1 was employed to check the effect of moderator. The interaction effect of CF and OBCE is significant. The moderation effect was seen stronger in case of higher levels of OBCE, and weaker or insignificant in case of weaker OBCE (Low=0.1611, Medium=0.2766 and High=0.3921). Hypothesis 8 was accepted. The interaction effects of OBCE and recovery strategies (AP/CP) are insignificant. The moderation effect was seen stronger in case of higher

levels of OBCE, and weaker or insignificant in case of weaker OBCE. OBCE was seen at three levels, (Low=-0.133, Medium=0.0370 and High=0.2070). This means hypothesis 9 was rejected. In this case, the interaction between CP and OBCE was insignificant, (LLCI=-0.1213, ULCI=0.1626). The moderation effect was not observed because of lack of significance in interaction of CP and OBCE; thus rejecting H10.

Table 2: Mediation and Direct Effects

Model	Hypothesis	Effect	p	LLCI	ULCI
A→RI	H1	-.016	.821	-.151	.120
CP→RI	H2	.121	.039	.006	.236
AP→CF	H3	.468	.001	.274	.662
CP→CF	H4	.251	.010	.061	.442
CF→RI	H5	.391	.001	.270	.511
AP→CF→RI	H6	.183	.001	.094	.294
CP→CF→RI	H7	.089	.001	.018	.166
OBCE*CF→RI	H8	.154	.023	.022	.286
OBCE*AP→RI	H9	.227	.199	-.928	.196
OBCE*CP→RI	H10	.021	.773	-.121	.163

Table 3: Moderation Analysis

OBCE	Effect	p	LLCI	ULCI
2.2	.161	.053	-.002	.324
2.95	.277	.001	.162	.391
3.7	.392	.001	.254	.531
OBCE	Effect	P	LLCI	ULCI
2.2	-.113	.018	.326	.060
2.95	0.37	.548	-.097	.171
3.7	.207	.016	.039	.375

5. Discussion

According to the results, H1 connecting independent variable AP to dependent variable RI was not accepted and H2 connecting independent variable CP to dependent variable RI was proven to be correct. As the theoretical framework of Affective Events Theory suggests, it is not possible for the Event to directly trigger a behavioral or attitudinal response without generating an underlying mechanism of emotion. Which in this case means that AP as an event generated by the company as service recovery strategy cannot result directly in the attitudinal response of RI without the emotion of CF, and literature also suggested that indirect effects of the service recovery strategies on recovery outcomes of the customers (Ma et al., 2020). However in case of

CP, the results were opposite as customers when observed that their loss was compensated, they were willing to purchase again from the company. This could be the probability that CP is sometimes designed to make the customer indulge in another transaction to avail a voucher or coupon, which then results in a better user experience thus positively impacting future purchase decisions of the customer.

Service providers like daraz.pk cannot expect their customers to instantly indulge in having RI as soon as they provided an AP or CP to them. Customers would need time to assess the situation and make a decision whether the service recovery measures were enough for them to make them feel better or to compensate their loss with a previous purchase, if the step from service provider is enough or not to generate a positive emotion of forgiveness in them. Thus H5, H6 and H7 were accepted; involving the mediation mechanism of CF as well as direct effect of the service recovery strategies with CF. The theory of affective emotions also suggests that in response to an event, an individual generates an emotion which then gives rise to an attitudinal or behavioral response. A mediation effect of CF is important in order to make sure that the customers of daraz.pk are willing to buy from the store again, provided that they were regressed before and company actively seeks them to apologize and provide CP for their loss. It is important to acknowledge the fact that those service recovery strategies had a positive impact on the emotional well-being of the customer in order to associate their intentions positively with the service provider.

Prior studies also emphasize on the mediation of CF between service recovery modes and attitudinal responses of the customers (Ma et al., 2020). The hypothesis H3 and H4 were also accepted where the direct relationship of both AP which is an emotional recovery strategy and CP which is an economic recovery strategy induces the emotion of forgiveness in consumers which is also supported with extant literature (Wei et al., 2020). Consumers of daraz.pk when regressed usually leave a negative feedback or reviews on the platform after which they are approached by the customer services. The customer services ask regarding the situation and instantly apologize. This step is one of the main hypothesized relationships which can possibly trigger a positive emotion of CF. Provided that the customers value this AP and it makes them feel special that the service provider approached them personally to listen to what went wrong. In second scenario, the service provider daraz.pk often provides coupons to the customers who had an issue with the purchase. The coupon is redeemable on their website so the customers are eligible to buy anything else from the platform. This again provides the customer an opportunity to generate positive emotional response of forgiveness for the service provider. And the forgiveness can then lead to a positive attitudinal response of RI in the customers of that service provider.

For the moderation hypothesis H8, The OBCE was significantly moderated the effect of CF on repurchase intention with a bigger effect size on higher level. This means in case of higher level of engagement of customers of daraz.pk on their social media platforms, they are more probable to turn the positive emotion of CF into RI. The affective events theory remains vague on

the interaction of boundary conditions either with the event or the emotions. So the theory was not in negation of this interaction. But the previous literature studied the interaction term of OBCE with the recovery strategy deployed by the company and found weaker significance (Yuan et. al., 2020). This is why the hypothesis H9 and H10 were rejected because of the insignificance even dictated by previous literature.

However when OBCE interacts with CF, the effect size becomes significant indicating that the customers are willing to forgive when they are provided an affective climate by the company to interact with the company itself as well as other consumers. So for consumers of daraz.pk, when the customers are presented with an opportunity to collaborate with the service providers, the community around their brand and among themselves, they feel a connection with the brand. It is possible for the service providers to make a mistake now and then. And when that mishap occurs, the service providers have some options for their service recovery strategies. When daraz.pk provides an AP or CP to the client, a positive response is expected from them in return. In this case it requires genuine emotion of forgiveness from the customers. Forgiveness is a possible positive emotional outcome from the customers in favor of the service provider. However, the true benefit of this emotion would be when this forgiveness shapes up into behaviors or attitudes that actually provide monetary profits to the service providers. So the main goal of daraz.pk or any service provider for that matter is to achieve a positive attitude or behavior, which in this case is RI of the customers. Some forms of CP like coupons valid for their store are also an option to make sure the customers would buy again from the store to fulfill their loss. However the approach is not to think transactional, but for the long run. Because eventually the customer learns to trust a service provider that earns their forgiveness in case something goes wrong.

Service providers like daraz.pk are working on boosting that shift from customer emotion of forgiveness to attitudes of RI. And as per the results of this study, it would be possible by creating an affective environment for the customers, an online space to engage them in a brand centric community to share their experiences with the like-minded people. Brands will encourage the customers to participate in such communities online to create a sense of attachment with the service provider, the people on the back end of the service provider as well as other people who are indulging in the usage of these services. Development of this OBCE will lead to a boost in conversion of the CF into positive intentions to repurchase from the service provider in the future (Yuan et. al., 2020).

5.1 Implications

Managers are trying to provoke emotions of forgiveness in customers after something unreasonable happens to them. It is common practice to either provide a sincere AP to the customers, or provide sufficient CP to the customer for their worry, or find an appropriate balance between both. But this study underlined the presence of a strong moderating mechanism; an

environmental condition for the customers where the chances of that forgiveness turning into RI is amplified. It is recommended to managers when making policy of social media campaigns to also devise strategies of being active in social media communities, perform activities to collaborate and engage the audiences as much as possible. It is pertinent to provide their audience a platform to talk with each other regarding the positives and negatives of the brands, and as well as suggestions for making it better. It is a goal of an online service provider to meet the expectations of clients, but in case they are not met, AP or CP should be initiated. That is why this study has checked service recovery strategies to create positive emotions in buyers and further affect their repurchase, rather than switching towards the competitors. This study has identified the interaction of service recovery strategies (AP and CP) with OBCE to see how the presence of an external affective climate boosts their relationship with RI of the customers. Service providers should not be limited to implement recovery strategies only, they should provide an effective climate as well to boost the response generated from the implementation of those service recovery strategies.

The study has contextual significance where the audience of daraz.pk in Pakistan is to be seen struggling with unexpected service failures and the attempts of the service provider to seek forgiveness from the customer. At this point in time where businesses could thrive or fail depending upon service quality and satisfaction of customers. It is important that companies would apologize, compensate or do both in cases of failures. But it is significant to know that in presence of a strong influence of OBCE, it becomes easier for the customer to generate positive emotions of CF and then the forgiveness is more likely to turn into positive response of RI. A cost effective way to boost the service recovery measures, which were already being provided to the customer anyways, could open more avenues for the managers of daraz.pk to stay active on social networking platforms and boost the RI of the customers.

5.2 Limitations and Future Research Directions

This study was limited to the population of faculty members and students of universities in Rawalpindi and Islamabad. However future researchers could get a better sample to enhance generalizability of the results. Furthermore, this study could be replicated in other cultures to have a comparative view. The moderator OBCE is a relatively novel variable so using it in different scenarios would uncover more about it. As it is a complex multidimensional variable, it would be interesting to see the interaction with other variable whether they are service recovery strategies in particular or any other attempt of organizations which could qualify as an event in affective events theory. Moreover, other theoretical lens can be used to view this variable. An interesting approach would be through the recent amendments in Theory of Attribution, that if the OBCE is higher, who are the customers blaming etc. This could unveil more interesting facts that maximizing OBCE could lead to develop a better understanding of customers with brands. Some suggestions could include repeat buying behavior, buyer recommendations, brand love etc.

Testing out novel variable like OBCE and enriching its literature will be useful for further studies. Researches can see this variable as a mediating, independent and even dependent variable in order to make sure the antecedents and outcomes of this variable. However, some suggestions for the dependent variable in case of extending these studies of OBCE as moderators could include negative outcomes as well to see if the moderation of OBCE can minimize negative outcome variables like Negative Word of Mouth, Brand Hate, Customer dissatisfaction etc. Other emotions could also be studied like customer gratitude, customer empathy etc.

6. Conclusion

AP and CP both are very effective tactics of generating CF. These are the emotional and economical service recovery strategies deployed by the organizations after service failures. CF leads towards generating a positive outcome from consumers. This study revealed that there is a way to boost and increase the odds of turning that CF into repurchases intentions. It is by providing the affective climates of OBCE, i.e. organization building a platform to actively seek the consumers and put an effort to engage them into meaningful conversations, to make sure they can engage with their fellow consumers, the marketers as well as the service provider without any difficulty. As daraz.pk was active in their social community providing interesting information, discounts, content to be live streamed from different genres on their website, they successfully developed OBCE for their customers thus enhancing RI from them in the long run. This ensures if any mishap occurs from the service provider, the customers will not only forgive them but also give them another chance.

References

- Ali, I., Gilal, R. G., & Shah, N. (2018). Impact of service recovery on repurchase intentions among customers of cellular industry of Pakistan. *Journal of Grassroots*, 51(2), 76-92.
- Babin, B. J., Zhuang, W., & Borges, A. (2021). Managing service recovery experience: effects of the forgiveness for older consumers. *Journal of Retailing and Consumer Services*, 58, 102222.
- Bakar, R. M., Hidayati, N., & Giffani, I. R. (2019). Apology and compensation strategy on customer forgiveness and negative word of mouth. *Jurnal Manajemen dan Kewirausahaan*, 21(1), 41-50.
- Berry, J. W., & Worthington Jr, E. L. (2001). Forgivingness, relationship quality, stress while imagining relationship events, and physical and mental health. *Journal of counseling psychology*, 48(4), 447.
- Cengiz, E., Er, B., & Kurtaran, A. (2007). The effects of failure recovery strategies on customer behaviours via complainants' perceptions of justice dimensions in banks. *Banks & bank systems*, (2, Iss. 3), 173-198.

- Cropanzano, R., & Dasborough, M. T. (2015). Dynamic models of well-being: Implications of affective events theory for expanding current views on personality and climate. *European Journal of Work and Organizational Psychology*, 24(6), 844-847.
- Forza, C. (2002). Survey research in operations management: a process-based perspective. *International Journal of Operations & Production Management*, 22(2), 152-194.
- Gorlier, T., & Michel, G. (2020). How special rewards in loyalty programs enrich consumer–brand relationships: The role of self-expansion. *Psychology & Marketing*, 37(4), 588-603.
- Harrison-Walker, L. J. (2019). The critical role of customer forgiveness in successful service recovery. *Journal of Business Research*, 95, 376-391.
- Honora, A., Chih, W. H., & Wang, K. Y. (2022). Managing social media recovery: The important role of service recovery transparency in retaining customers. *Journal of Retailing and Consumer Services*, 64, 102814.
- Hair, J. F., Gabriel, M., & Patel, V. (2014). AMOS covariance-based structural equation modeling (CB-SEM): Guidelines on its application as a marketing research tool. *Brazilian Journal of Marketing*, 13(2).
- Jung, N. Y., & Seock, Y. K. (2017). Effect of service recovery on customers' perceived justice, satisfaction, and word-of-mouth intentions on online shopping websites. *Journal of Retailing and Consumer Services*, 37, 23-30.
- Jeong, M., & Lee, S. A. (2017). Do customers care about types of hotel service recovery efforts? An example of consumer-generated review sites. *Journal of Hospitality and Tourism Technology*, 8(1), 5-18.
- Lafci, S., Göksu, K. K., & Avar, F. (2020). Customer Complaints Encountered in the Food Sector During the COVID-19 Period. In *Annual Gsom emerging Markets Conference*, 272-277.
- Lee, S. Y., & Atkinson, L. (2019). Never easy to say “sorry”: Exploring the interplay of crisis involvement, brand image, and message appeal in developing effective corporate apologies. *Public Relations Review*, 45.
- Li, X., Ma, B., & Bai, R. (2020). Do you respond sincerely? How sellers' responses to online reviews affect customer relationship and repurchase intention. *Frontiers of Business Research in China*, 14(1), 1-13.
- Li, Y., Yang, K., Chen, J., Gupta, S. and Ning, F. (2019), "Can an apology change after-crisis user attitude? The role of social media in online crisis management", *Information Technology & People*, 32(4), 802-827.
- Liu, H., Jayawardhena, C., Dibb, S., & Ranaweera, C. (2019). Examining the trade-off between compensation and promptness in eWOM-triggered service recovery: A restorative justice perspective. *Tourism Management*, 75, 381-392.
- Ma, K., Zhong, X., & Hou, G. (2020). Gaining satisfaction: the role of brand equity orientation and failure type in service recovery. *European Journal of Marketing*. 54(10), 2317-2342.

- McAlexander, J. H., Schouten, J. W., & Koenig, H. F. (2002). Building brand community. *Journal of Marketing*, 66(1), 38-54.
- Muhammad, L. (2019). Do service firm employee and customer relations matter for customer forgiveness in service recovery?. *Asia Pacific Journal of Marketing and Logistics*, 31(4), 1216-1232.
- Ozuem, W., Ranfagni, S., Willis, M., Rovai, S., & Howell, K. (2021). Exploring customers' responses to online service failure and recovery strategies during Covid-19 pandemic: An actor–network theory perspective. *Psychology & Marketing*, 38(9), 1440-1459.
- Siu, N. Y.-M., Zhang, T. J.-F., & Yau, C.-Y. J. (2013). The Roles of Justice and Customer Satisfaction in Customer Retention: A Lesson from Service Recovery. *Journal of Business Ethics*, 114(4), 675–686.
- Sciarelli, M., Nagm, A. A., Dakrory, M. I., Tani, M., & Khashan, M. A. (2017). The relationship between service recovery and patronage intentions: the mediating role of relationship quality. *International Business Research*, 10(8), 215-231.
- Suhaily, L., & Soelasih, Y. (2017). What effects repurchase intention of online shopping. *International Business Research*, 10(12), 113-122.
- Sudaryanto, S., Subagio, A., & Meliana, M. (2021). Does COVID-19 affect online experience towards repurchase intention? An empirical study in Indonesia. *The Journal of Asian Finance, Economics and Business*, 8(6), 1013-1023.
- Tsarenko, Y., Strizhakova, Y., & Otnes, C. C. (2019). Reclaiming the future: Understanding customer forgiveness of service transgressions. *Journal of Service Research*, 22(2), 139-155.
- Tang, X., Chang, E. C., Huang, X., & Zhang, M. (2018). Timing and compensation strategies in service recovery. *Journal of Services Marketing*, 32(6), 755–766.
- Tyrväinen, O., & Karjaluoto, H. (2022). Online grocery shopping before and during the COVID-19 pandemic: A meta-analytical review. *Telematics and Informatics*, 71, 2022, 101839.
- Umashankar, N., Ward, M. K., & Dahl, D. W. (2017). The benefit of becoming friends: Complaining after service failures leads customers with strong ties to increase loyalty. *Journal of Marketing*, 81(6), 79-98.
- Van Vaerenbergh, Y., Varga, D., De Keyser, A., & Orsingher, C. (2019). The service recovery journey: Conceptualization, integration, and directions for future research. *Journal of Service Research*, 22(2), 103-119.
- Wei, C., Liu, M. W., & Keh, H. T. (2020). The road to consumer forgiveness is paved with money or apology? The roles of empathy and power in service recovery. *Journal of Business Research*, 118, 321-334.
- Weiss, H. M., & Cropanzano, R. (1996). Affective events theory. *Research in organizational behavior*, 18(1), 1-74.

- Xie, B., Qi, Z., & Zu, E. (2020). Research on the effect of service recovery quality on customer repurchase intention in online shopping. *Revista Argentina de Clínica Psicológica*, 29(5), 96.
- Yuan, D., Lin, Z., Filieri, R., Liu, R., & Zheng, M. (2020). Managing the product-harm crisis in the digital era: The role of consumer online brand community engagement. *Journal of Business Research*, 115, 38-47.