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Will Guests Use Peer-to-Peer Accommodation Again after a Service Failure?

This study applies 3x2 between-subjects design to examine the effects of service failure dimensions and recovery strategies on satisfaction and customer repurchase intention in peer-to-peer accommodation. The preliminary results, which is based on an online survey with 107 respondents, revealed that the three different dimensions of service failure did not yield significant differences in satisfaction and repurchase intention. However, a significant difference was found between "compensation" and "no compensation" recovery strategies in satisfaction and repurchase intention. The types of service failure only affect the relationship between customer satisfaction and repurchase intention when a compensation is provided. This may be due to the limited response in each scenario. Therefore, in future studies, a larger sample is needed to confirm these preliminary results.

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Introduction

As peer-to-peer accommodation continues to grow, there is a mounting evidence of customer dissatisfaction, which may result in a series of negative consequences, such as lower repurchase tendency and discontinuance of use. As previous studies suggest, the cost of attracting new customers is always higher than retaining existing ones (Reichheld & Schefter, 2000). Therefore, it is crucial to understand customer repurchase intention in peer-to-peer accommodation sector, which emerged only a decade ago. Although there are some studies in the peer-to-peer accommodation literature investigated the repurchase intention (e.g., Liang, Choi & Joppe, 2018; Wang &Jeong, 2018), the majority of them only focus on the positive consumer experiences rather than the negative ones. Research on how negative experiences in peer-to-peer accommodation affect customer satisfaction and repurchase intention is still lacking.

As failures are oftentimes inevitable in hospitality industry, it is important to identify effective recovery strategies which can compensate guests' negative experiences and thus retain customers. Therefore, this study aims to investigate the effect of different service failures and recovery strategies on customer satisfaction and intention to use peer-to-peer accommodation again. Theoretically, this study will contribute to a better understanding of post-consumption behaviour in peer-to-peer accommodation. Furthermore, this study will inform practitioners, such as platform providers and service providers, effective ways to manage service failures and negative customer experiences.

Service Failure and Recovery

Service failures, which occur when service provided falls below the customer's expectation (Hoffman & Bateson, 2010), are considered to be one of the key determinants of customer dissatisfaction and switching behaviours (Smith, Bolton, & Wagner, 1999; Tax &

Brown, 1998). Previous research suggests that service failure can be divided into two broad dimensions: outcome and process dimensions (Hoffman & Chung, 1999). Outcome failure normally happens when the core service is not performed as expected to satisfy the customers' basic needs (i.e., an unavailable service), while process failure refers to the situation when the core services are somehow flawed or deficient during the delivery process (e.g., inattentive service) (Smith et al., 1999). One of the most popular classifications of service failure is proposed by Bitner, Booms, and Tetreault (1990), suggesting that most of service failures result from frontline employees responding poorly towards core service, customers' needs and requests, and due to their unprompted and unsolicited action.

Service failures are inevitable in any service delivery process, thus whether service provider can provide an effective service recovery is crucial. This establishes the need for a good service recovery. Service recovery is a process to turn the dissatisfied customers into satisfied ones by providing a series of actions (Grönroos, 1988). It is very context-specific, which means that effective recovery strategies should be specified to particular service failures. There are eleven frequently adopted recovery strategies in traditional hospitality industry, including compensatory responses (e.g., discount, coupon, free upgrade, etc.), managerial responses, corrective responses (e.g., replacement, correction, etc.), empathetic responses (e.g., apology), and no recovery taken (Hoffman & Chung, 1999).

Online service failures and recovery differ from those in traditional services. As technology plays an increasingly important role in service delivery process, some technological issues that are unique to online encounter (e.g., website design, payment, security and privacy) arise (Holloway & Beatty, 2003), as human interaction has been replaced by technology (Fan, Wu, & Wu, 2010; Forbes, Kelley, & Hoffman, 2005). In an online environment, Serenko and Stach (2009) find that when travellers try to book their

accommodation, service failures are normally related to prices, post-purchase service delivery, information, and cancellation.

Peer-to-peer accommodation is not simply a merging of traditional on- and off-line service, but essentially a new concept. Unlike the exchange in traditional accommodation, which is confined in a human-human interaction, the exchange in peer-to-peer accommodation happens through various interfaces both on- and off-line. From the technological perspective, travellers can be confronted with issues such as insufficient and/or misleading information (e.g., fake photo) provided by hosts or platform providers online, and customer service representatives being unprofessional. Because service providers in peer-to-peer accommodation are not professionals but amateurs, their negative attitude such as rudeness and ignorance, as well as the substandard quality of room and facilities can also lead to customer dissatisfaction. Therefore, service failure in peer-to-peer accommodation can be considered multi-dimensional, encompassing core service failure (i.e., tangible), technological service failure (i.e., informational), guest-host interaction failure (i.e., relational), etc.

An effective recovery strategy is the key resource for building trust and mitigating risk after a service failure. Overall, the main recovery strategy in peer-to-peer accommodation is for platform provider to have its own call centre to assist customers with different issues. Depending of the failures, customers are often compensated with a refund, a coupon, etc. As suggested in the literature, unprofessional handling of customer complaints at this stage always confounds the failure (Collinson, 2018).

Satisfaction and Repurchase Intention

The relationship between customer satisfaction and repurchase intention has been under examination in many studies. Indeed, numerous empirical research have supported the

argument that customer satisfaction positively impacts repurchase intention (Anderson & Sullivan, 1993; Mittal & Kamakura, 2001; Oliver, 1980). However, researchers also found inconsistent results that in some studies customer satisfaction (CS) influenced repurchase intention (RPI), whereas others did not (e.g., Szymanski & Henard, 2001). Given such inconsistencies, there is a need to investigate the CS–RPI link in a new context. In this study, repurchase intention, as a key indicator of customer retention, signifies the likelihood of future purchase behaviour in peer-to-peer accommodation involved in the failure/recovery scenario (Holloway, Wang, & Parish, 2005), while customer satisfaction is conceptualised as an antecedent of repurchase intention to use peer-to-peer accommodation.

Method

In order to achieve the aim of the study, participants were recruited via Amazon Mechanical Turk with a Human Intelligence Tasks (HITs), targeting those with approval rate over 95% and task master qualification. Only respondents who have used peer-to-peer accommodation in recent one year were included in the study. This study adopted a two-factor between-subjects design (service failure: tangible vs. informational vs. relational) x (recovery: without compensation vs. with compensation). Participants were randomly assigned to one of the six experimental conditions depicting service failure and recovery during their stay in peer-to-peer accommodation.

Before beginning the task, respondents were asked to provide their level of familiarity and knowledge about peer-to-peer accommodation. Participants were presented a service failure scenario, representing one of the three types of service failure. They were then presented with a scenario with one of two service recovery strategies. Then, a series of questions in terms of satisfaction and intention to use peer-to-peer accommodation again was presented. The instrument assessed traveller satisfaction and repurchase intention by using a 5-point Likert scale (1= extremely disagree, 5 = extremely agree); items were adapted from

Lee and Kim (2018) (examples: "I would be pleased to have stayed at Airbnb during my trip", "I would enjoy staying at Airbnb during my trip") and Möhlmann (2015) (examples: "I am likely to choose Airbnb the next time", "I need an accommodation. In the future, I would prefer a sharing option like Airbnb to an own hotel"), respectively.

Preliminary Results and Discussion

In total, 107 participants completed this study in September 2019; 68.2% of them were Male and 55.1% between the ages of 35 to 44 years (see Table 1 for participant profiles). The reliability of the scales applied by this study was supported by the Cronbach's alphas, which are both above .7. Exploratory Factor Analysis was carried out to estimate the factor score of the two constructs for inference analysis. ANOVA was implemented to examine the effect of service failure and recovery strategy on satisfaction and repurchase intention. Two-ways ANOVA showed that there was no significant interaction between the effects of service failure and recovery strategy on satisfaction and repurchase intention ($F = .648$, $p = .525$). However, there is a significant difference between "no compensation" and "with compensation" conditions on satisfaction ($t = -3.100$, $p = .003$) and repurchase intention ($t = -3.146$, $p = 0.015$), respectively. In addition, one-way ANOVA showed there is no significant difference in terms of satisfaction ($F = .312$, $p = .733$) and repurchase intention ($F = .806$, $p = .918$) across different service failure situations.

Table 1. Participant Profiles ($N = 107$)

Characteristics	Percent
Gender	
Male	68.2%
Female	31.8%
Age	
25-34	3.7%
35-44	55.1%

Characteristics	Percent
45-54	24.3%
55-64	14%
≥60	2.8%
Annual Income	
Less than $20,000	7.5%
$20,000 - $29,999	13.1%
$30,000 - $39,999	20.6%
$40,000 - $49,999	11.2%
$50,000 - $59,999	12.1%
$60,000 - $69,999	6.5%
$70,000 - $79,999	7.5%
$80,000 - $89,999	2.8%
$90,000 - $99,999	2.8%
$100,000 - $149,999	14%
$150,000 +	1.9%
Country of Residence	
Canada	0.9%
India	40.2%
United Kingdom	2.8%
United States of America	51.6%

To gain further insights into the relationship between satisfaction and repurchase intention in peer-to-peer accommodation, seven linear regression models were implemented to examine the overall impact of satisfaction on repurchase intention and the relationship across the six scenarios. In the overall model, a significant regression model was found (F (1, 105) = 152.369, $p <$ .001), with an R^2 of .592. It indicates that, in the overall model, one unit increase of the satisfaction could lead to a 0.752 unit increase of the repurchase intention (b_1 = .752, $p <$ .001). A summary of R^2 values in the six scenarios to measure goodness-of-fit is presented in Table 2. The R^2 values of the six scenarios are all above 0.458, indicating at least 46% of the variance of the repurchase intention can be explained by the information of satisfaction (See Table 2).

Table 2. Summary of Linear Regression Results
(Dependent Variable = Repurchase Intention)

Modelling content	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
	Failure *Recovery	Tangible Failure * Without Compensation	Tangible Failure * With Compensation	Informational Failure * Without Compensation	Informational Failure * With Compensation	Relational Failure * Without Compensation	Relational Failure * With Compensation
Satisfaction	.752***	.674***	.980***	.609***	1.095***	.742***	.660***
Constant	-.034	-.252	.017	-.063	.023	-.028	.026
R_2	.592	.511	.588	.458	.832	.722	.489
F value	152.369	19.845	21.377	14.392	64.591	31.117	18.170
Coefficients Standard Error	.064	.151	.212	.160	.136	.133	.155

Note: *** significant at 1% significant level.

A Z test [Equation: $Z = (b_1 - b_2)/(SE\ b_{12} + SE\ b_2\ _2)_{1/2}$] was adopted to understand whether the relationship between satisfaction and repurchase intention is different in the six scenarios (b_1 and b_2 are coefficients; SE b_1 and SE b_2 are coefficients standard errors) (Paternoster, Brame, Mazerolle, & Piquero, 1998). When the coefficients of the six scenarios were compared, it was found that if no compensation was provided after a specific service failure, the types of service failure did not have an influence on the relationship between customer satisfaction and repurchase intention. On the contrary, if the compensation was provided to guests, the impact of satisfaction on repurchase intention in the informational failure (Model 5, $b = 1.095$) is significantly larger than that in the relational failure (Model 7, $b = .660$) at 95% significant level ($Z = 2.11$). This suggests that providing compensation after an informational failure would be more effective than after a relational failure. The coefficients in the rest of the scenarios were not significantly different. This finding may be caused by the relatively low number of responses within each scenario. Thus, it is important to collect a larger number of responses to ensure the sample size in each scenario is large enough to generate robust results.

Conclusion

The findings of this study extend understanding of the relationship between customer satisfaction and repurchase intention in peer-to-peer accommodation in light of different service failures and recovery strategies. The findings suggest that the types of service failure may only have an effect on the satisfaction – repurchase intention relationship when a compensation is provided. Additionally, findings also suggest that compensation has a significantly positive influence on customer satisfaction and repurchase intention, which indicates the importance of providing compensation for customers who have a negative experience while staying in peer-to-peer accommodation. Therefore, in order to enhance customer retention, it is important for platform providers to provide guests with compensation after a service failure.

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