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**Master of Business Administration**

**A Study of Perceived Negative Reviews and Managerial  
Responses on Online Review Forums: in a Restaurant Context**

**The Graduate School  
of the University of Ulsan**

**Department of Business Administration**

**AYE PA PA NAING**

**A Study of Perceived Negative Reviews and Managerial  
Responses on Online Review Forums: in a Restaurant Context**

Supervisor: Ju Sik Park

A Dissertation

Submitted to  
the Graduate School of the University of Ulsan  
In partial Fulfillment of the Requirements for the degree of  
Master of Business Administration

by

AYE PA PA NAING

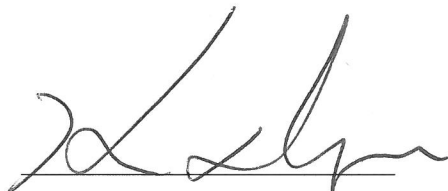
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University of Ulsan, Ulsan, Korea

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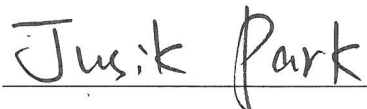
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CONTENTS.....	I
LIST OF TABLES .....	III
LIST OF FIGURES .....	IV
Chapter I: Research Introduction .....	1
1.1 Research Background .....	1
1.2 Research Objective .....	4
Chapter II: Literature Review .....	5
2.1 Equity Theory .....	5
2.1.1 Distributive Fairness .....	6
2.1.2 Procedural Fairness .....	8
2.1.3 Interactional Fairness .....	9
2.2 Service Recovery Theory .....	10
2.3 Social Cognitive Learning Theory .....	12
Chapter III: Research Hypotheses .....	15
3.1 Study (1): Types of Unfairness: Consumer Evaluation of a restaurant, Visit Intention and Review Intention .....	16
3.2 Study (2): Effects of Managerial Responses .....	18
3.2.1 Propriety of Managerial Response: Consumer Evaluation, Visit Intention, Review Intention and Future Review Valence .....	18
3.2.2 Coding Types of Managerial Response: Consumer Evaluation, Visit Intention, Review Intention and Future Review Valence .....	22
3.2.3 Matching Types of Managerial Response with Types of Unfairness; Consumer Evaluation, Visit Intention, Review Intention and Future Review Valence .....	26
Chapter IV: Research Methodology and Results .....	32
4.1 Sample and Data Collection .....	32
4.2 Questionnaire Development and Reliability Check of measurement items .....	33

4.3 Results of Study 1: Effects of Perceived Unfairness .....	34
4.4 Results of Study2: Effects of Managerial Responses .....	35
4.4.1 Effects of Appropriateness of Managerial Responses .....	35
4.4.2 Effects of Types of Managerial Response .....	36
4.4.3 Effects of Management Rational Response to Distributive Unfairness .....	37
4.4.4 Effects of Management Rational Response to Procedural Unfairness .....	38
4.4.5 Effects of Management Emotional Response to interactional unfairness .....	39
4.4.6 Hypotheses Summary .....	40
 Chapter V: Conclusion .....	 44
5.1 Discussion and Implication .....	44
5.2 Limitation and Future Research .....	46
 SURVEY QUESTIONS .....	 48
REFERENCES .....	53
ABSTRACT .....	60

## LIST OF TABLES

Table 4.1 Description of the Sample .....	32
Table 4.2 Reliability Check with Cronbach's Alpha Values .....	34
Table 4.3 Effects of Perceived Unfairness .....	35
Table 4.4 Effects of Appropriateness of Managerial Responses .....	36
Table 4.5 Effects of Types of Managerial Responses .....	37
Table 4.6 Effects of Management Rational Response to Distributive Unfairness .....	38
Table 4.7 Effects of Management Rational Response to Procedural Unfairness .....	39
Table 4.8 Effects of Management Emotional Response to Interactional Unfairness .....	40
Table 4.9 Hypotheses Summary .....	41



## LIST OF FIGURES

Figure 3.1: Conceptualization Framework of Hypotheses .....	15
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## CHAPTER I: RESEARCH INTRODUCTION

### 1.1 Research Background

The advancement of information technologies in recent years has enabled new ways to interact between marketers and customers. Marketing practitioners become more comfortable with and are active in including social networks as part of their integrated marketing communication. Researchers defined “social media” as a series of both hardware and software technological innovations (Web 2.0) that facilitate creative online users’ inexpensive content creation, interaction, and interoperability (Berthon et al. 2012). Traditional word of mouth as a medium of communication has been changed to electronic word of mouth (eWOM) communication. Rapid growth of Internet and Social media applications are also transforming the role of online users from passive consumers of information to active participants in creating and sharing information with one another. Customers are empowered to interact with business organizations in co-creating their experiences such as brand reviews, ratings, (Prahalad and Ramaswamy, 2004). Consumers are able to publicly express their opinions, experiences and complaints after a service failure. These complaints are more commonly known as negative eWOM and have the power to reach a widespread audience.

Also, a growing numbers of popular review websites such as Amazon Customer Reviews, Choice, Consumer Reports, Trip Advisor, Company-owned brand page on Facebook, Twitter, not only provide consumer review (eWOM) but also permit firm’s responses to such reviews. Consumers’ opinion and Firm managerial responses are visible to all online users and hence subject to interpretation and reaction. Such online forums and users in these forums have grown in popularity since they often serve as an important first stop in the process of consumers seeking information about products and services. These forums facilitate rapid information exchange and, studies have found that negative electronic word-of-mouth (e-WOM) spreads more rapidly and could cause a more immediate damage to a company’s reputation than traditional (offline) word of mouth (WOM) (Mattila and Mount, 2003). Because negative online reviews are permanently archived and available to a larger audience (Dellarocas, 2003), managers need to understand not only the effect of their response to the dissatisfied customers but also its effect on future customers who read the

management response (Walker, 2001). Thus, it is necessary for managers to design effective response strategies to mitigate the harmful effects of negative eWOM in this online review forum environment.

Social media enables consumers to share their purchasing experiences through electronic word of mouth (eWOM) to create a reliable source for other consumers (Tran, 2015). Essentially, this new form of web communication (eWOM) offers the sharing of information between service providers and consumers via the Internet (Pantelidis, 2010). According to Parikh (2013), eWOM is more influential than traditional WOM, and it extends far beyond the members of physical communities. For this reason, eWOM has allowed potential diners to find restaurants in an interactive way (Fox, 2013). Additionally, online consumer reviews are a form of eWOM in the restaurant selection process, and this has helped consumers gain detailed information with trustworthiness and credibility as opposed to information provided by the industry, which might be viewed with skepticism and possible disbelief (Park & Nicolau, 2015). Therefore, most consumers generally refer to their attention on online reviews before purchasing (Suresh, Roohi, Eirinaki, & Varlamis, 2014). In recent years, online reviews have become available for many categories of products, including hotels, and restaurants, which connects potential consumers with many other consumers (Zhang, Ye, Law, & Li, 2010).

In my knowledge, there is limited research on firm managerial response strategies to online consumer complaints and negative e-WOM. While recent studies have started to explore if managerial responses do have an effect on overall customer attitudes (Ravichandran, Huang, and Sharp, 2012; Sharp, Huang, and Ravichandran, 2014) and the volume of consumer participation in specific forums (Chen, Gu, Ye, and Zhu, 2015). These studies are just the first studies towards in exploring effective managerial response strategies. There are few researches that were theoretically anchored frameworks in order to look for deeper understanding of both the nature of consumer complaints and that of response to derive effective strategies to deal with negative eWOM from management of the organizations. A company changing a negative situation to a positive one means that is a good service recovery (Gustafsson, 2009). Service recovery is about using tools to turn a mistake into a positive and profitable situation (Gustafsson, 2009). When a company implements service recovery from failures successfully, customers feel a greater sense of trust and

increase their commitment to the relationship (Tax et al.,1998). These customers are more likely to patronize the service providers in the future and to share their positive experience with others (Maxham and Netemeyer, 2002). While research in service recovery has explored this issue to some extent, this stream has used surveys and experiments to derive normative guidelines for dealing with consumer complaints. While useful, these studies lack a sense of theory and do not lend for generalization and application beyond the specific context of those studies. Moreover, online reviews are different from traditional consumer complaints, whereas online review complaints (negative eWOM) are visible and public as in traditional consumer complaints are private. Previous studies are targeted at private consumer-firm interactions. Thus, there is a gap in my understanding of the mechanisms through which online consumer complaints influences future consumer attitudes and the mechanisms through which managerial responses can alter these influences.

To theorize and test which kinds of management strategies are effective in online review forums, this research measure how customers' attitudes as reflected in the overall ratings of their review, which will be influenced observing how the organizations response to consumer complaints in online review forums. This study measures managerial response, and customer's attitudes via overall valance of their reviews which will be observed as consumer complaint (negative reviews) about offerings in online reviews forums. While customer reviews are primarily influenced by their own experiences with the product or service and the degree of expectation disconfirmation (Osarenkhoe and Komunda, 2013), it is also known that such reviews are susceptible to the opinions and views of others. These researches formed an argument that a customer's attitude is affected by observational learning. Observational learning occurs when peoples' choices and actions are influenced by observing the actions of others (Cheung, Xiao, and Liu, 2012). While managerial responses to customer complaints signal managerial interest in listening to customers and improving the service (Chen et al, 2015), it is likely that customers observing such interactions could be influenced by managerial responsiveness and could be affected to their views. This proposition has not been systematically explored and established in the online review forum perspectives in previous studies.

This study integrates equity theory, service recovery theory and social cognitive learning theory to develop my theoretical model to explore which consumer complaints and

managerial responses to such complaints negative reviews impact customer attitudes. Equity theory and service recovery theory are utilized to analyze consumer complaints and managerial response on online review forums and social cognitive learning theory examines the nature of future reviews rating of consumers (future review valence). This paper examines different types of unfairness (distributive, procedural, and interaction) and managerial responses such as rational and emotional response and how they affect consumers' attitudes in each aspects evaluation, visit intention, review intention, and future review valence on online review forums for service industry such as a restaurant.

## **1.2 Research Objective**

The objective of this study is to address the following three questions:

- (1) how future customers' attitudes will be influenced by observing different types of perceived unfairness,
- (2) how managerial responses affect consumer future activities such as evaluation, visit and review intention and review valence
- (3) what kinds of perceived managerial responses specifically influence on perceived unfairness which may alter future customers' actions such as evaluation, visit intention, review intention and future review valence on online review forums,

## CHAPTER II: LITERATURE REVIEW

These researches synthesize three theories to develop theoretical model: equity theory, service recovery theory and social cognitive learning theory. Equity theory is used to explain consumer complaining behavior. Service recovery theory is used to analyze managerial response behavior. Social Cognitive Learning theory is used to describe future customers' behavior when observing consumer complaints and corresponding managerial responses.

### 2.1 Equity Theory

Consumer complaining behavior can be explained by several theories such as the confirmation/disconfirmation paradigm (Oliver, 1980), attribution theory (Folkes, 1984) and equity theory (Adams, 1965). Confirmation/disconfirmation is an evaluative process where a customer compares a product/service's real performance with his/her prior expectation of that product/service (Blodgett, Granbois, and Walters, 1994). Bearden and Teel (1983) established the confirmation/disconfirmation paradigm as the conceptual groundwork for the study of complaining behavior. Attribution theory states that the perceived reason for a product's failure influences how a consumer responds (Folkes, 1984). Equity theory proposes that individuals estimate the ratio of what has been contributed (i.e., inputs) to what has been received (i.e., outcomes) for both themselves and a chosen referent other (Adams, 1965). The research on fairness began with studies of equity theory (Adams, 1965). Equity theory proposes that individuals in social exchange relationships compare each other the ratios of their inputs into the exchange to their outcomes from the exchange. Inequity exists when the perceived inputs and/or outcomes in an exchange relationship are psychologically inconsistent with the perceived inputs and/or outcomes of the referent (Huppertz, Arenson, & Evans, 1978). For example, a customer may feel that they have not received enough promotional deals, compared to the amount of time and money spent with a particular retailer. The customer therefore feels an inconsistent input versus output, and may feel unfairly treated (Haws & Bearden, 2006). Also, Equity theory states that individuals involved in conflicts or disputes base their perceptions of justice on several factors (Blodgett et al., 1994): the perceived fairness of the tangible outcome (i.e. distributive justice; Homans, 1961), the

perceived fairness of the procedures used in arriving at the outcome (i.e. procedural justice; Thibaut and Walker, 1975), and the perceived fairness of the manner in which they were treated during the conflict resolution process (i.e. interactional justice; Bies and Moag, 1986).

Equity theory allows us to explain consumer complaining behavior in terms of perceived justice which is considered a vital factor that determines whether a complainant will engage in negative word-of-mouth behavior (Blodgett et al., 1994). Information on social comparison can be used to construct fairness perceptions (Wingate, 2015). Generally we evaluate how fair our situation is by appraising the situation of another who is similar to us in most relevant aspects (Austin, 1977). This comparison refers to comparisons made by a participant to others in the immediate situation, those who are in an ongoing relationship with the person. The person will initially compare their outcome/input ratio directly with a partner following an interaction with the partner or after they have mutually interacted with a common third party. In this manner, consumers compare their outcomes with those of other consumers, after they have individually interacted with a common firm (Wingate, 2015). Various scholars establish several standards to explain fairness, including factors such as: (a) with whom the customers compare each other, (b) the similarity of the previous transaction with the current one, (c) the attributions as to who is responsible for a sudden change in the purchase situation, and (d) general social norms and beliefs (for more, see Xia et al., 2004). Hence out choice of this theoretical lens, Cho, Im and Hiltz (2003) propose that when customers perceive a higher degree of service failure with these three justice dimensions, they are more likely to complain. Taking into account these antecedents of complaining behavior, this study categorize complaints (i.e. negative reviews) into three types in this paper: complaints about distributive unfairness, complaints about procedure unfairness and complaints about interactional unfairness.

### **2.1.1 Distributive fairness**

Distributive justice refers to the perceived fairness of an allocation or, more broadly, to how people judge what they receive (Cropanzano, Molina, 2015). It was probably the first type of justice to gain the attention of scholars and continues to receive wide attention. In general, there are three rules that people can use to decide whether or not their outcomes are fair – equity (refers to a ratio of rewards, vs contributions such as time, money, energy, etc.),

equality (everyone receives the same allocation and treatment), and needs (everyone receives according to their own requirements) (Deutsch, 1985). Distributive fairness deals with the perceived fairness of outcomes of the encounter and is often defined as refunds, exchanges, and discounts on re-patronage. It involves the cognitive, affective, and behavioral reactions to outcome distributions from a source (Charash & Spector, 2001; Sparks & Kennedy, 2001; Blodgett et al., 1997; Adams & Freedman, 1976; Adams, 1963). Thus, when a particular outcome or set of outcome is perceived to be unfair, it may affect the person's emotions, cognitions, and ultimately their behavior vis-à-vis the focal outcome source. The source of the outcomes may be any organization or individual with the power to differentially distribute sought-after outcomes (Adams, 1965; Adams & Freedman, 1976). Maxham and Netemeyer (2002) define that customers feel distributive fairness when they have been treated fairly with respect to the final recovery outcome.

Equity allocations treat a fair allocation as one that pays individuals in accordance with their contributions. There are different models of equity – Aristotle even had one – but by far the most influential is Adams' (1965) equity theory. Adams (1963, 1965) suggested that individuals establish a judgment in two phases to estimate the equity of an exchange. They first evaluate their own equity ratio of subjective rewards and contributions ( $R_i$  for individual  $i$ ) and compare it to those obtained by other individuals placed in a similar situation ( $R_j$  for individual  $j$   $\frac{1}{4}$  1 to  $J$ ). "Inequity exists ... whenever one perceives that the ratio of his outcomes to inputs and the ratio of other's outcomes to other's inputs are unequal" (Adams, 1965). Then, distributive justice conforms to the criterion of proportionality. If the ratio ( $R_i/R_j$ ) is about one for all  $j$ , individual  $i$  will feel fairness. If it is greater/smaller than one for some  $j$ , individual  $i$  will, respectively, feel positive or negative inequity and, as a consequence, an emotion of culpability or anger. In order for equity to exist, these two ratios should match. A counterintuitive prediction of equity theory is that people care about over reward, as well as under reward. If an individual's ratio is larger than that of a referent person, this means that the individual has greater outcomes given his or her inputs. In such a circumstance, Adams found that the individual will attempt to restore equity by either raising performance (if pay is fixed) or lowering performance (if pay is piece rate). In general, equity theory has received support, including predictions for over reward. But it is not the whole story.



An equality allocation provides everyone with the same amount, without regard to contributions. Equality allocations are most likely to be used when the goal is to maximize group harmony; equity allocations are most common when the goal is to maximize productivity. As such, equality is relatively common among close, communal groups. There is some evidence that equality, as opposed to equity, is also preferred when decision making is allocating something negative, such as budget cuts. If we must share suffering, it seems that individuals often prefer to suffer by the same amount or percentage. Interestingly, equality may also have an information processing advantage, as it is a very simple allocation rule that requires less effortful thought than others. In this regard, researchers have documented the existence of an equality heuristic, whereby people simply divide things evenly unless they have the cognitive resources to consider a more complex norm (such as equity).

A third allocation rule is need, which provides outcomes on the basis of a perceived deficit. Perhaps surprisingly, need allocations have been less widely studied in the organizational sciences, although even profit-making firms make at least some use of them. For instance, family leave policies are allocated to those who need them – only people with particular needs (e.g., child care or elder care) receive time off. In practice, when people are asked to make allocation decision, they often mix the rules together, such that they are not always used in a pure form (Escofet and Rosanas, 2013). For example, one strategy might be to provide ‘necessities’ or a minimum income to all. This would be an equality allocation. However, above this equal minimum the equity rule could be employed. In this regard, one might use merit to allocate additional payments. Another mixed approach might be to allocate different goods in different ways. Among American employers, for example, socioemotional goods indicative of group standing are often allocated equally, whereas economic goods are often allocated through equity (Chen, 1995). These and other sorts of mixed approaches seek to balance the strengths and weaknesses of the different allocation rules.

### **2.1.2 Procedural fairness**

Procedural fairness is defined as the fairness of the policies and processes contributing to outcomes embodying certain types of normatively acceptable principles, used in making the decision are perceived as fair (Tribaut & Walker, 1975; Lind & Tyler, 1988). Procedural fairness focuses on the perceived fairness of the policies and procedures used to

resolve the failure and is often defined as consistent, unbiased, and impartial customer policies (Sparks & Kennedy, 2001; Blodgett et al., 1997)

Outcomes need to arrive from somewhere. Procedural justice refers to the decision-making process or the set of policies that are used to make allocation decisions. For example, trials are one way that disputes are adjudicated in many societies. Research suggests that, to the extent that people perceive control within the legal process (e.g., they have ‘voice’, or the opportunity to present their case), they are more willing to accept an unfavorable decision (Tyler, 2006). Interestingly, there seems to be marginal ‘fairness returns’ on at least some procedural safeguards. If a valued process is absent, then even small gains in its amount will boost perceptions of justice. However, at a certain point, some amount of the process appears to be satisfactory and additional gains will produce fewer benefits. Leventhal et al. (1980) provided a list of six well-known criteria that are used to decide whether a procedure is just. In general, the process should treat all parties consistently, be free from bias, use accurate information in rendering decisions, take into account the views of all (something like voice), be correctable in the event of an error, and remain consistent with prevailing ethical norms. These six criteria have remained influential, although some additional rules might also be important in certain settings. For example, in some settings, people prefer advance notice before something potentially negative occurs. Research reviewed by Tyler (2006) suggests that procedural justice place an important role in promoting citizen compliance with the law. When people believe that the political system is essentially fair, such as when citizens are adequately represented by their elected representatives, they are more likely to accept legal rules, even when these might not be viewed as personally desirable.

### **2.1.3 Interactional fairness**

Interactional fairness relates to the aspects of the communication process between the source and the recipient of fairness, such as politeness, honesty, and respect (Bies & Moag, 1986; Tyler & Bies, 1990). When a person perceives interactional unfairness, customer is predicted to negatively react toward the agent whose behavior produced the interactional unfairness (Masterson et al., 2000). Interactional fairness focuses on the way the customer is treated during the encounter and is often defined as truthfulness, a reasonable explanation, politeness, empathy, and apology (Sparks & Kennedy, 2001; Blodgett et al., 1997).

Bies (2001) has argued that in addition to formal outcomes and procedures, individuals evaluate fairness via social or communication criteria. That is, they look to how they were treated by others. Broadly defined, these social criteria have been found to fall into at least two categories (although there may be more than two) – interpersonal justice and informational justice. Interpersonal justice pertains to the dignity and respect with which people are treated. An interpersonally fair transaction would avoid personal attacks, refrain from unnecessary harshness, eschew bigotry, and so forth. Some scholars have argued that this interpersonal variety of interactional justice has an especially unambiguous relationship to judgments of immorality. Informational justice, as its name applies, refers to the provision of relevant evidence and explanations, and this is especially important when things go wrong. In particular, research has found that organizations should provide social accounts, indicating to the employee why things happen as they do. Such accounts are important (and surprisingly effective) in mitigating feelings of unfairness (Shaw et al., 2003). There is some debate over interactional justice’s structure. Many scholars combine interpersonal and informational justice together. This results in a three-factor model for fairness – distributive, procedural, and interactional. Others separate out the interpersonal and informational components, producing a four-factor solution (Colquitt, 2001). Both approaches seem to work psychometrically. Choosing between the three- and four-factor models may partially have to do with the goals of the researcher and the underlying theory.

## **2.2 Service Recovery Theory**

Service recovery is recognized by researchers and managers as a critical element of customer service strategy to solve complaints (Smith, Bolton, and Wagner, 1999). Existing marketing research on service recovery has examined ways in which management can respond to customer complaints. Service recovery is defined as the actions a service provider takes to address customers’ complaints (Grönroos, 1988), or as the actions designed to solve customers’ problems, alter negative attitudes of dissatisfied customers, and finally retain these customers (Miller, Graighead, and Karwan, 2000). Perceived service failures that customers experience are a major concern for the service provider because of the potential influence of the service outcome. The complaint handling is a critical “moment of truth” in maintaining and developing the customer relationships (Berry and Parasuraman, 1991;

Dwyer et al., 1987). A company turning a potentially negative situation into a positive one is a good service recovery, that is, service recovery is about how one reacts to a mistake. Service recovery is about using tools to turn a mistake into a positive and profitable situation. When a company implements service recovery from failures successfully, customers feel a greater sense of trust and increase their commitment to the relationship (Tax et al., 1998). These customers are more likely to patronize the service providers in the future and to share their positive experience with others (Maxham and Netemeyer, 2002).

Davidow (2000) identifies six different dimensions of organizational responses to complaints (i.e. timelines, facilitation, redress, apology, credibility and attentiveness) that influence post-complaint customer behavior. Karatepe (2006) provides similar organizational responses to complaints: atonement, facilitation, promptness, apology, explanation, attentiveness, and effort. Since services include people, services involve emotions—especially if something out of the ordinary happens. Researchers have given more attention to the role of emotions in service research and complaint behavior as a central element in understanding consumers' behavior and experiences (Oliver, 1997; Richins, 1997). Emotions have an important impact on word-of-mouth recommendations, attitudes towards the service provider, customer loyalty; repurchase intentions, and complaining behaviors (Allen et al., 1992; Davidow and Dacin, 2003; Folkes et al., 1987). Customers are likely to associate an unfavorable service experience with the negative emotions experienced at the time of the event (Bower, 1981). The recollection of such negative emotions is therefore likely to influence judgments about the service interaction and expectations regarding similar service interactions. Negative emotions play an important role in the sub-processes of complaint behavior. One study reports a negative emotion occurring in 97% of the cases when a customer experiences a negative critical incident or failure (Tronvoll, 2007).

The way in which complaints are solved will lead to consumer satisfaction or dissatisfaction (Osarenkhoe and Komunda, 2013). It is well known that customer dissatisfaction influences post-purchase behaviors such as negative WOM (Mooradian and Oliver, 1997) which hurts marketers due to its ability to ruin the opinions of numerous potential customers (Richins, 1983). Singh (1988) shows that up to two thirds of dissatisfied consumers do not complain to the marketer but change service/product providers and/or engage in negative WOM behavior. These issues, in turn, have focused attention on the

significance of complaint resolution (Bell and Luddington, 2006). If complaints are not handled properly, dissatisfied customers will not only withdraw their patronage, but also are likely to spread negative information (Svari, Svensson, Slatten, and Edvardsson, 2010). If complaints are handled effectively, dissatisfied customers will change their attitudes towards the firm and firms can achieve high levels of customer satisfaction and loyalty (Smith et al., 1999).

According to previous research, equity theory and service recovery theory help in understanding why effective response strategies as a way of complaint resolution can change the attitudes of dissatisfied customers. However, this research needs to use observational learning theory to understand how an unsatisfactory or satisfactory managerial response impacts the attitudes of future customers who read the complaints and corresponding responses in the online review forum. Here, the future customers refer to customers who have had satisfactory/dissatisfactory experience with a service or product and plan to write a review in the online review forum. This study proposes an argument that their opinions/reviews will be influenced by the information exchange between managers and consumers.

### **2.3 Social Cognitive Learning Theory**

Based on previous studies, learning is defined as “A persisting change in human performance or performance potential as a result of the learner’s interaction with the environment” (Driscoll, 1994, pp. 8-9). Learning is also elucidated by Weinstein & Mayer (1986) as “The relatively permanent change in a person’s knowledge or behavior due to experience”. On this point, Shuell (1986) clarified learning as “An enduring change in behavior, or in the capacity to behave in a given fashion, which results from practice or other forms of experience”. Learning theories see the environment as the major force in development (Hoffman, 1993). Scholars categorized learning theories as Behaviorism, Social Learning Theory (SLT) and Social Cognitive Learning Theory (SCLT).

Social learning theory is increasingly cited as an essential component of sustainable natural resource management and the promotion of desirable behavioral change. (Muro & Jeffrey 2008). This theory is based on the idea that people learn from their interactions with others in a social context (Razieh Tadayon Nabavi, 2012). Separately, by observing the

behaviors of others, people develop similar behaviors. After observing the behavior of others, people assimilate and imitate that behavior, especially if their observational experiences are positive ones or include rewards related to the observed behavior. According to Bandura, imitation involves the actual reproduction of observed motor activities. (Bandura 1977). Bandura believes that direct reinforcement could not account for all types of learning. For that reason, in his theory he added a social element, arguing that people can learn new information and behaviors by watching other people (Razieh Tadayon Nabavi, 2012). SLT posits that people learn from one another, via: Observation; Imitation; and Modeling.

Bandura demonstrated that cognition plays a role in learning and over the last 30 years social learning theory has become increasingly cognitive in its interpretation of human learning; these points supported by (Newman, B.M. & P.R, 2007). By the mid-1980s, Bandura's research had taken a more holistic bent, and his analyses tended towards giving a more comprehensive overview of human cognition in the context of social learning. The theory he expanded from social learning theory soon became known as social cognitive theory. This theory provides a framework for understanding, predicting and changing human behavior. (Green & Peil, 2009). Moreover, SCLT places a heavy focus on cognitive concepts. It is also focused on how children and adults operate cognitively on their social experiences and how these cognitions then influence behavior and development.

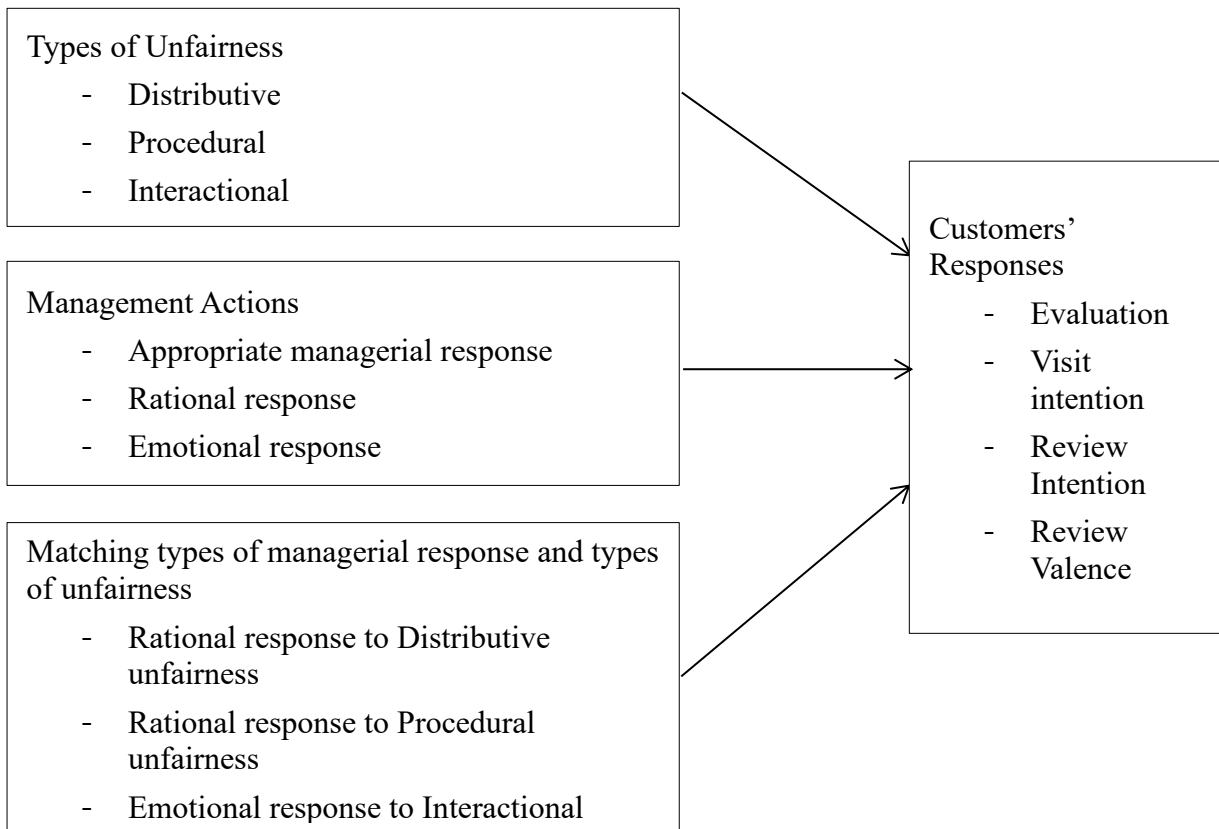
Mccormick and Martinko (2004), based on their studies introduce some basic assumptions of Bandura's SCLT. They claimed that: People can learn by observing others; Learning is an internal process that may or may not result in a behavior change; Learning can occur without a change in behavior (Observation without imitation); Regarding to behavior, some other researchers such as Betz, (2007), supported Bandura's basic assumptions of SCLT and pointed that: Behavior is directed toward particular goals; Behavior eventually becomes self-regulated; Cognition plays a role in learning. Vaerenbergh, Vermeir, and Larivière (2013) focus on two types of observational learning imitation, which is matching the features of an observed person's behavior; and vicarious learning, which is the increase or decrease of an observer's attitude that is similar to that of the observed person. A numerous study works focuses on the first type of observational learning, imitation. A number of experimental studies in the economics literature have provided empirical support that individuals tend to change their behaviors based on the information about others' behaviors (Croson and Shang,

2008; Duan, Gu and Whinston, 2008). People are likely to imitate others' behaviors when they are able to observe the behaviors of preceding others (Cai, Chen, and Fang, 2009). This phenomenon is particularly obvious when there is imperfect information (Duan, Gu, and Whinston, 2009). Bikhchandani, Hirshleifer and Welch (1998) use the concept of observational learning valence to assess the information that customers can observe. The valence of observational learning is determined by the percentages of choices among all previous actions (Chen, Wang, and Xie, 2011). For example, the observational learning valence is positive (negative) if the percentage of cumulative purchases among the adoptions made by all previous informed consumers is larger (smaller) (Chen et al., 2011).

Moreover, the second type of SCLT is vicarious learning by (Bandura, 1977; Kanekar, 1976): Other persons' experiences provide the observer with additional information about which behaviors lead to satisfactory or unsatisfactory outcomes, in addition to his or her actual experience. Conceptually, an observer obtains responses to a stimulus by observing the experiences of others, as if she/he had the experience with the stimulus object by her-/himself (Kanekar, 1976). Observational learning effects can be quite strong since it may even lead people to disregard their own prior attitudes and behavioral intentions (Bikhchandani et al., 1998). The focus of this paper is to examine if and how an unsatisfactory or satisfactory managerial response impacts the future review valence in the online review forum. The argument that managerial responses to negative reviews will have an impact on the valence of the post-response reviews is tested in this research. This effect which can be explained by vicarious learning will vary based on the fit of the response to the nature of the complaint. Moreover, this effect will be influenced by the imitation effect from consumers' social cognitive learning behavior that occurs when future customers observe the overall customer sentiments on the online forums. According to Bikhchandani et al. (1998), this study used a statement about social cognitive learning valence for reference. This study examines how managerial responses to negative reviews influence future consumers' valence to their service by the concept of the social cognitive learning behavior. Also, this study examines that the future customers' attitudes will be affected by both vicarious learning and imitation from observing managerial responses to negative reviews.

### CHAPTER III: RESEARCH HYPOTHESES

This paper presents two studies, designed to examine significant differences in evaluation, visit intention, review intention, and future review valence of the reviewers according to different types of unfairness, propriety of managerial response, different types of managerial responses and matching types of unfairness and types of responses. Study 1 examines different types of unfairness such as interactive, procedural, interactional have different effects in consumers' evaluations, their visit intention, and review intention to a restaurant on online review forums. Study 2 examines propriety of managerial responses, coding types of managerial responses such as rational or emotional and which one of these responses in three types of perceived unfairness have significant effect in consumers' evaluations, visit and review intention to a restaurant and their future review valence on the online forums.



**Figure 3.1: Conceptualization Framework of Hypotheses**



### **3.1 Study 1: Types of Unfairness: Consumer Evaluation of a restaurant, Visit intention and Review Intention**

Service providers and customers are not able to foresee and prevent all the potential incidents arising from the exchange process. Each party expects “fair” behavior from its partner and then, places the evaluation process in the domain of fairness. Individual beliefs in “paid-for-promise” or “reciprocal obligations” define psychological contracts (Robinson and Rousseau, 1994). According to Equity Theory, three justices are identified (Distributive (Homans, 1961), Procedural (Thibaut and Walker, 1975), and Interactional (Bies and Moag, 1986).

Distributive unfairness is relative to the customer’s evaluation of the outcome. Deutsch (1985) demonstrates that the equity rule is the most preferred in the economic relationship. According to Adams (1965), individuals calculate equity comparing two outcome/input ratios. The first ratio is their own outcomes, divided by their own inputs, while the second is a referent’s outcomes divided by the referent’s inputs. In order for equity to exist, these two ratios should match. Apart from the fairness of the outcome, people also pay attention to the fairness of procedures. To perceive fairness in the procedure, it must be consistent, unbiased, well-informed, impartial and ethical (Leventhal, 1976, 1980). Tax et al. (1998) define interactional fairness as “dealing with interpersonal behavior in the enactment of procedures and the delivery of outcomes. Service delivery studies have demonstrated its relevance and importance: personnel in contact with customers should be polite, responsive and provide useful information not only during the transaction but also after as well, such as during a complaint or the giving of simple feed-back (Folger and Cropanzano, 1998). ). Thus, when a company’s outcome/input ratio, policies and procedures, and also communication process are perceived to be unfair, it may affect the person’s emotions, cognitions, and ultimately their evaluations to their service.

In the context of service experience, there are many employee-customer encounters which customers can evaluate to see whether they have been fairly treated. Moreover, these frequent interactions allow customers to appreciate the service performance and service quality. Because of factors such as technical complexity of the service or expertise, consumers do not evaluate services on the sole basis of the core service, and include formal principles that guarantee “fair” treatment to all customers during the service encounters.

From the consumers' point of view, these principles are to be implemented by service personnel. Andaleeb and Basu (1994) have demonstrated that perceived fairness is an important determinant of service evaluation.

In a restaurant situation, distributive fairness can be correctness, quantity, and quality of food and beverage (Seiders, Berry (1998); Bowen, Gilliland, Folger (1999)). Additionally, consumers compare the results they receive with their investments, such as price paid, time, and efforts (Goodwin, Ross (1992)). The perception of distributive justice may contribute to perceived service evaluation. Procedural fairness relates to the process of delivering a service. It includes the components such as handling of service problems, speed of responding to service requests, and customers' waiting time (Seiders, Berry (1998); Bowen, Gilliland, Folger (1999)). Moreover, some local issues also appear to be particularly relevant in the service evaluation, such as the time needed for delivery of the service and the convenience of the overall process (Gilly and Gelb, 1982, Taylor, 1994). Clemmer (1993) identified flexibility, waiting time and efficiency as aspects of procedural justice. It is reasonable to assume that consumers who judge these aspects are fair. This argument is supported by several studies (Saxby et al., 2000; Sparks and Kennedy, 1998; Tax et al., 1998). Interactional fairness which concerns consumers' evaluations of service employees' interpersonal manners (Seiders, Berry (1998); Bowen, Gilliland, Folger (1999)). In the case of a service failure, interactional fairness positively influences customer evaluation of service with how complaints are handled (Blodgett et al., 1997; Tax et al., 1998). McCollough (1988) concluded that distributive justice, procedural justice, and interactional justice had significant predictive power of consumers' attitude.

Clemmer (1988) found each of the three service fairness dimension had a unique contribution to customer satisfaction and return intentions. When a customer is satisfied with the service provider, the probability for the customer to use the service again will high (Hellier et al, 2003). Abdullah, Hambali, Kamal, Din, and Lahap (2016) found that good customer feedback can influence customers' intentional behavior. Scholars also observed that positive emotions occurred when the customer feel satisfied with the service provided. It leads to positive behavioral intention, such as visit intention and willingness to recommend to others, generally known as word-of-mouth (Abdullah, Hambali, et al., 2016; Kamal et al., 2016). On the other hand, When customers did not perceive these three justice dimensions,

they are more likely to complain (Cho, Im and Hiltz (2003) and have negative effect in customer reaction to a restaurant ((Namasivayam & Mattila, 2007) like giving up visit to this restaurant or posting negative comments. Also, equity theory explains that perceived justice can be considered as a vital factor in consumer complaining behavior which will engage in negative word-of-mouth behavior (Blodgett et al., 1994). Consumers will initially compare their outcome/input with those of other consumers, after they have been mutually interacted with a common firm (Wingate, 2015). Hence, when they feel unfairness related to one of these: distributive, procedural, interaction with the service provider, they are more likely to produce negative word-of-mouth such as negative reviews (Cho, Im and Hiltz, 2003), which increase their intent to review. Following these existing literatures, I hypothesize that

**H1 (a): Depending on type of unfairness (Distributive, Procedural, and Interactional), there will be differences in evaluation of the restaurant.**

**H1 (b): Depending on type of unfairness (Distributive, Procedural, and Interactional), there will be differences in visit intention of the restaurant.**

**H1 (c): Depending on type of unfairness (Distributive, Procedural, and Interactional), there will be differences in review intention of the restaurant.**

## **3.2 Study 2: Effects of Managerial Responses**

### **3.2.1: Propriety of Managerial Response: Consumer Evaluation, Visit intention, Review Intention and Future Review Valence**

In this research, I theorize service recovery theory to solve complaints (negative reviews) (Smith, Bolton, and Wagner, 1999) of consumers on online review forums. According to service recovery theory, service providers address customer's complaints (Grönroos, 1988), or as the actions designed to solve customers' problems, alter negative attitudes of dissatisfied customers, and finally retained these customers (Miller, Graighead, and Karwan, 2000). The complaint handling is critical in building relationship with customers (Berry and Parasuraman, 1991; Dwyer et al., 1987). If complaints or negative reviews are not handled properly in restaurant industry, dissatisfied customers do not withdraw their patronage (visit) again (Svari, Svensson, Slatten, and Edvardsson, 2010).

An online review system is an IT-enabled customer service system (Lui and Piccoli, 2016) that, because of the reach capability of information technology (Overby 2008), has the

characteristics of a broadcast communication medium. The restaurant officials can utilize such a communication channel to collect intelligence and to respond to consumers' comments obviously on online. Managerial response is one of the functionalities of the online review systems used for the support of customer relationship, reputation and brand management (Van Noort and Willemsen 2012; Baka 2016). Traditionally, customers interact with a few frontline employees during the service encounter, and typically develop an overall image of the emotions that members of a given organization will display (Sutton and Rafaeli 1988). Given that managerial response is publicly available online and will be viewed by potential customers, readers of online reviews can now form a similar perception of the firm's customer orientation strategies without physically interacting with employees. They do so by reading management responses rather than interacting first hand with the staff. In other words, while restaurant services remain largely an experience product, perspective guests can vicariously "test it" by reading other guest comments and managerial responses. A positive link exists between a service-oriented business strategy and company performance. For example, managers respond to negative reviews, in some situations, to ensure to customers that the experience described in the negative reviews is unlikely to be repeated (Chevalier et al. 2016).

Several researchers have examined how organizations respond to consumer complaints, a prevalent reaction by dissatisfied consumers (e.g., Fornell and Westbrook 1984; Gilly and Gelb 1982; and Resnik and Harmon 1983). Gilly and Gelbb (1982) found that complaint responses which were proper or which involved monetary reimbursement result in greater satisfaction, which in turn, affect re-patronage intentions. Resnik and Harmon (1983) examined manager and consumer perceptions of appropriate managerial responses to consumer complaints. In general, consumers are more likely than managers to view complaints as legitimate. When confronted with an ambiguous situation, consumers appeared to believe that some response was required, in contrast, managers tended to think that consumers wanted something for nothing, were confused, or incorrectly evaluated the merits of complaints (Resnik and Harmon, 1983). Some academic research in this area suggests that managerial responses positively impact subsequent review intention and review valence, especially in the case of unsatisfied customers (Gu and Ye 2014). More importantly, archival research using Trip Advisor data shows that providing appropriate timely and

lengthy responses to reviews enhances the restaurant future evaluations (Xie et al. 2017). At the firm-level, managerial responses to online reviews reflect the firm's underlying capability in developing the ability to manage the restaurant's reputation online, engage customers, address customers' concerns, and restore customer satisfaction (Xie et al. 2016) which leads to positive behavioral intention, such as visit intention and willingness to recommend to others, generally known as word-of-mouth (Abdullah, Hambali, et al., 2016; Kamal et al., 2016). The restaurants that are able to develop such capabilities send a credible signal to potential guests that the management team is reading and responding to the suggestions and comments of their customers. It is such a signal that stimulates future reviewing activities and fosters communications between the customers and the restaurants (Chevalier et al. 2016; Wang and Chaudhry 2017).

While recent academic research has begun to investigate the relationship between managerial response and restaurant evaluation, revisit intention, and future review ratings, little work to date has investigated the relative effect of propriety of managerial responses. There is an inverse relationship between review valence and review diagnosticity, with negative reviews perceived as significantly more helpful by readers (Archak et al. 2011). Moreover, negative reviews have a greater effect on customers due to the "negativity bias." The bias leads customers to pay more attention to negative information than positive inputs (Vaish et al. 2008). Because they counterbalance the negativity bias, specific management responses to negative online reviews engender more trust and deliver higher perceived communication quality than generic responses (Wei et al. 2013). It follows that propriety of managerial response should have the greatest impact when it addresses negative online reviews.

When the restaurants start responding to reviews, they receive fewer but longer negative reviews because the customers are willing to invest the extra effort to provide more details in the reviews (Proserpio and Zervas 2016). When managers respond to consumer comments right, they can expect that customers would restore the brand belief and resonate with the brand value (Cheng and Loi, 2014; Lee and Song, 2010). Effective managerial response can potentially result in a more than 20% increase of consumers' positive loyalty behaviors (e.g., return intention and review intention (likeliness to recommend)), (Barsky and Frame, 2009). In contrast, being unresponsive to consumer comments may lead to a loss in

future business (Chan and Guillet, 2011). Needless to say, response to consumers' comments online should be authentic, proper and immediate, with each complaint or appreciation from consumers receiving a response (Zheng et al., 2009). Wei et al. (2013) urges hospitality businesses to actively respond to consumer comments. Schmallegger and Carson (2008) indicate that responding to negative comments immediately can tackle the problem in its initial stages. Chen and Xie (2008) and Zheng et al. (2009) suggest that managerial response should be included as an essential element of the business marketing strategy. Thus, I argue that if customers perceive propriety of managerial responses, dissatisfied customers will change their evaluations towards the service of the restaurant, and restaurant can achieve high levels of positive reviews which increase future review valence. Appropriate managerial responses serve as an indicator of the fact that the firm cares about customer service (Lee and Hu 2005). Thus, the presence of a managerial response conveys an important message of the firm's customer-orientation strategy and is correlated with greater sales such as visit intention to restaurant and improved satisfaction of complaining customers (Gu and Ye 2014).

Moreover, studies have found that proper managerial responses can influence review intention and future review valence. According to Haywood (1989), information provided by an organization or company influences individual consumers to take action (buy a product) who then, based on their experience with the product, subsequently inform others. Similarly, Hennig-Thurau et al. (2004) find that consumers are motivated to discuss the products or services online due to their desire for social interaction and self-esteem enhancement. When the managers of the restaurant respond to a consumer comment, the consumer who posts this comment receives the signal that managers would like to interact with him/her (satisfy the desire of social interaction), consider him/her an important consumer and value his/her opinions (enhance their self-esteem). Thus, he/she tends to write more comments and generate more reviews (eWOM) for their service on social media. Thus, I argue that proper managerial responses influences in review intention of consumers.

Given that managerial response is publicly available online and will be observed by subsequent consumers, managerial response can signal the restaurant's emphatic attitude, demonstrate the sincere customer care, as well as explicitly establish a responsible brand image to subsequent consumers. This positive impression may lead to positive reviews from subsequent consumers in the long run. In a meanwhile, proper managerial response may

enable subsequent consumers to develop realistic expectations of the service quality of the restaurant. Most subsequent consumers browse consumer comments and managerial response to learn about a restaurant, including its deficiencies. If some deficiencies that result in negative comments have been recognized and addressed in managerial response, subsequent consumers who finally choose to visit this restaurant. In this regard, propriety of managerial response helps improve future review valence and visit intention by subsequent consumers. In summary, I argue that propriety of managerial responses is the manifestation of their capability to change customer attitudes towards a service provider, patronage intention (visit intention) to their service. If the customers observe appropriate managerial responses on online review forums, it could increase their review ratings to the service which increase review valence on online review forums (Chen et al., 2015). Following the existing literatures, and arguments, I hypothesize that

**H2 (a): Depending on propriety of the restaurant's responses, there will be differences in evaluation of the restaurant.**

**H2 (b): Depending on propriety of the restaurant's responses, there will be differences in visit intention of the restaurant.**

**H2 (c): Depending on propriety of the restaurant's responses, there will be differences in review intention of the restaurant.**

**H2 (d): Depending on propriety of the restaurant's responses, there will be differences in future review valence of the restaurant.**

### **3.2.2: Coding Types of Managerial Response: Consumer Evaluation, Visit Intention, Review Intention and Future Review Valence**

Since online social media has developed quite rapidly, extensive opportunities have been provided to the restaurant industry. Therefore, an enormous number of online consumers have relied on online reviews websites, discussion forums, and personal blogs, etc. (Yang, et al., 2017). Online reviews are considered a platform that offered consumers to express their ideas individually. The restaurant officials can also utilize such a communication channel to collect intelligence and to respond to consumers' comments. The online reviews have changed the style of consumer's purchasing behavior in the restaurant industry, and many scholars have studied the implication of online reviews in the restaurant industry (DiPietro,

Crews, Gustafson, & Strick, 2012; Schindler & Bickart, 2012; Taylor & Atay, 2016; Yan, Wang, & Chau, 2015). When consumers only have limited information about the quality of a service or product until a particular service has been purchased, they are more likely to look for this information ahead of time (Parikh et al., 2014). The restaurant reviews present a variety of information that helps the restaurant's consumers to make selections beforehand. By reading restaurant reviews, consumers can get more detailed information about previous consumers' overall dining experiences, such as their satisfaction or unfairness, and how restaurant official handled previous customers' reviews.

The study show that there is a decline in customer confidence to service provider, an increase in spreading negative word-of-mouth, and loss of customers permanently unless the complaints are satisfactorily rectified, however, if effectively resolved, failures have positive impact on regaining customer confidence, satisfaction and revisit intentions (Kelley, Hoffman, & Davis, 1993; Fornell et al., 1996; Spreng, Harrell, & Mackoy, 1995). With this realization, service organizations not only encourage aggrieved customers to voice their complaints (Spreng, Harrell, & Mackoy, 1995) but also seek effective responses to service failures on several fronts. According to service recovery strategies, these responses to failures include refunds, discounts, free gifts, reengineering company policies, and procedures, apology, manager/employee intervention and replacement (Boshoff, 1997; Kelley, Hoffman, & Davis, 1993; Lewis & Spyropoulos, 2001; Smith, Bolton, & Wagner, 1999; Tax, Brown, & Chandrashekar, 1998).

In the study of consumer complaining behavior by Sethna and Blythe (2016), the motives which cause complaint might be divided into rational and emotional. Rational motives are those resulting from a conscious thought process (outcome); and emotional motives are those resulting from irrational source such as anger, love, pride, jealousy and so forth. Charmine, Hartel, Ashkanasy and Zerbe (2011) demonstrate the need for theories of complaint behavior to consider emotional cost as well economic cost and rational motives. The findings indicate the central role that emotions play in complaint behavior (Svari and Olsan, 2012). Positive emotions such as love for family often formed the driver for engaging in complaint behavior (Charmine, Hartel, Ashkanasy and Zerbe (2011)). Negative emotions are usually the result of an unfavorable service experience and subsequently a trigger for customer complaint behavior (Westbrook 1987; Bougie, Pieters, and Zeelenberg 2003;



Mattsson, Lemmink, and McColl 2004). Emotional response served to firm consumers' determination to achieve outcome, with the feelings of not being happy spurring them on to action. This is consistent with the findings by Smith and Bolton (2002) who found that when negative emotion is produced, the customers focus on outcomes (distributive justice) rather than on irrational source (interactional justice). These findings indicate that the firm also needs to focus on rational responses for the outcome-focused complaint customers.

The content in managerial responses can be replied rationally or emotionally to satisfy complained customers. Responses coded as Explanation, Redress, Facilitation, Reinforcement are classified as rational and those coded as Apology, Appreciation, Attentiveness, Encouragement are classified as emotional (Ravichandran, Deng, Huang, 2016). According to Karatepe (2006), Explanation that firms are aware of the problem and are willing to account for the problem and are doing their best to recover it and Redress that the benefits a customer receives from the organization in response to the complaints which are positively effect in outcome-focused customers. Facilitation to complaints results in the policies and procedures that a company has in place to facilitate complaint handling (Karatepe and Ekiz, 2004). Reinforcement of the consumer complaints helps firms promote positive feelings about service by stressing benefits or quality of personnel (Strauss and Hill, 2001). According to Smith et al., (1999), apology from management to complaint is a valuable reward that redistributes esteem in an exchange relationship which also emotionally relief complaints. Strauss and Hill (2001) showed that expressed appreciation for the service purchase or for patronizing the firm influence in complaint. The attentiveness such as the interpersonal communication and the interaction between the organization's representative and complainants- consists of respect, politeness and empathy can turn negative opinion to positives according to Parasuraman et al.,(1988) and Davidow (2000). When the firm encourages the customer to write other comment in the future, it shows willingness to future reviews to the service and firm responsiveness to complaints (Strauss and Hill, 2001)

A restaurant review's context includes the consumers' evaluation of their experience with the service provider, and is one of the most influential aspects of a consumer's given opinions to future customers. As long as online restaurant reviews are considered as a platform that offered consumers to express their ideas. Future customers observe previous managerial response and reviews of previous consumers to enhance knowledge of a particular

environment (Park and Lessig, 1977). These consumers' reviews and each of managerial responses help future consumers by providing information before selecting a particular restaurant to visit (Titz et al., 2004). Even though when they encounter the same service failure, future customers perceive that there will be a high likelihood of similar responses such as rational response like redress or facilitation or emotional response like apology from management which increase customer satisfaction (Willemsen et al., 2013). In addition, online restaurant reviews yield potential consumers to build a connection with many other users, and they are able to choose a restaurant which suits their selection criteria with reading online reviews (Parikh et al., 2016). Restaurant online reviews have become an influential and invaluable source of information in the restaurant industry, and it often gives a powerful impression when consumers are performing the decision-making process (Yim, Lee, & Kim, 2014). A large number of online reviews are priceless sources of information for restaurants to investigate their consumers' dining experiences, help restaurants to increase engagement with consumers and restaurants, and to spread massive information to visit intention to win their business (Gan, Ferns, Yu, & Jin, 2016).

Kim et al. (2009) indicates that the restaurant consumers are more likely to share positive word-of-mouth. Jeong and Jang (2011) states that positive eWOM increases the overall number of consumers, and it has a significant impact on increasing a restaurant's reputation. Recent service marketing research has lent support to this finding by showing that meaningful interactions between firms and their consumers can stimulate consumer WOM. For example, Gremler et al. (2001) find that, because of the interpersonal bonds generated from consumer and manager communications, the more interactions between firms and consumers, the more WOM will be generated from the participating consumers. Thus, I argue that if managers are trying to solve negative reviews by categorizing response, there will be more effective positively in consumer reviewing intention.

Besides, when receiving satisfactory managerial response such as rational response for outcome focused-consumers, or apology for emotional response-focused consumers, consumers may appreciate the management effort by deleting negative reviews or writing positive reviews subsequently. In this process, categorizing managerial response proactively transforms eWOM from negative to positive by showing customer care and helpful attempts (Hong and Lee, 2005; Lee and Song, 2010). Thus, I argue that types of managerial response

also effect in future review valance. According to existing literature, I hypothesize that,

**H3 (a): Depending on types of managerial response (Rational or Emotional), there will be differences in evaluation of the restaurant.**

**H3 (b): Depending on types of managerial response (Rational or Emotional), there will be differences in visit intention of the restaurant.**

**H3 (c): Depending on types of managerial response (Rational or Emotional), there will be differences in review intention of the restaurant.**

**H3 (d): Depending on types of managerial response (Rational or Emotional), there will be differences in future review valence of the restaurant.**

### **3.2.3: Matching Types of Managerial Responses with Types of Unfairness: Consumer Evaluation, Visit Intention and Review Intention, Future Review Valance**

Equity Theory have identified three main antecedents of the justice (injustice) perception: distributive justice which focuses on the outcome of the exchange (Homans, 1961), procedural justice which focuses on the way this outcome is reached (Thibaut and Walker, 1975) and interactional justice which focuses on interpersonal interactions involved during the service delivery process (Bies and Moag, 1986). Perceived unfairness creates a tension that individuals would like to reduce using different strategies, such as seeking tangible elements (refund, exchange), psychological elements (apologies from the service provider) or simply expressing their emotions (anger, joy) and behaving accordingly.

Smith et al. (1999) state that complainants' perceptions of distributive justice involve the distribution of compensation in terms of refunds, free gifts, coupons, and discounts by the service provider towards the injustice caused by a service failure. Compensation is the most talked about and researched aspect of complaint handling (Davidow, 2000). Gilly (1987) reported that actual redress has a significant effect on perceived complaint response, which in turn had a positive effect on satisfaction. Spreng, Harrell, and Mackoy (1995) investigated satisfaction and service recovery in the moving industry and reported that satisfaction with the claims personnel (redress) was the primary determinant overall satisfaction. Sundaram, Jurowski, and Webster (1997) found that redress had a positive effect on satisfaction. Davidow and Leigh (1998) showed that satisfaction with the complaint handling and compensation has a negative impact on word-of-mouth activity. McCollough (1988) found

that redress (distributive fairness) has a significant effect on service recovery. Webster and Sundaram (1998) showed that as the recovery effort becomes more extensive, there is significant positive impact on complaint handling. Tax, Brown and Chandranshekar (1998) find that redress was the most important dimension related to complainants' perceptions of distributive justice. Thus, I expect that the rational response such as redress (Karatepe, O.M, and Ekiz, E.H, 2004) will be the most effective response strategy to solve complaints about distributive unfairness since it might assist customers to restore equilibrium. Rational response such as explanation, facilitation and reinforcement (Karatepe, O. M. and Ekiz, E. H. 2004) will also be beneficial to solve distributive unfairness since it indicates that managers are willing to take specific actions to resolve the complaint in order to restore the complainants' perceived fairness (Homans, 1961).

Blodgett, Granbois, and Walter (1993) reported that facilitation (likelihood of success) had a significant effect on negative word of mouth (the double negative means that an increased likelihood of success lowered negative word of mouth activity). Bolting (1989) reported that the responsiveness of a company has a positive impact on likelihood to complain and a negative word-of-mouth activity. Boshoff and Leong (1998) showed that full empowerment to solve the problem immediately has a significant impact on satisfaction with the recovery. Goodwin and Ross (1992) reported that voice, or the opportunity to present feelings and opinions to a patient listener (facilitation), had a positive effect on satisfaction with the complaint handling. Ruyter and Wetzels (2000) found that procedural fairness as manipulated by voice (opportunity to express feelings), had a significant effect on satisfaction. Nyer (2000) reported that venting or encouraging dissatisfied consumers to express their feelings and opinions (complain), causes increased levels of satisfaction. Making a complaint-handling mechanism available (facilitation) has a positive impact on likelihood of complaining and a negative impact on negative word-of-mouth according to Richins (1983). Karatepe (2006) considers that facilitation can help complainants to restore procedural justice since it is associated with the policies and procedures that a company has in place to facilitate complaint handling (Davidow, 2000). Thus, I expect that the rational response such as facilitation (Karatepe, 2006) will be the most effective response strategy to solve complaints about procedural unfairness. Rational responses such as redress, explanation and reinforcement (Karatepe, O.M, and Ekiz, E.H, 2004) are all appropriate to address procedural

unfairness since they indicate that managers are willing to try their best to resolve and facilitate the complaint handling in order to restore the complainants' perceived fairness of the procedures used in arriving at the outcome (Thibaut and Walker, 1975).

An acknowledgement by the organization of the complainant's distress is defined as an apology (Davidow, 2003). An apology can be considered a psychological compensation for interactional unfairness since it might assist customers to restore equilibrium (Davidow, 2000). Yet, despite a preponderance of managerial literature (Barlow and Moller 1996; Jenks 1993; SOCAP 1994; Zemke 1994) emphasizing the importance of an apology as part of an overall complaint recovery process, very little research has investigated this issue. Several elements of Boshoff's (1999) scale (feedback, atonement) relate specifically to this dimension. Some researchers (see, for example, Boshoff 1997; Hoffman, Kelley, and Rotalsky 1995; Webster and Sundaram 1998) focused on an apology in the sense that an apology is the only redress that was offered. This reclassifies apology as part of the redress dimension (no redress; just an apology; partial redress; full redress; more than full redress), Hoffman and Chung (1999) referred to this as an empathetic response – the organization acknowledges the customer's complaint but fails to take responsibility for resolving the situation. This lack of action not only fails to resolve the customer's problem but also fails to acknowledge the customer's perceived seriousness of the situation. In this circumstance, it is not surprising that apology was found to have little or no effect on post-complaint behavior (Davidow, 2000).

More interesting, however, is the case where an apology is given to the complaining customer in addition to redress. Smith, Bolton, and Wagner (1999) reported that an apology has a positive significant effect on interactional fairness and an indirect effect (through interactional justice) on complaint-handling satisfaction. Boshoff and Leong (1998) found that apology had a significant effect on satisfaction (its effect was weaker than facilitation, but still significant). Goodwin and Ross (1992) showed that apology does not have a significant impact on satisfaction or fairness. Davidow (2000) reported that whereas apology had a positive effect on word-of-mouth valence, it had a negative effect on repurchase intentions and no effect on satisfaction. Although there are not enough research studies to make any clear assessments, it seems likely that apology does affect post complaint customer behavior. In the only study linking apology to word of mouth, Davidow (2000) found a

positive relationship, thus, I expect that the emotional response such as apology (Davidow, 2000) itself will be the most effective response strategy to solve complaints about interactional unfairness. The appreciation and encouragement (Davidow, 2000) embedded in emotional responses show that the company is willing to listen to customers' complaints since it appreciates their purchases and encourages them to write more comments in the future (Strauss and Hill, 2001). Prior interaction between the management and customers provides a strong indication that the company is enthusiastic to provide better service (Chen et al., 2015). Consumers evaluate these managerial responses and will possibly change their perception about the firm even if they encounter the service failure and complain about their unfairness.

By observing the interaction between restaurant official and customers on the online review forum, future customers' attitudes will be changed by social cognitive learning behavior. Future customers can access the online forum as a source of information to enhance their knowledge of a particular environment by observing managerial responses to previous negative reviews (Park and Lessig, 1977). This is called vicarious learning. Managerial response serves as a tool in support of customer relationship, reputation and brand management (Noort and Willemsen, 2012). The practice of providing managerial response centers on the aim to enhance consumer satisfaction and limit the potential damage of the negative eWOM (Willemsen et al., 2013). For example, when encountering the same service failure described by previous complainants and observing effective managerial responses to these complaints, future customers feel as if they experience the same complaint solution as previous complaints. Managerial response plays a key role in addressing consumer comments and shows that the company should take seriously the voice and concerns of consumers (Gu and Ye, 2014).

From the previous response/comments to consumers' perceived unfairness of their service on online review forums, future customers can learn that managers are willing to try their best to resolve and facilitate the complaint handling in order to restore the complainants' perceived fairness of the procedures used in arriving at the outcome (Thibaut and walker, 1975). Managerial responses show that the company is willing to listen to customers' complaints since it appreciates their purchases and encourages them to write more comments in the future (Strauss and Hill, 2001). When future customers experience the same service

failure with previous customers, they will be more likely to contact the managers in person to request the appropriate solution such as rational or emotional to their own issues instead of posting negative reviews online. Even for customers who are satisfied with the service, observing effective managerial responses could increase their likelihood of contributing reviews to the online review forums (Chen et al., 2015).

Future customers' attitudes will not only be affected by vicarious leaning but also be influenced by imitation. McCormick and Martinko (2004) claimed that people can learn by observing others based on their studies introduce some basic assumptions of Bandura's Social Cognitive Learning Theory. Whenever there is a consumer review, the reaction from the management to the consumer review can be telling on top of the review itself. Consumers are concerned about not only the issue reported in consumer reviews but also the reaction from the management (Xie, Lee and Zhang, 2016). Viewers will be very likely to form different perceptions of products or services on the managerial response (Lee and Song, 2010; Wei et al., 2013). For example, when future customers observe more positive reviews than negative reviews among all previous reviews, they will be more likely to reserve their bad feelings and give up writing negative reviews online even if they had a bad experience with a service. For customers who had a pleasant experience with a service, observing more positive reviews will strengthen the good feelings about effective managerial responses to complaints. On the other hand, when negative reviews exceed positive reviews, future customers will be less likely to keep their bad feelings even if they observe effective managerial responses to complaints. For customers who had a pleasant experience with a service, observing copious negative reviews will weaken the good feelings about appropriate managerial responses to complaints. Following existing literatures, I propose that,

**H4 (a): When the rational response matches with distributive unfairness, there will be higher evaluation of the restaurant.**

**H4 (b): When the rational response matches with distributive unfairness, there will be higher visit intention of the restaurant.**

**H4 (c): When the rational response matches with distributive unfairness, there will be higher review intention of the restaurant.**

**H4 (d): When the rational response matches with distributive unfairness, there will be higher future review valance of the restaurant.**

**H5 (a): When the rational response matches with procedural unfairness, there will be higher evaluation of the restaurant.**

**H5 (b): When the rational response matches with procedural unfairness, there will be higher visit intention of the restaurant.**

**H5 (c): When the rational response matches with procedural unfairness, there will be higher review intention of the restaurant.**

**H5 (d): When the rational response matches with procedural unfairness, there will be higher future review valance of the restaurant.**

**H6 (a): When the emotional response matches with interactional unfairness, there will be higher evaluation of the restaurant.**

**H6 (b): When the emotional response matches with interactional unfairness, there will be higher visit intention of the restaurant.**

**H6 (c): When the emotional response matches with interactional unfairness, there will be higher review intention of the restaurant.**

**H6 (d): When the emotional response matches with interactional unfairness, there will be higher future review valance of the restaurant.**



## CHAPTER IV: RESEARCH METHODOLOGY AND RESULTS

### 4.1 Sample and Data Collection

The target population for this study consists of the respondents who have seen or read negative reviews or complaints to a restaurant and also who have seen or read managerial response from the restaurant on any online review forums such as Restaurant Official Website or page, Review Group, Facebook, Twitter, Instagram, Kakao, Wechat, etc., Respondents were asked screening questions first to be suitable for this study. The online survey is designed with 30 questionnaires in Survey Monkey platform to recruit the respondents. Survey Monkey platform provides a link to send the survey questionnaire via Facebook messenger, via email and via text message. This study recruits a total of four hundred and sixty-one 461 respondents. After screening, the number of who have seen negative review on online review forums is four-hundred and thirty-three 433 respondents and the number of respondents who have seen managerial response is three-hundred and forty-nine, 349. When I exclude the number of incomplete surveys and invalid one hundred and fourteen responses 114 from 349 respondents, this study had recruited a total 235 respondents (male = 37.9%, and Female = 61.3%) respectively. Most of the respondents are aged between twenty-one and thirty-four (70%) and the percent of the respondents who are under twenty-one years old is 22.1% and the percent of the age between thirty five and fifty four years is 6.8%. Most of the respondents are from Myanmar (87.2%) and the others such as Filipino (5.1%), Mongolian (2.1%), Korean (1.7%), Indonesian and Thai (1.3%), Vietnamese (0.9%), Malaysian (0.4%) respectively. The respondents read most of the reviews and managerial responses from Facebook (53.6%), Restaurant Official Page and Food Review Group (13.2%), etc.

**Table 4.1: Description of the Sample**

		Number	Percent (%)
GENDER	Female	89	37.9
	Male	144	61.3
AGE	Under 21	52	22.1

	21-34	166	70.6
	35-54	16	6.8
	55-70	0	0
	70 and above	0	0
COUNTRY	Korean	4	1.7
	Myanmar	205	87.2
	Filipino	12	5.1
	Indonesian	3	1.3
	Malaysian	1	0.4
	Mongolian	5	2.1
	Vietnamese	2	0.9
	Thai	3	1.3
	Indian	0	0
	Others	0	0
FORUMS	Restaurant Official website	12	5.1
	Restaurant Official page	31	13.2
	Food Review Group	31	13.2
	Facebook	126	53.6
	Twitter	2	0.9
	Instagram	7	3.0
	Kakao	2	0.9
	Wechat	1	0.4
	Line	3	1.3
	Other Social Networking sites	2	0.9
	Others	0	0

#### 4.2 Questionnaire Development and Reliability Check of measurement items

The survey questions are developed based on literature review. A structured questionnaire consists of two sections: the first part states the purpose of the study and

qualifying questions; the second part of the questionnaire is intended to understand more about respondents' experience of reading unfairness and managerial response and also their perceptions to these review and restaurant. The respondents are deleted from the final data who failed with two qualifying questions in the first part of the survey. Then, the respondents were answered their viewing experience about three types of unfairness (distributive justice, procedural justice, interactional justice; Seiders, Berry (1998), Bowen, Gilliland, Folger (1999)) and managerial responses (rational response and emotional response; Davidow;2000) in a restaurant review setting on online review forums. After that, the 22-item questionnaire are adopted from existing researches and the measurement scale includes twenty two questions and respondents rated on a 5-point Likert-Scale ranging from 1=strongly disagree to 5=strongly agree.

Reliability tests were used to test the six variables such as appropriate managerial response, consumers' evaluation, visit intention, review intention, positive review valence and negative review valence. The Cronbach alpha reliability coefficients were 0.916, 0.946, 0.950, 0.950, 0.954 and 0.946 for response appropriate, evaluation, visit intention, review intention, positive review valence and negative review valence respectively. These high alpha values indicate that these measurement items are reliable, and there is good internal consistency among the items.

<b>Table 4.2: Reliability Check with Cronbach's Alpha Values</b>		
Variables	Number of items	Cronbach's $\alpha$
Response appropriate	3	0.916
Evaluation	5	0.946
Visit intention	5	0.950
Review intention	3	0.950
Positive review valence	3	0.954
Negative review valence	3	0.946

### **4.3 Results of Study 1: Effects of Perceived Unfairness**

The following Table: 4.3 shows the results of one way ANOVA analysis that three

types of unfairness (distributive, procedural, and interactional) did not differ significantly in evaluation to the service of the restaurant ( $p = 0.970 \geq 0.05$ ) and  $F = 0.030$ . For visit intention, ( $p = 0.764 \geq 0.05$ ) and  $F = 0.269$  which shows there is no statistically difference in visit intention to the restaurant depending on types of unfairness. For review intention to the restaurant, ( $p = 0.621 \geq 0.05$ ) and  $F = 0.478$ , which also shows no significant difference depending on types of unfairness. This means consumers' evaluation, visit intention and review intention don't statistically differ upon each type of unfairness.

<b>Table 4.3: Effects of Perceived Unfairness</b>						
Dependent variable	Type of unfairness	N	M	SD	F	p-value
Evaluation	Distributive	128	3.8531	.99114	0.030	0.970
	Procedural	62	3.8484	.82794		
	Interactional	45	3.8136	.86093		
Visit intention	Distributive	128	3.9047	.97236	0.269	0.764
	Procedural	62	3.9226	.84338		
	Interactional	45	3.8000	.83080		
Review intention	Distributive	128	3.8372	1.03759	0.478	0.621
	Procedural	62	3.8602	.88408		
	Interactional	45	3.6818	1.07822		

#### **4.4 Results of Study 2: Effects of Managerial Responses**

##### **4.4.1 Effects of Appropriateness of Managerial Responses**

The following Table:4.4 shows the independent t-test results of evaluation, visit intention, review intention and future review valence such as positively or negatively rating to the restaurant will be influenced depending on whether appropriate managerial response or not. The result shows that there are significant differences in reviewer's evaluation to their restaurant when managerial responses are appropriate  $p = 0.000 \leq 0.05$ . Inspection of the two group means indicates that the average evaluation for inappropriate managerial response is ( $M = 3.0805$ ) which is lower than the average evaluation for appropriate managerial response ( $M = 4.3014$ ), *here means difference is* = 1.2209. Visit intention result shows that there are significant differences in reviewer's visit intention depending on propriety of

managerial response  $p = 0.000 \leq 0.05$ . Inspection of the two group means indicates that the average visit intention for inappropriate managerial response is ( $M = 3.2759$ ) which is lower than the average visit intention for appropriate managerial response ( $M = 4.2548$ ), *here means difference is* = 0.9789. The result in review intention shows that there are significant difference in consumer's intent to review when customer perceived appropriate managerial response  $p = 0.000 \leq 0.05$ . Inspection of the two group means indicates that the average review intention for inappropriate managerial response is ( $M = 3.1609$ ) which is lower than the average evaluation for appropriate managerial response ( $M = 4.1995$ ), *here means difference is* = 1.0386. Also, there are significant difference in positive reviews when customers perceived appropriate managerial response  $p = 0.000 \leq 0.05$ , *means difference is* = 1.116 ,here *M of appropriate response* = 4.2313, *M of inappropriate response* = 3.1149 . At the same time, there are significant difference in negative review rating when managerial responses are inappropriate  $p = 0.0000 \leq 0.05$ . The average negative review rating of appropriate response is  $M = 2.000$ , is lower than the average negative review rating of inappropriate response  $M = 2.6590$ , *mean difference is* = .6590. If consumers think managerial responses are inappropriate, they will do negative review rating than positive review rating.

<b>Table 4.4: Effects of Appropriateness of Managerial Responses</b>						
Dependent variable	Response appropriate	N	M	SD	t	p-value
Evaluation	inappropriate	87	3.0805	.74986	-12.657	0.000
	appropriate	146	4.3014	.68893		
Visit intention	inappropriate	87	3.2759	.83094	-9,240	0.000
	appropriate	146	4.2548	.75183		
Review intention	inappropriate	87	3.1609	.88901	-8.780	0.000
	appropriate	146	4.1995	.86595		
Positive review	inappropriate	87	3.1149	.88605	-9.921	0.000
	appropriate	146	4.2313	.79822		
Negative review	inappropriate	87	2.6590	.76415	5.099	0.000

	appropriate	146	2.0000	1.05192		
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#### 4.4.2 Effects of Types of Managerial Responses

The following table:4.5 analyzes Independent t-test results of evaluation, visit intention, review intention and future review valence such as positively or negatively ratings to the restaurant will be changed or not depending on types of responses (Rational or Emotional). The result shows that there are no significant changes in reviewer's evaluation to their restaurant depending on rational or emotional responses of management,  $p = 0.749 \geq 0.05$ . Visit intention of the reviewers to the restaurant will not be influenced by the rational response or emotional response of management,  $p = 0.822 \geq 0.05$ . The respondents' review intention did not also effected by the types of managerial responses  $p = 0.715 \geq 0.05$ . The future review valence such as positive review  $p = 0.228 \geq 0.05$  and negative reivew  $p = 0.529 \geq 0.05$ , did not be influenced by the types of managerial response.

Dependent variable	Type of response	N	M	SD	t	p-value
Evaluation	Rational	120	3.8633	.98765	0.321	0.749
	Emotional	114	3.8246	.85358		
Visit intention	Rational	120	3.8767	.99179	-0.225	0.822
	Emotional	114	3.9035	.82279		
Review intention	Rational	121	3.8375	1.05068	0.365	0.715
	Emotional	114	3.7895	.95860		
Positive review	Rational	121	3.8926	1.03924	1.208	0.228
	Emotional	114	3.7368	.92965		
Negative review	Rational	121	2.2039	1.03671	-0.631	0.529
	Emotional	114	2.2865	.96942		

#### 4.4.3 Effects of Management Rational Response to Distributive Unfairness

According to hypothesis 4, I propose that depending on the results of matching

distributive unfairness with rational response from management, there will be higher future consumers' evaluation, visit intention, review intention and future review valence. Rational response to perceived distributive unfairness has statistically higher evaluation to the restaurant,  $0.05 \leq p = 0.073 \leq 0.1$ . The average mean of rational response in consumer evaluation is higher than that of emotional response, ( $M_R = 3.9609 > M_E = 3.6244$ ). However, for visit intention, rational response to distributiveness unfairness did not affect in respondents' visit intention  $p = 0.193 \geq 0.05$ . Review intention did not also influenced by matching rational response with distributive unfairness,  $p = 0.130 \geq 0.05$ . Future review valence such as positive ratings significantly influenced by matching rational response with distributive unfairness,  $p = 0.012 \leq 0.05$ . The average positive review rating in rational response to distributive unfairness is higher than that of emotional response  $M_R = 4.0076 > M_E = 3.5203$ . For negative review rating, there is no significance difference when management respond rationally to distributive unfairness of customer complaints  $p = 0.101 \geq 0.05$ .

Dependent variable	Type of response	N	M	SD	t	p-value
Evaluation	Rational	87	3.9609	1.02292	1.808	0.073
	Emotional	41	3.6244	.88904		
Visit intention	Rational	87	3.9816	1.02691	1.307	0.193
	Emotional	41	3.7415	.83336		
Review intention	Rational	88	3.9318	1.06153	1.525	0.130
	Emotional	41	3.6341	.96553		
Positive review	Rational	88	4.0076	1.04065	2.534	0.012
	Emotional	41	3.5203	.96335		
Negative review	Rational	88	2.0303	1.02912	-1.652	0.101
	Emotional	41	2.3415	.92041		

#### **4.4.4 Effects of Management Rational Response to Procedural Unfairness**

According to hypothesis 5, I propose that depending on the results of matching

procedural unfairness with rational response from management, there will be higher future consumers' evaluation, visit intention, review intention and future review valence. Management rational response to perceived procedural unfairness has no difference in consumers' evaluation to the restaurant.  $p = 0.136 \geq 0.05$ . However for Visit intention, there is statistically significant higher visit intention of consumers to the restaurant when they perceived management emotional response to their procedural unfairness,  $0.05 \leq p = 0.057 \leq 0.1$ . Inspection of the two group means indicates that the average visit intention for rational response is lower than that of emotional response  $M_E = 4.0683 > M_R = 3.6381$ . Review intention did not also influenced by matching rational response with procedural unfairness,  $p = 0.153 \geq 0.05$ . Future review valence such as positive ratings  $p = 0.280 \geq 0.05$  and negative rating  $p = 0.457 \geq 0.05$  did not influenced by management rational response to consumer procedural unfairness.

<b>Table 4.7: Effects of Management Rational Response to Procedural Unfairness</b>						
Dependent variable	Type of response	N	M	SD	t	p-value
Evaluation	Rational	21	3.6286	.73290	-1.512	0.136
	Emotional	41	3.9610	.85932		
Visit intention	Rational	21	3.6381	.81883	-1.944	0.057
	Emotional	41	4.0683	.82778		
Review intention	Rational	21	3.6349	.93038	-1.449	0.153
	Emotional	41	3.9756	.84784		
Positive review	Rational	21	3.6825	.90968	-1.090	0.280
	Emotional	41	3.9431	.88161		
Negative review	Rational	21	2.4921	.89206	0.749	0.457
	Emotional	41	2.2846	1.09687		

#### **4.4.5 Effects of Management Emotional Response to Interactional Unfairness**

According to hypothesis 6, I propose that when management reply emotional response to interactional unfairness, there will be higher future consumers' evaluation, visit



intention, review intention and future review valence. Firstly, emotional response to perceived interactional unfairness has no difference in evaluation to the restaurant.  $p = 0.249 \geq 0.05$ . Emotional response to interactional unfairness did not differ in respondents' visit intention  $p = 0.196 \geq 0.05$ . Review intention did not also influence by matching emotional response with interactional unfairness,  $p = 0.500 \geq 0.05$ . Future review valence such as positive ratings  $p = 0.318 \geq 0.05$  means did not influenced by emotional response to interactional unfairness, however, negative rating  $p = 0.016 \leq 0.05$  influenced by emotional response to interactional unfairness.

<b>Table 4.8: Effects of Management Emotional Response to Interactional Unfairness</b>						
Dependent variable	Type of response	N	M	SD	t	p-value
Evaluation	Rational	12	3.5667	1.05773	-1.170	0.249
	Emotional	32	3.9063	.77374		
Visit intention	Rational	12	3.5333	.92376	-1.315	0.196
	Emotional	32	3.9000	.78535		
Review intention	Rational	12	3.5000	1.13262	-0.681	0.500
	Emotional	32	3.7500	1.06761		
Positive review	Rational	12	3.4167	1.12927	-1.012	0.318
	Emotional	32	3.7500	.91189		
Negative review	Rational	12	2.9722	.92614	2.498	0.016
	Emotional	32	2.2188	.87829		

#### 4.4.6 Hypotheses Summary

In summary, hypotheses: 1 (a), 1 (b) and 1 (c) is rejected. There won't be any differences in evaluation, visit intention and review intention of the restaurant depending on types of unfairness. However, hypotheses: 2 (a), 2 (b), 2 (c) and 2 (d) are all accepted. Depending on propriety of the restaurant's responses, there will be differences in evaluation, visit intention, review intention and future review valence of the restaurant. Hypotheses: 3 (a), 3 (b), 3 (c) and 3 (d) are rejected. That means there won't be any differences in evaluation, visit intention, review intention and future review valence of the restaurant depending on

types of managerial response (rational or emotional). Hypothesis 4 (a) is accepted: there will be higher evaluation of the restaurant when the rational response matches with distributive unfairness. But, Hypotheses 4 (b) and 4(c) are rejected, so that there won't be higher visit intention and review intention of the restaurant when the rational response matches with distributive unfairness. Hypothesis 4 (d) is partially accepted that I found out there is significant differences in positive reviews when the rational response matches with distributive unfairness, unlike negative review, there is no differences when the rational response matches with distributive unfairness. Hypotheses 5 (a), 5 (c) and 5 (d) are rejected that there are no differences in evaluation, review intention and review valence of the restaurant when the rational response matches with procedural unfairness. Hypothesis 5 (b) is accepted that there will be higher visit intention of the restaurant when the rational response matches with procedural unfairness. Hypotheses 6 (a), 6 (b) and 6 (c) are rejected that there are no significant differences in evaluation, visit and review intention of the restaurant when the emotional response matches with interactional unfairness. Hypothesis 6 (d) is partially accepted when I found out that negative review rating was influenced by emotional response in interactional unfairness unlike positive reviews.

**Table 4.9 Hypotheses Summary**

<b>Table 4.9 Hypotheses Summary</b>			
H1	(a)	Depending on types of Unfairness (Distributive, Procedural, and Interactional), there will be differences in evaluation of the restaurant.	Rejected
	(b)	Depending on types of Unfairness (Distributive, Procedural, and Interactional), there will be differences in visit intention of the restaurant.	Rejected
	(c)	Depending on types of Unfairness (Distributive, Procedural, and Interactional), there will be differences in review intention of the restaurant.	Rejected
H2	(a)	Depending on propriety of the restaurant's responses, there will be difference in evaluation of the restaurant.	<b>Accepted</b>
	(b)	Depending on propriety of the restaurant's responses, there will be difference in visit intention of the restaurant.	<b>Accepted</b>

	(c)	Depending on propriety of the restaurant's responses, there will be difference in review intention of the restaurant.	<b>Accepted</b>
	(d)	Depending on propriety of the restaurant's responses, there will be difference in future review valence of the restaurant.	<b>Accepted</b>
H3	(a)	Depending on types of managerial response (Rational or Emotional), there will be differences in evaluation of the restaurant.	Rejected
	(b)	Depending on types of managerial response (Rational or Emotional), there will be differences in visit intention of the restaurant.	Rejected
	(c)	Depending on types of managerial response (Rational or Emotional), there will be differences in review intention of the restaurant.	Rejected
	(d)	Depending on types of managerial response (Rational or Emotional), there will be differences in future review valence of the restaurant.	Rejected
H4	(a)	When the rational response matches with distributive unfairness, there will be higher evaluation of the restaurant.	<b>Accepted</b>
	(b)	When the rational response matches with distributive unfairness, there will be higher visit intention of the restaurant.	Rejected
	(c)	When the rational response matches with distributive unfairness, there will be higher review intention of the restaurant.	Rejected
	(d)	When the rational response matches with distributive unfairness, there will be higher future review valence of the restaurant.	<b>Rejected but partially significance</b>
H5	(a)	When the rational response matches with procedural unfairness, there will be higher evaluation of the restaurant.	Rejected
	(b)	When the rational response matches with procedural unfairness, there will be higher visit intention of the restaurant.	<b>Accepted</b>

	(c)	When the rational response matches with procedural unfairness, there will be higher review intention of the restaurant.	Rejected
	(d)	When the rational response matches with procedural unfairness, there will be higher future review valance of the restaurant.	Rejected
H6	(a)	When the emotional response matches with interactional unfairness, there will be higher evaluation of the restaurant.	Rejected
	(b)	When the emotional response matches with interactional unfairness, there will be higher visit intention of the restaurant.	Rejected
	(c)	When the emotional response matches with interactional unfairness, there will be higher review intention of the restaurant.	Rejected
	(d)	When the emotional response matches with interactional unfairness, there will be higher future review valance of the restaurant	<b>Rejected but partially significance</b>

## CHAPTER V: CONCLUSION

### 5.1 Discussion and Implication

As a result of the increasing popularity of the Internet, online reviews forums have become a major source of information, which allows consumers to make more effective pre-purchase evaluations of a restaurant firm before dining. This significant trend has emphasized the need for greater knowledge of the influences that online reviews have on consumer perceptions of restaurant firms. Previous research has examined managerial responses do have an effect on overall customer attitudes (Ravichandran, Huang, and Sharp, 2012; Sharp, Huang, and Ravichandran, 2014) and the volume of consumer participation in specific forums (Chen, Gu, Ye, and Zhu, 2015). Because negative online reviews are permanently archived and available to a larger audience (Dellarocas, 2003), managers of the restaurants need to understand not only the effect of their response to the dissatisfied customers but also its effect on future customers who read the management response (Walker, 2001). Thus, my study extends previous research by exploring effective managerial response strategies to each type of unfairness in online review to mitigate the harmful effects of negative eWOM on future consumers in this online review forum environment.

In the present study, although I expected that there will be differences in future consumers responses such as evaluation, visit and review intention according to each types of distributive, procedural and interactional unfairness, there was no significance difference in consumers service evaluations, visit intention and review intention. Like previous researches by McCollough (1988) which concluded that distributive justice, procedural justice, and interactional justice had significant predictive power of consumers' attitude, by Abdullah, Hambali, Kamal, Din, and Lahap (2016) which found that good customer feedback can influence customers' intentional behavior. When customers did not perceive these three justice dimensions, they are more likely to complain (Cho, Im and Hiltz (2003) and have negative effect in customer reaction to a restaurant ((Namasivayam & Mattila, 2007). According to the results, it suggests that consumer evaluation, visit and review intention don't vary by what kind of unfairness they experienced. It means their responses are still the same for any types of unfairness. The results in each type of unfairness did not significant which suggests that a priming effect of respondents because I had framed managerial responses together with negative unfairness in the research questionnaire. Future studies more

focus to separate perceived unfairness and responses in different survey questions and settings.

Like previous studies, this paper also highlights the proper managerial response can alter consumers' evaluations to the service of restaurant, visit and review intentions and future review valence. The right managerial responses to negative review on online forums restores the brand belief and resonate with the brand value (Cheng and Loi, 2014; Lee and Song, 2010). It can also increase return intention and loyalty (Barsky and Frame, 2009). Managerial responses to online forums could increase review intention of consumers because of interaction between management and consumers until the complaint was successfully solved. Because of managerial response is publicly available online and will be observed by future consumers, managerial response can signal the restaurant's emphatic attitude, demonstrate the sincere customer care, as well as explicitly establish a responsible brand image to subsequent consumers. This positive impression may lead to positive reviews from future consumers in the long run. The more positive reviews, the higher impression of the restaurant. It increases overall evaluation of the restaurant which increases the visit rate to the restaurant. In turn, if the complaints are not solved well, future consumers are likely to comment negatively according to the results of this study.

Since this research is focused on negative reviews, I tried to find more specific way to reduce complaints customers. Scholars had shown that emotional response served to firm consumers' determination to achieve outcome, with the feelings of not being happy spurring them on to action. This is consistent with the findings by Smith and Bolton (2002) who found that when negative emotion is produced, the customers focus on outcomes (distributive justice) rather than on process (interactional justice). Rational response such as explanation and redress are positively effect in outcome-focused customers for complaints (Karatepe, 2006). Smith et al., 1999 had found that apology as and emotional response from management to complaint is a valuable reward that redistributes esteem in an exchange relationship which also emotionally relief complaints. Strauss and Hill, 2001 showed that expressed appreciation as an emotional response for the service purchase or for patronizing the firm influence in complaint. When managements responded to negative review by dividing response categories, I posit that customers are more satisfied and there will be some differences in service evaluation, visit intention, review intention and future review valence.

However, I found out that there are no significant differences because of types of managerial response. The most important thing is managerial responses must be proper and appropriate. It increases interpersonal communication and the interaction between the restaurant and its customers which can turn negative opinions to positives.

Moreover, I studied deeply types of managerial response in each type of unfairness by the respondents. I found that there is a relationship between consumers' evaluation to the service and managerial rational response in distributive unfairness. This finding suggests that when consumers experience service quality failure, for example, quality of food is unacceptable compare to what they paid, management should try to offer rational response such as partial refund or full refund for their service failure which can also affect future review valence such as positive review ratings to their restaurant in the future. As long as online reviews are considered a platform for seeking information about a service or a product, future consumers will see these positive ratings which help in believing that the restaurant service and food is good which in turn increase in visit intention to the restaurant. Moreover, according to this study, I found that consumers' visit intention will be higher when management solved procedural unfairness complaints by emotional response, such as delivery of food process is delay. It means that management response such as apology is better solution to retain their visit intention to the restaurant. I then found that there is a relationship between emotional responses to interactional unfairness in future negative ratings. This finding suggests that Firm should aware of replying consumers who suffered service failure because of employee manner, or communication. They should try to relief consumers emotionally first so that negative reviews rating can be reduced. Overall, these findings would assist management of the restaurant more specifically.

## **5.2: Limitation and Future Research**

This study analyzes reviewers' perceived negative reviews or complaints to service on online review forums in a restaurant context. The generalizability of this study is limited because this study only received valid responses from 235 responses which are limited to represent for all restaurant customers. Future research should try to gather more responses to generalize the current results. In this study, most of the respondents were from Myanmar (87.2%). Consumer complaint behavior might be influenced by different nation. Future study

should disperse more nationality to test country origin effect. This study offered survey questions via online so that respondents had no chance to ask anyone if there were unclear questions. Future researches should use more settings such as Face-to-Face interviews and different methodologies to replicate the findings of this study, and to extend the current findings. Also, adding a qualitative study using the critical incident technique may not only increase the external validity of the findings, but it may also provide more insights into an observed service recovery's effect on customer outcomes by uncovering personal and/or context-dependent characteristics that influence the effects. Another limitation is that I only examined online reviewers' experience according to types of unfairness, how their attitudes were differentiated by types of managerial responses on online forums of restaurant. Future researches should observe how they are different in another hospitality area such as airlines industry or banking sector, in any area.



## SURVEY QUESTIONS

Dear Respondent,

This questionnaire is designed to gather information on the topic titled: A study of perceived negative review and managerial response on online review forums in a restaurant context. The contents of the questionnaire are only processed statistically and I promise that the data obtained from the survey results will not be used for any purpose other than this study. In addition, there is no correct answer for every question, so please be frank about what you think. Thank you for your valuable time for this study.

1. Have you ever seen negative reviews of a restaurant on the following online reviews forums?
  - Restaurant Official website
  - Restaurant Official page
  - Facebook Food Review Group
  - Facebook
  - Twitter
  - Instagram
  - Kakao
  - Wechat
  - Line
  - Other Social Networking sites
  - ① YES
  - ② NO
  
2. What is your most viewed online forums about a review of a restaurant?
  - ① Restaurant Official website
  - ② Restaurant Official page
  - ③ Food Review Group
  - ④ Facebook
  - ⑤ Twitter
  - ⑥ Instagram
  - ⑦ Kakao
  - ⑧ Wechat
  - ⑨ Line
  - ⑩ Other Social Networking sites
  - ⑪ Others
  
3. Have you ever seen the response or comment of the restaurant's staff (any responsible person) to the negative reviews of their restaurant on the above mentioned online forums?

① Yes

② No

**Think about one of the most impressive negative reviews you've seen and answer the following questions:**

4. Below are the types of the most impressive **negative** review, please check only one of them.

Distributive Unfairness	① The cost (price) seemed inappropriate what the reviewer got.	
	② The order the reviewer received was wrong.	
	③ The quality of the food or beverage was unacceptable	
Procedural Unfairness	④ The waiting time is too long and not punctual (not in time).	
	⑤ The restaurant was not provided the service the reviewer needed.	
	⑥ Service was not provided sequentially	
Interaction Unfairness	⑦ The employees of the restaurant were unfriendly.	
	⑧ The employees of the restaurant have unsmiling face and greeted customers with limited facial smile.	
	⑨ The employees of the restaurant treated some guests better than the reviewer.	

5. What are the closet (most similar) response/comments of that restaurant to the most impressive negative review? Please check only one of them.

Rational response	① The officer-in charge of the restaurant offered partial or full refund for their service failure.	
	② The officer-in-charge of the restaurant offered free gifts for their service failure.	
	③ The responsible person of the restaurant exchanged a new one for their service failure. (for example, new meal or beverage, remake same meal or beverage)	
Emotional response	④ The staff-in-charge of the restaurant made an apology for the inconvenience.	
	⑤ The staff-in-charge of the restaurant appreciated customers' negative reviews.	
	⑥ The staff-in-charge of the restaurant responded each negative reviews of the customers politely.	

6. How do you think about the response/comments of the restaurant in the most impressive **negative** review?

To what extent do you agree or disagree with the following statements?

item	Strongly	Disagree	Neutral	Agree	Strongly
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	disagree				agree
The response/comments of the restaurant are appropriate.	①	②	③	④	⑤
I feel positive toward the restaurant's response/comments.	①	②	③	④	⑤
I think the restaurant responds properly.	①	②	③	④	⑤

7. According to the foregoing **negative** review and the restaurant's response/comments what will you do?

To what extent do you agree or disagree with the following statements?

(1) Below are questions about your attitude towards the foregoing restaurant.

item	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
I react favorably to the restaurant.	①	②	③	④	⑤
I feel positive toward the restaurant.	①	②	③	④	⑤
I think this restaurant is good.	①	②	③	④	⑤
I am very interested in this restaurant.	①	②	③	④	⑤
The perceived quality of the restaurant is very good.	①	②	③	④	⑤

(2) Below are questions about your visit intention to the foregoing restaurant.

item	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
I would consider the restaurant among my future decision.	①	②	③	④	⑤
It is very likely that I will visit the restaurant.	①	②	③	④	⑤
I want to visit the restaurant.	①	②	③	④	⑤
It will be good to visit the restaurant	①	②	③	④	⑤
I intend to visit the restaurant.	①	②	③	④	⑤

(3) Below are questions about your review intention of the foregoing restaurant.

item	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
I want to review the restaurant.	①	②	③	④	⑤
I will review the restaurant.	①	②	③	④	⑤
I intend to review the restaurant.	①	②	③	④	⑤

(4) Below are questions about your review valance about the foregoing restaurant.

item	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
I want to review the restaurant positively.	①	②	③	④	⑤
I will review the restaurant positively.	①	②	③	④	⑤
I intend to review the restaurant positively.	①	②	③	④	⑤

item	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
I want to review the restaurant negatively.	①	②	③	④	⑤
I will review the restaurant negatively.	①	②	③	④	⑤
I intend to review the restaurant negatively.	①	②	③	④	⑤

8. Below are questions about your demographic information

(1) GENDER

- ① Female
- ② Male

(2) Your Age

- ① Under 21
- ② 21-34
- ③ 35-54
- ④ 55-70
- ⑤ 70 and above

(3) ORIGIN OF COUNTRY

- ① Korean
- ② Myanmar
- ③ Filipino
- ④ Indonesian
- ⑤ Malaysian
- ⑥ Mongolian

- ⑦ Vietnamese
- ⑧ Thai
- ⑨ Indian
- ⑩ Others (                    )

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## ABSTRACT

### **A Study of Perceived Negative Reviews and Managerial Responses on Online Review Forums: in a Restaurant Context**

Online reviews are emerging as a powerful source of information affecting future consumers' pre-purchase evaluation of a restaurant organization. This trend has highlighted the need for a greater understanding of the impact of negative online reviews on consumer attitudes and effective managerial responses on online review forums. In view of this need, I investigate the influence of online negative reviews and managerial response on consumers' evaluations of service quality which effects on visit intention, review intention and future review valence. An experimental design was used to examine the effects of four independent variables: types of unfairness, propriety of managerial responses, types of managerial response, matching types of managerial response with types of unfairness. The results suggest that types of unfairness have no relationship with consumers' evaluations, visit intention and review intention unlike propriety of managerial responses. The findings highlight the importance of propriety of managerial responses and the need for managers to act promptly in addressing customer service problems.

Keywords: Distributive unfairness, Procedural Unfairness, Emotional Unfairness, Rational and Emotional Response