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Abstract

Empirical studies show that emotions mediate the impact of perceived service quality on customer satisfaction. In this paper, we explore how the mediating effect of emotions differs between web and telephone encounters. In addition, we explore if this mediating effect differs across three service industries that rely heavily on telephone and web customer care: telecommunications, energy and banking. We use SEM to analyze a large-scale consumer survey (N = 2872) in telecommunication, energy and banking sectors. Emotions partially mediate the effect on customer satisfaction, both for telephone-based (25% mediation) and web-based service encounters (21%). When distinguishing positive and negative emotions, the mediating effect of negative emotions is much stronger. While mediation takes place in all three sectors, negative emotions in phone-based service encounters are more important in telecommunications, while negative emotions in web-based encounters are more important in banking industry. We advise firms to use explicit emotion evoking strategies for positive service experiences and emotion reducing strategies for negative ones.

Keywords: Service experience, multi-channel, Web, Telephone, Emotions, Mediating Effects, Customer Satisfaction, Loyalty

1 Introduction

How consumers perceive service encounters has a large impact on their satisfaction and loyalty (Berry & Carbone, 2007; Gupta & Lehmann, 2003; Heskett, Sasser, & Schlesinger, 1997; Reichheld & Teal, 1996; Venetis, 1997). Customer experience does

not only depend on how they rationally judge the quality of the service, but also on their emotions during the encounter (Edwardson, 1998). Customers may get angry waiting for service or from dealing with unresponsive or impolite employees. They may get frustrated by billing errors or bad repair jobs (Bougie, Pieters, & Zeelenberg, 2003). However, positive emotions may also play a role as customers can be positively surprised by how well their complaint was handled. Various empirical studies have shown that emotions can mediate the impact of service encounter quality on customer satisfaction and loyalty (e.g., Chebat & Slusarczyk, 2005; Mattila & Enz, 2002).

Empirical studies indicate that service channels may differ in their contributions to the overall service experience (Barnes & Vidgen, 2001; Bowersox & Bixby-Cooper, 1992; Simons, Bouwman, & Steinfield, 2002). For example, the telephone is more often used than the Internet when the emotional value of a contact is higher: either positively, when stressing the appreciation for doing business together, or negatively, when there is a serious level of customer dismay and distress (John, Simons, & Bouwman, 2009; Simons & Bouwman, 2004). The role of emotions may thus depend on the channel used for customer interaction. However, as far as we are aware, no previous study has systematically compared if the mediating role of emotions differs across different channels of customer interaction.

The present paper explores whether the mediating effect of emotions differs between telephone and web-based service encounters. Hence, the central research question of this study is: How do emotions mediate the effect of perceived quality of service encounters on satisfaction across channels (i.e., telephone and web)?

We are aware that the role of emotions may differ when comparing industry sectors (Schueler, 2003; Wilson, 2004). Existing studies mainly focus on one single industry sector, e.g. telecommunications (e.g., Roos et al 2009) or banking (Al-Hawari, Ward, & Newby, 2009; Chebat & Slusarczyk, 2005). In this paper, we study three different service industries that have long term service relations with customers and use large-scale telephone and Internet channels for their customer interactions: telecommunication, energy and banking.

The research question is answered by analyzing the results of a large-scale survey among customers in telecommunications, energy and banking industry (N = 2872). In section 2, we provide the theoretical background of the study. Section 3 describes the methodology and section 4 the results. Limitations are discussed in section 5, and section 6 discusses the findings in order to conclude the paper.

2 Background

2.1 Defining core concepts

Service quality as a concept has gained much attention in service literature, but academic debate has largely focused on the conceptual ambiguities in service quality models. We define perceived service quality as satisfaction in comparison to expectations (Grönroos, 2000; Heskett, et al., 1997; Normann, 2000; A. Parasuraman, Berry, & Zeithaml, 1985). In general, service literature reports a positive relation between perceived service quality and customer satisfaction (Grönroos, 2000; A. Parasuraman, et al., 1985; Venetis, 1997; Zeithaml & Bitner, 1996). This has been

shown for personal service interactions via the telephone (Anton, 1996; Hill & Alexander, 2000; Kettinger & Lee, 1994) and for web-based service interactions (Barnes & Vidgen, 2001; Bhattacharjee, 2001; Chen, Gillenson, & Sherrell, 2002; Zeithaml, Parasuraman, & Malhotra, 2002).

Literature on emotions and customer satisfaction is somewhat ambiguous on how the two concepts are related. Some scholars treat emotions as the affective component of customer satisfaction (Liljander & Strandvik, 1997; Mano & Oliver, 1993; Westbrook & Oliver, 1991; e.g., White & Yu, 2005). Others assume that emotions mediate the impact of service quality on customer satisfaction. For example, Matilla and Enz (2002) find that service encounter evaluation is mediated by the displayed emotions during and after the interaction. Chebat and Slusarczyk (2005) find that emotions mediate the effect of perceived justice on loyalty in complaint handling in the banking sector. Oliver (1989) finds that a feeling of fairness performs a mediating effect on customer satisfaction. Bougie et al. (2003) showed that anger mediates the relationship between service encounter dissatisfaction and customers' responses to service. Anger was found to be a full mediator for complaint behavior and negative word-of-mouth, and a partial mediator for switching. Zeelenberg & Pieters (2004) show that the emotions regret and disappointment about a failed service encounter have a direct impact on switching, complaining and word-of-mouth communication. Van Dolen et al. (2004) show that positive emotions significantly influence both encounter satisfaction and relationship satisfaction, while negative emotions do not. In this paper, we follow the latter group of scholars, and subsume all cognitive aspects of satisfaction under the term customer satisfaction, and all affective aspects are covered with the term emotions.

2.2 Defining core concepts

Studies on emotions are dominated by the DES model (Differential Emotions Theory), which measures ten fundamental emotions: interest, enjoyment, surprise, distress (sadness), anger, disgust, contempt, fear, shame/shyness, and guilt (Izard, 1977). Izard partly bases this on emotions that are universally associated with and recognized in distinct facial expressions. DES is available in four forms. DES II (Richins, 1997) is most used in consumer research and contains 30 adjective items that divided in three groups measure each of the ten emotions. However, emotions are context specific, and the emotions experienced in interpersonal relationships may differ in strength and quality from emotions experienced during consumption.

As research in the field of emotion theory (Roseman, Wiest, & Swartz, 1994) has shown, different specific emotions can have different behavioural tendencies and consequences. As we study emotions in prolonged customer relations, we have to rely on customer self report. Hence, we need a list of emotions that are easily recognized by customers as associated with service experience (Richins, 1997). We conducted a preliminary study (N=852) to determine the emotions most frequently experienced in service interactions in the telecommunications, banking and energy industries. We used the emotions hierarchy of Shaver (1987) as starting point. At the basic level of this hierarchy are the concepts most useful for making everyday distinctions among emotions: love, joy, surprise, anger, sadness, and fear. These overlap substantially with the examples mentioned most readily when people are asked to name emotions, and with what theorists have called basic or primary emotions (Shaver 1987).

In a preliminary study, respondents were asked to select at least one emotion (dichotomous scale), and a maximum of three emotions, that they have experienced in their service interaction with a company. The results of this study are in table 1 and table 2.

Preliminary study on emotions		
Emotion Cluster (Shaver, 1987)	Positive emotions	Percentage ¹
Love	Attraction	8 %
	Desire	1 %
	Affection	7 %
Joy	Joy	23 %
	Pride	8 %
	Happiness	10 %
Surprise	Amazement	11%
	Surprise	14%
	Astonishment	19%

¹ The percentage of respondents that selected the emotion as being one they had experienced during service interaction.

Table 2: Preliminary study on positive emotions

Preliminary study on emotions		
Emotion Cluster (Shaver, 1987)	Negative emotions	Percentage ¹
Anger	Anger	11 %
	Irritation	19 %
	Frustration	13 %
Sadness	Disappointment	15 %
	Regret	3%
Fear	Anxiety	7 %
	Uneasiness	5 %
	Worry	9 %

¹ The percentage of respondents that selected the emotion as being one they had experienced during service interaction.

Table 1: Preliminary study on negative emotions

As the cluster Love is not frequently mentioned, we omit it for the final model. From the Joy cluster we examined joy (Izard 1977, Plutchik 1980, Richins 1997, and Shaver 2001), pride (Shaver 1987 and Richins 1997) and happiness (Shaver 1987, Richins 1997 and Edwardson 1998) in our pre-test. We included joy and pride in our final model, because both were frequently selected in our pre-test. We did not include happiness since it is very close to joy.

Shaver (1987) raises concerns concerning the Surprise cluster, which is much smaller and less differentiated than the others. Izard (1977) and Plutchik (1980), however, define surprise as a basic / primary emotion, and Richins (1987) also identifies surprise as an emotion cluster (including surprised, amazed and astonished). In our pre-test this cluster was very prominent (more than 14% average for amazement, surprise and astonishment). As some respondents were confused on whether to interpret this negatively or positively, we relabeled the item to ‘(positive) surprise’.

For the emotion cluster Anger we have representatives of the different clusters (Shaver, 1987) beyond it: anger (Bougie 2003, Izard 1977, Plutchik 1980, Shaver 1987, Richins 1997, Edwardson 1998 and Wetzler 2007) irritation (Shaver 1987, Richins 1997, Edwardson 1998, Wetzler 2007), and frustration (Shaver 1987, Richins 1997, Edwardson 1998, Wetzler 2007). These emotion all score high in the pre-test, and were included in the model. Disgust (Izard 1977, Plutchik 1980 and Shaver 1987) was also added to the model.

From the emotion cluster Sadness we examined disappointment (Shaver 1987, Edwardson 1998, Zeelenberg and Pietersen 2004 and Wetzler 2007) and regret (Zeelenberg and Pietersen 2004) in the pre-test. Disappointment was selected frequently, and we included it in the model. Despite the low score of regret we also included it in the model as Zeelenberg and Pietersen (2004) state that recent research in marketing stresses the role of regret in satisfaction and satisfaction behaviour.

We pre-tested anxiety, uneasiness, and worry from the cluster Fear. We did not include any of these emotions in our model. As common sense suggests feelings of fear are not usually experienced during a service encounter in the industries considered.

We added trust since this is a dominant emotion in the service literature (Grönroos, 2000; A. Parasuraman, et al., 1985; Venetis, 1997).

Table 3 provides an overview of the 10 emotions included in the model. We included more negative emotions than positive emotions, because there are many more differentiated negative emotions than positive emotions Wetzler (2007).

Service Experience Model: Final set of emotions	
Positive emotions	Negative emotions
Joy	Anger
Trust	Irritation
Pride	Frustration
(positive) Surprise	Disappointment
	Regret
	Disgust

Table 3: Emotions in final model

3 Method

Data was collected in a large-scale survey on customer experience in the telecommunications, energy and banking sector. Respondents were selected from a panel of 25,000 households that regularly take part in survey research and that are representative of the Dutch population. The panel is assembled and regularly renewed by inviting random households to join the panel, that is, there is no self-selection involved. The respondents in the panel are not financially compensated for their participation, so in that sense there is no bias of the data. Potential respondents (N = 4238) were first approached by email or telephone to see if they were willing to participate. In June-July 2009, respondents who agreed to participate received an e-mail with a link to the online questionnaire. In all, 2872 questionnaires were completed, a response rate of 68%. The final sample comprises 996 respondents in telecommunication, 1091 in energy, and 785 in banking sector. The sample was checked against relevant criteria to make sure it was representative of the Dutch population, including gender, age, education level, income level, family size and geographical location. The results indicated that the sample was sufficiently representative, and wherever it was not, the data was weighted to correct for possible bias.

3.1 Measures

To frame the questions, the respondents were first asked to name their telecommunications, energy or bank provider. Satisfaction was measured using a single-item measure.

The ten emotions from table 3 were measured on a binary scale. Respondents were asked to tick up to three emotions that they experienced while dealing with their service provider. We constructed aggregate measures of negative and positive emotions by counting the number of boxes ticked for the respective emotions. The two resulting

constructs are thus ratio-scale with a reach between 0 and 3. To resolve non-normality, we use log transformation on negative emotions and quadratic transformation on positive emotions.

Service quality is often measured using SERVQual or related instruments (Parasuraman, Zeithaml, & Berry, 2004). However, SERVQual is also criticized for its dimensionality (Babakus & Boller, 1992; Cronin Jr & Taylor, 1994). Service elements describe specific aspects of the service that is experienced by the customer during different interaction moments, via different interaction channels. In our measurement we used service elements in of Gronroos (2000) and specified these for telephone and web channel. The measures relate to various aspects of service quality, both tangible and intangible. Table 4 lists the measures, translated from Dutch to English.

Construct	Item	Please indicate to which extent you agree with the statement (5-point; Totally agree – totally disagree).
Perceived quality of service encounter (Telephone)	Phone_1	I do not have to wait long at the telephone customer service
	Phone_2	The employees of the phone customer service can resolve my question in one attempt
	Phone_3	Phone customer service employees are friendly
Perceived quality of service encounter (Web)	Web_1	When I need help, I can easily find it via the website of my [telecommunications, energy, banking] service provider
	Web_2	I can conduct my affairs easily via the website of my [telecommunications, energy, banking] service provider

Table 4 Measures

Quadratic transformation was used to resolve non-normality of the measures. As a result, skewness is below 1.2 for all variables and kurtosis below .8. To refine the measures and determine their validity and reliability, AMOS 7.0 was used to carry out confirmatory factor analyses (CFA), see table 5 for the results. Convergent validity is acceptable, as all factor loadings for each individual indicator in its respective construct are statistically significant ($p < .001$) and standardized regression weights exceed .6, see table 2. In addition, for all latent variables average variance extracted exceeds the .50 benchmark (Fornell & Larcker, 1981). Construct reliability is acceptable, with construct reliability exceeding .7. Discriminant validity is acceptable, as the square of the constructs' correlation is smaller than the average variance extracted estimates of the two constructs (Fornell & Larcker, 1981).

Construct	Item	Std factor loading	Average Variance extracted	Construct reliability
Perceived quality of service encounter (Telephone)	Phone_1	.763	.55	.93
	Phone_2	.792		
	Phone_3	.673		
Perceived quality of service encounter (Web)	Web_1	.851	.64	.92
	Web_2	.746		

Table 5 CFA (N = 2872; ($\chi^2(4)=38.3$, $p=.000$; CFI=.99; TLI=.96; RMSEA=.055)

4 Results

The structural model (figure 1) that includes both direct and emotion-mediated paths shows adequate fit: $\chi^2(14) = 120$, $p = .000$; NFI = .981; TLI = .956; CFI = .983; RMSEA = .051.

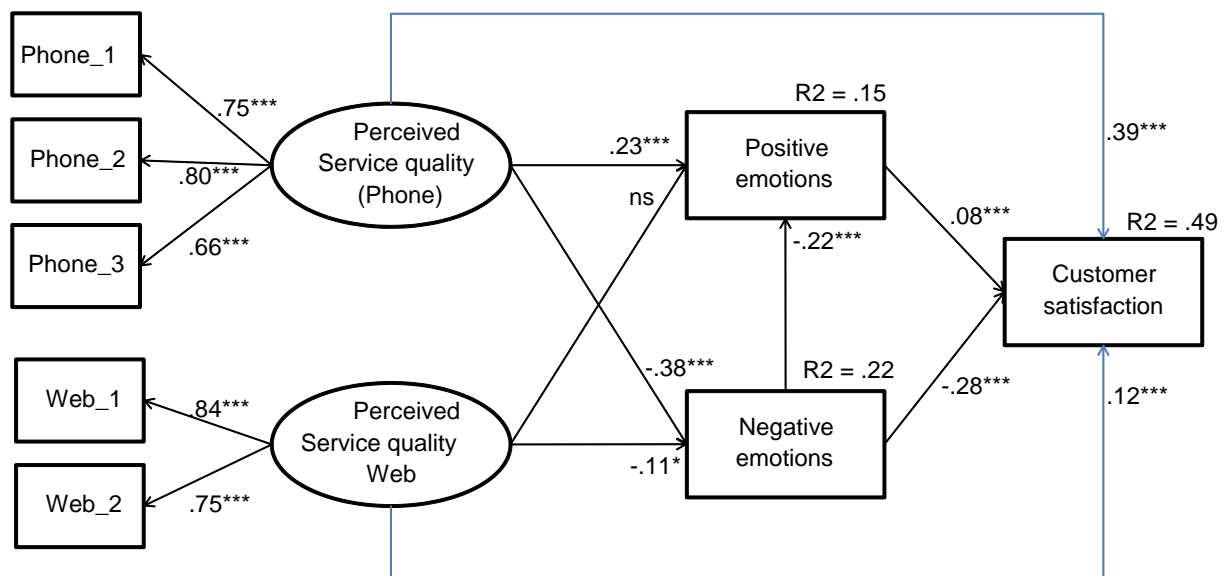


Figure 1: Structural model

Mediation is significant, as removing the mediation leads to substantially worse overall model fit. For phone-based service quality, the impact on customer satisfaction is mediated through emotions for 25% and for web-based 21%. Total effect size of phone-based service quality is .52, which is largely a direct effect (.39), but partial mediation takes place through positive emotions (indirect effect size .02) and negative emotions (.11). The total effect size of web-based service quality is much smaller (.15) and partially mediated through negative emotions (.03).

To increase confidence in the model, we conduct non-parametric bootstrapping. All factor loadings are robust according to bias-corrected confidence intervals. Although bias-corrected confidence intervals include 0 for two path weights, the bias divided by two times the bias standard error does not exceed 2, which indicates robustness.

We explore if the model is robust across industry sectors by testing for moderation. The measurement model is robust across the groups, as constraining the measurement weights does not lead to a substantially worse fit ($\chi^2_D(6) = 12.00$, $p = .062$; $NFI_D = -.002$; $CFI_D = -.002$; $RMSEA_D = -.002$, $TLI_D = .004$).

We test moderation of the path weights by starting with a fully unconstrained model, and subsequently constraining the paths with similar path weights. An overview of the different models is given in table 6.

Constrained path	Sectors	DF	χ^2_D	P	NFI_D	TLI_D
Negative emotions → Customer satisfaction	Telecom, Banking, Energy	1	.926	.336	.000	-.001
Negative emotions → Positive emotions	Energy, Banking	1	.073	.787	.000	-.001
Phone → Positive emotions	Energy, Banking	1	.040	.842	.000	-.001
Phone → Negative emotions	Energy, Banking	1	.151	.698	.000	-.001
Web → Negative emotions	Telecom, Energy	1	.019	.892	.000	-.001
Positive emotions → Customer satisfaction	Telecom, Energy	1	.748	.387	.000	-.001
Web → Customer satisfaction	Telecom, Energy	1	1.041	.308	.000	-.001
Phone → Customers satisfaction	Telecom, Energy	1	.520	.471	.000	-.001
Web → Positive emotions	Energy, Telecom	1	2.478	.115	.000	.000

Table 6 Modifying the moderated model

The resulting model is given below ($\chi^2(55) = 165$; $p = .000$; $NFI = .973$; $TLI = .965$; $CFI = .982$; $RMSEA = .141$)

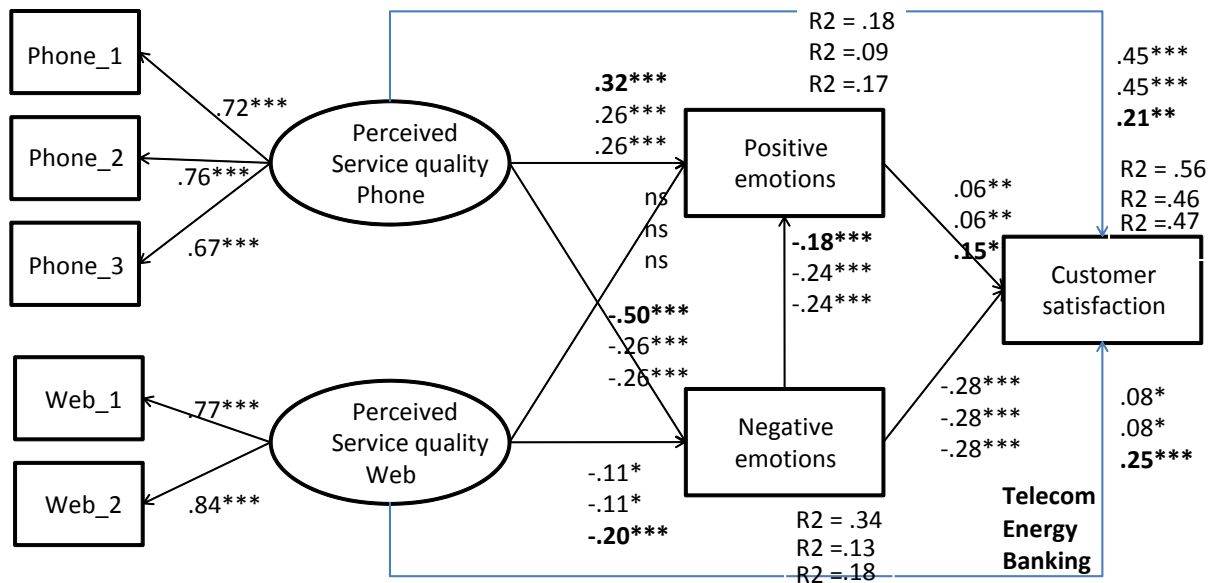


Figure 2: Structural model with industry as moderating variable (bold numbers indicate significant moderation)

Overall, we find that the same relations are significant across all three industries. However, the magnitude of the path weights is significantly different. As a result, explained variance of the customer satisfaction is higher for telecommunications industry than for other industries. In the strict sense, there is only mild moderation for energy and banking industry, as explained variance is slightly less for these sectors when compared to the aggregate model.

Effect sizes are provided in the table below.

		Telecom- munications	Energy	Banking	Aggregate across sectors
Phone-based service quality	Direct effect	.45	.45	.21	.39
	Mediated through positive emotions	.02	.02	.04	.02
	Mediated through negative emotions	.14	.07	.07	.11
	Total effect size	.61	.54	.33	.52
Web-based service quality	Direct effect	.08	.08	.25	.12
	Mediated through positive emotions	.00	.00	.00	.00
	Mediated through negative emotions	.03	.03	.06	.03
	Total effect size	.11	.11	.31	.15

Table 7 Effect size across sectors

Mediation takes place in all sectors. Positive emotions play a similar role in the three sectors.

Total effect size in the telecommunications sector is higher than for the other sectors: overall and for phone based service encounters. In addition, negative emotions are more important with phone-based service encounters in the telecommunications industry. This may be because telecom operators rely more heavily on the telephone for its service encounters and these encounters more generally involve customer service issues and complaints. This may explain why the degree in which negative emotions are avoided or not has a relatively higher impact on satisfaction of customers.

For web-based service encounters, the banking industry shows largest total effect size. In the banking industry, total effect size for web-based service quality is almost as high as for phone based service quality. Web-based service quality is especially more important for customer satisfaction when mediated through negative emotions. Internet banking has become quite central to the customer experience in the banking sector. And many of these experiences provide ‘comforts’: increased ease of interactions, or ‘freedoms’ (providing customers with options they did not have before (Keen & Mackintosh, 2001). The extent to which service providers support these positive experiences will likely have an impact on the positive emotions and satisfaction, as illustrated by our findings.

5 Limitations

The main limitations in this study lie in the measurement model, as we could not fully influence the questionnaire that was being used in the broader research project. As a result, we only have a single-item measure for customer satisfaction, while multi-item scales would have provided more confidence in the findings. Similarly, the emotions were measured on a binary level, whilst a more refined measurement scale using multiple items would have increased confidence in the measurement model (e.g., using the scales by Chebat & Slusarczyk, 2005 or Peterson and Sauber 1983). Because of the binary scale, we were forced to aggregate the positive and negative emotions in order to construct a ratio scale variable. As research in the field of emotion theory (e.g. Roseman et al. 1994) has shown, different specific emotions can have different behavioral tendencies and consequences.

In the pre-test study for selecting the emotions in the final measurement model, we did not include respondents from all three different sectors, but rather focused on one specific industry. As such, there is a risk that a slightly different set of emotions might have been obtained if all three industries would have been considered.

In the study, we compared web and telephone channel service experience. However, web and telephone interaction are rather different processes which may not be fully comparable. While telephone interaction processes are based on predefined menus and protocols, customers on a website are fully in control and more free to interact. This implies that web-based customer interaction may have much more issues of usability than phone-based service experience. The emergence of chat functions on websites may furthermore create one-on-one service encounters that are comparable with phone-based service experiences.

A longitudinal approach to following and logging the customers response and emotions over the course of time and even before and after switching to another provider may provide more insights (Roos, Friman, & Edvardsson, 2009). In addition, the self-reported emotions may be complemented with service provider employee assessment of displayed emotions during the interaction (see, e.g., Mattila & Enz, 2002).

6 Discussion and Conclusions

The contribution of this paper lies in the empirical evaluation of the mediating effect of emotions on the relationships between customer experienced service quality and customer satisfaction. An important notion in service marketing is that customer satisfaction depends on the difference between expected and experienced service quality. In service design and service management this is explicitly translated into service quality norms and service level management (Heskett, et al., 1997; Ramaswamy, 1996). This regards the functional and quality requirements of services. In this line of reasoning, the sole purpose of service management is to set performance norms at or above expectation levels, and to ensure that operational performance levels are at or above the norms. However, this is not the only dimension which is relevant for satisfaction. What this study adds is empirical illustration that emotions have an additional impact and merit separate management attention. It was shown across three sectors that both positive and negative emotions mediate the relationship between service quality and satisfaction.

As an overall conclusion, this study shows that emotions are important for satisfaction. Across all sectors, the impact of service quality on customer satisfaction and recommendation intention becomes stronger when positive or negative emotions are evoked. Negative emotions have a stronger influence than positive emotions in case of telephone based service encounters. Internet service quality generally has a lower impact on satisfaction than the quality of telephone based services, and emotions appear more important for telephone based service encounters than web-based service encounters. Although similar patterns are found across industries, explained variance differs substantially across sectors.

Telephone based services have more impact on satisfaction and recommendation than Internet based services, when combining all emotions and all three sectors. When comparing sectors, telephone based services are most important for satisfaction and recommendation in the telecommunication sector. The relative importance of the technical helpdesk in this sector may be a factor here. And in the banking sector, Internet based services have relatively more impact on satisfaction and recommendation, when compared to the other sectors. This may mirror the relatively strong and frequent reliance on Internet banking by customers in the sector.

6.1 Implications for management

As companies increasingly use multiple channels for customer interaction, designing those channels to achieve customer satisfaction is a key concern (Cassab & MacLachlan, 2009). Especially in sectors in which the main value proposition is a commodity, like the energy sector, service encounters can make a major difference regarding customer satisfaction.

Firms should use explicit emotion evoking strategies for positive service experiences and emotion reducing strategies for negative ones. It is well known in day-to-day service experience management that a functionally similar service request 'please help me solve my problem XYZ' can have very different emotional outcomes, both positive and negative. Even if the outcome is the same 'sorry, I cannot help you' the differences in emotion can be large. Preventing escalating or persisting negative emotions is recognized as important in the field of service recovery management (Chebat & Slusarczyk, 2005; Heskett, et al., 1997; Michel, Bowen, & Johnston, 2009; Normann, 2000). Our findings underline that the degree of emotion experienced during such service encounter has a significant impact on the degree of satisfaction, and hence on likely loyalty and profitability of customers. Hence, an important strategy in service experience management should be to manage the degree of emotion that is experienced. For example, an easy to implement strategy which leans on psychology research states: 'Segment the pleasure, bundle the pain'. This means on the positive side that if you have a favor, joy or gift to offer, make sure to use it multiple times (thus increasing the total amount of positive emotion): announce that you will give, give it with grace while stressing positive intentions to the customer, and remind customers afterwards of the gift in pleasant ways. On the negative side of the spectrum, it means that bad news and negative emotions should not come in small pieces or be dragged on. Since the total amount of negative emotion is smaller when everything comes at once, this will also create the smaller amount of damage to customer satisfaction and loyalty.

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