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ABSTRACT

Online shopping is becoming increasingly popular among customers in recent years. It offers customers numerous advantages and benefits, such as convenience in terms of time and place, better prices, and a variety of options. However, the number of customers who complain about online shopping is also increasing. Therefore, it is important for online retailers to better understand how customers respond to failures in customers' online shopping.

Prior research on service failures and customer complaints has largely used expectation-dissatisfaction model to explain the phenomenon (e.g., McCollough, Berry, and Yadav 2000) and suggests approaches to address customer complaints (e.g., Hess, Ganesan, and Klein 2003). The current study takes a psychological contracts perspective and investigates its role in customers' reactions to service failures. We propose that psychological contracts are held by customers, representing customers' beliefs about obligations between them and the company. In two experiments, we find that when customers encounter a service failure, they will perceive that there is a breach in the psychological contract, which leads to negative reactions. In addition, the findings from Experiment 1 show that customers' attribution of breach to intentional rather than misunderstanding will accentuate the relationship between the perceived breach and customers' negative reactions. Further, we show in Experiment 2 that customers will react less negatively to service failures when they are notified on how the company will handle the service failures than why the failures occurred.

The current research will make several theoretical and practical contributions. It examines psychological contract breach as the underlying mechanism for why customers are dissatisfied with online service failures. Two moderators are identified to influence the strength of the relationship to address the inconsistent findings in previous research. Based on above findings, we proposed approaches for companies to communicate more effectively to customers to mitigate customers' negative reactions to service failures.

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