

Corporate responsibility eases customer reactions to bad service

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Imagine standing in a long line at your favorite coffee shop only to receive the wrong order. What would you do?

While some might be angry and tell all their friends about the shop's bad service, researchers say other customers may think "it's all good" - IF they learn that the [coffee shop](#) donates a percentage of every purchase to charitable causes that customers value.

Corporate social responsibility maximizes consumer return

Writing in the *Journal of Public Policy and Marketing*, researchers help firms understand when and why [corporate social responsibility](#) (CSR) - such as donating money to build a new children's hospital or implementing onsite daycare to accommodate parents - can protect companies in the wake of service failures, if the CSR matches the values of consumers.

By demonstrating that CSR acts as an insurance policy against failure when customers perceive a high degree of alignment with the firm's values, the research may encourage businesses to engage in actions that will benefit a wider range of consumers.

"Whereas most studies have focused on reactive strategies, such as apologies and compensation, little is known about the effect of proactive

strategies, such as CSR, on [consumer behavior](#) following negative events," said Jeff Joireman, marketing professor at Washington State University and lead author of the study. "If CSR buffers firms against service failures, firms may be more willing to adopt preemptive CSR initiatives that maximize return."

The paper is the first to test the effectiveness of value-aligned CSR in response to service failures.

Studies confirm benefits of value alignment and choice

The researchers conducted two studies. The first study revealed that customers are less likely to experience anger and spread negative word of mouth following a service failure when a firm engages in high levels of environmentally focused CSR that aligns with consumers' environmental values; for example, allocating 15 percent of profits to a campaign to promote safe drinking water.

"We found that when a firm donates money to environmental causes, environmentalists 'cut the firm slack' following a service failure, but non-environmentalists don't," said Joireman.

The second study explored the benefits of CSR policies offering customers choice over the firm's allocations. Results showed that a CSR policy that offered customers a choice over the CSR allocations enhanced consumers' perceived value alignment with the firm, reduced negative word of mouth and increased positive word of mouth and repurchase intentions.

"While apologies, compensation and proactive approaches to service failures can yield more satisfied and less vengeful customers, they do

little to benefit a broader range of stakeholders," Joireman said. "In contrast, value-aligned CSR with choice is an effective approach to dealing with service failures and also yields positive societal outcomes."

The researchers' efforts coincide with a growing movement to understand what companies can do - before customers complain directly to the firm - to promote more favorable responses to service failure.

More information: Find an abstract of the article online at <http://journals.ama.org/doi/abs/10.1509/jppm.13.065>.

Provided by Washington State University

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