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MARKETING MODEL INNOVATIONS IN THE CONTEXTUALISATION OF CONSUMER BEHAVIOUR AND SERVICE RECOVERY: THE CASE OF CHINA

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Abstract

The traditional view that consumers do not have a role in the product and service experience within the Chinese context is no longer appropriate. The emergence of the customer in today's China necessitates a fundamental examination of the changes in the characteristics of the Chinese end-users and their demand of the state-of-the-art in consumer goods and services, thus, the practice of marketing model innovations within the context of nowadays Chinese consumer behaviour and customer service management, in general, and customer service recovery, in particular. This paper first evaluates the available customer recovery models, while emphasizing the interrelationship between the role of cultural values and the feelings of loyalty, given prevailing customer service challenges and the resulting perceived customer satisfaction/dissatisfaction. Secondly, this paper discusses the changes in the characteristics of today's Chinese consumer, based on which a discussion of the extent to which Chinese organizations' efforts in adopting, adapting or innovating new customer service and recovery management methods would be appropriate. Finally, opportunities and directions for future research are presented.

Key words: marketing model innovations, consumer behaviour, customer recovery, culture, China.

Introduction

Models of customer service and recovery management have been developed in reaction to consumers' behavior within Western economies in general, and in the American economy, in particular (Tai, 2005; Yau, 1994). Manning (1997) discusses customer service in terms of an exchange process between the service provider and the customer under specific macro-environmental conditions. The service provider, on the one hand, is driven by a value delivery system, relating to their mission, purpose, positioning strategies and resources. The customer, on the other hand, is driven by a value demand system, based on the demographic, geographic, psychographic and behavior-related profiles. Although such a framework is helpful as a basic planning tool to study relevant aspects about the consumer decision making process, it does not emphasize situations related to dissatisfaction and service recovery. Issues related to response options and possible recovery strategies continue to suffer neglect (Goodwin and Ross, 1992). To be effective within the Chinese context, information regarding the market or other macro factors within the Chinese context, would be critical to the effective use of such models.

An Economy in Transition and the Need for Innovativeness

There can be little doubt that substantial change has occurred to the economic landscape of China since 1978 (Ash and Kueh, 1996), whereby Chinese consumers continue to experience a change in the way goods and services are provided to them. The largest Chinese city, Shanghai, for example, described as a 'metropolis in motion' (Allchin, 2004, p. 141), has been transformed from a traditional manufacturing base to an international economic center. This is reflected in the manner in which individual consumers and households are nowadays consuming goods and services that

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were not previously in demand, as such, were not part of their evoked set or their consumption patterns (Hu and McAleer, 1997).

This on-going change has occurred due to the decision to move China from a pure-command style economy to one in which market forces play a role. Although not adopting a pure Western form of market economy, this decision has created a new and significant force for change that Chinese organizations must cope with if they are to survive given the emergence of the customer or end-user.

The concept of the "customer" did not really exist within the command economy. However, if customers now exist within the socialist-market economy, customer service, including customer recovery, must also exist. This paper considers the strategies that Chinese organizations will choose in developing a better understanding of the behavior and psychology of consumers in their respective markets. In other words, will Chinese organizations adopt or adapt existing Western forms of consumer behavior and recovery models, or will they build new ways of serving consumers?

Since 1978, there has been a greater interest from within China in what Western countries are doing and whether Western management practice should be adopted to assist the reform process. It is interesting to note that, China has neither adopted nor adapted models from either Western countries (Tai, 2005), or followed the models that have been used by other economies in transition. For China, there was the rather innovative move from a classic socialist economy to a rather "socialist-market" economy: a Chinese solution to a Chinese problem.

Some researchers consider that the Chinese decision to be innovative is rather typical. For example, Garnier (1986) claims that the long history and culture of China mean those often-foreign management techniques and economic policy directions are not accepted, and as such not adopted, because they are foreign. This may be the case even though a more rational analysis would indicate that the application of such practices would be more beneficial than harmful. There is distrust, but not hostility, to anything that is seen to be imposed upon the Chinese (Garnier, 1986). On the other hand, Warner (1992) states that there is a desire by the Chinese to learn "advanced" management methods from the West, and then adapt them to better fit within the context of their culture and socialist prerogatives. However, as Garnier (1986) explains, the diametrically opposed behavioral patterns of Confucian and Taoist values, which are unique to the operations of the Chinese society itself, may lead to implementation failure when merely attempting to import western techniques.

Such countervailing perspectives and views can best be seen in the experience to date that China has had with joint venture corporations, which have experienced varying levels of success. For a start, joint ventures are indicative that Chinese managers do look to the West. Although there are success stories such as the US-based direct marketing companies of Amway and Mary Kay, these can be juxtaposed with problems experienced by Nestle, Total, Toyota, and many others. The question then is whether the solutions to China's change management problems lie in merely importing Western management practice (selecting 'the best from the West"), or whether adaptation of Western solutions, or even the innovation of entirely new "China specific" frameworks and models would prove to be a more fruitful avenue of endeavor. Overall, Western companies have found difficulty in trying to make local Chinese managers adopt, assimilate or use Western management techniques.

The research in focus aims at accomplishing the following objectives: evaluate the representative customer service and recovery models; discuss the changes in the characteristics of today's Chinese consumers; discuss the extent to which Chinese organizations' efforts in adopting, adapting or innovating new customer service management methods would be appropriate; and provide directions for future research.

Defining Customer Psychology

Manning (1997: 16) explains that, 'buyers of virtually everything have discovered that they do matter, they do have clout, they can demand products that work and attention from people who respect and value them. They have learned that they do not have to put up with shoddy workmanship, late deliveries, or broken promises; they do not owe any supplier either their loyalty or their money; and then do have recourse when guarantees and warranties are not honored'. Customers, in general, are becoming more assertive and sovereign (Desatnick, 1994), which depicts the change in the power relationship between the producer and the consumer.

Although there is merit in the various approaches used by different organizations to face the challenges of developing an understanding of the psychology and behavior of consumers in their respective markets, it is worthwhile to note that they do not present a comprehensive solution. Firms should have effective customer recovery management procedures in place in order to win customers back in case of dissatisfaction. It is usually less expensive to recover an existing, but at the moment, a dissatisfied customer, than it is to win a brand new customer to replace the one that was lost.

At times, there are difficulties in clearly defining the typical customer (Desatnick, 1994, Boyd, 1997), with often incorrect presumptions being made that this group is homogeneous. Rosenberg (1996) provides an interesting insight into why customer recovery is difficult, i.e., customers are unpredictable. Furthermore, Rosenberg (1996) explains that the levels of customer satisfaction or dissatisfaction are hard to define and almost impossible to accurately measure. Although other researchers offer a countervailing view (Avkiran, 1994; Wetzels, Ko, Lemmink, and Koelemeijer, 1995; Soteriou and Stavrinides, 1997), over-reliance on quantitative data is rather myopic. From a customer recovery point of view, Rosenberg (1996) explains that there is a certain inertia, meaning that customers may not become immediately dissatisfied given a drop in customer service. By the same token, once dissatisfied, customers may not be easily neutralized (Woodruff, Cadotte and Jenkins, 1983).

Expectations are framed by current and past performance of the firm in service delivery. Management of customer service expectations is important, as they are indications of the future level of interaction (or the lack of it) between the customer and the firm. Furthermore, as the interactions between the service provider and the end-user continue, expectations begin to solidify.

Representative Service Recovery Concepts and Models

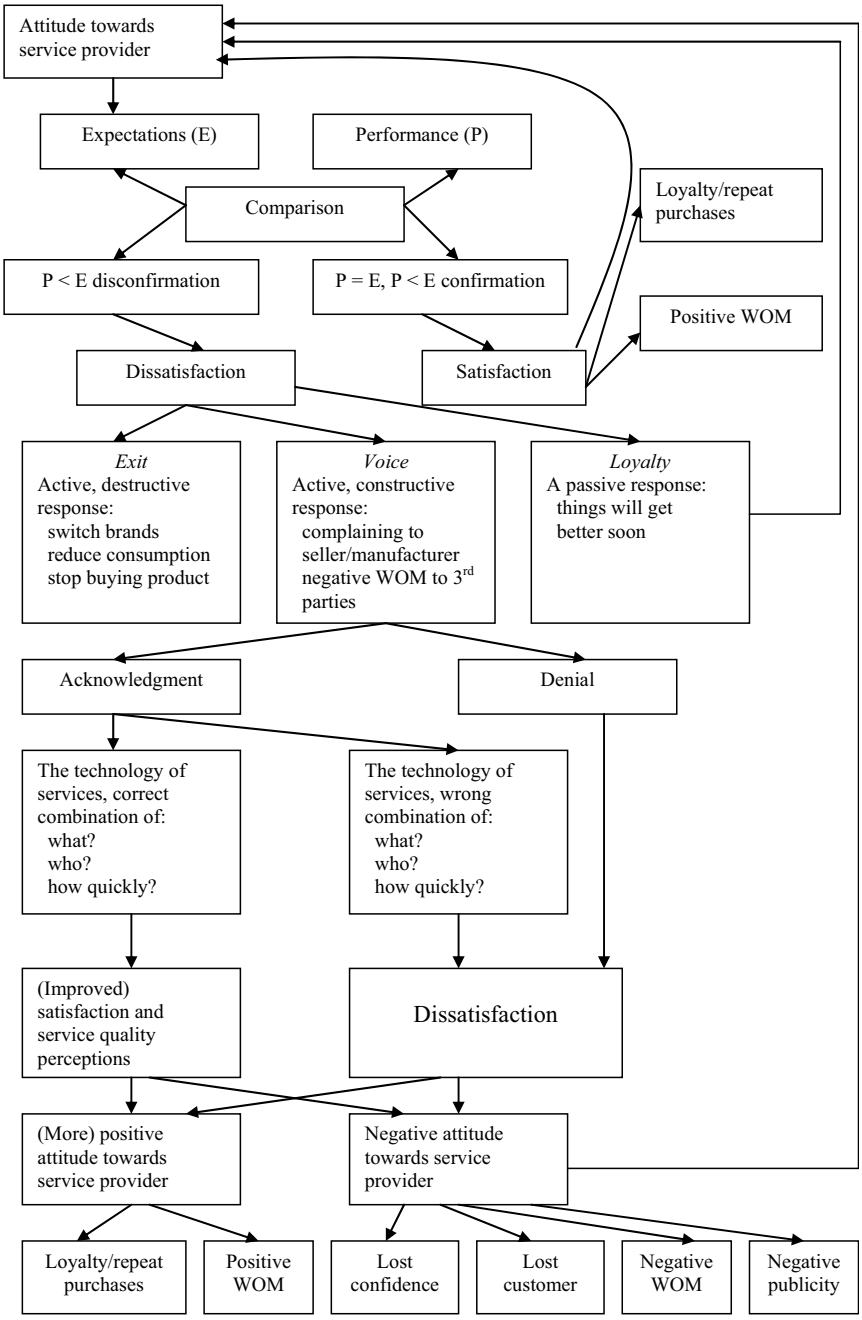
In an attempt to examine service recovery options, Boshoff (1997) constructed a service recovery theoretical model consisting of four main elements as follows: aspects related to customer satisfaction of the firm to customer complaints; response and behavior of the firm to customer complaints; service recovery options (technology of service); and outcome of service recovery.

Boshoff (1997) utilizes Hirshman (1970) Decline-Recovery Model and the resulting three factor typology – namely: *Exit* (termination of relationship with service provider); *voice* (actively complaining and using the media to generate a change of behavior by the company); and *loyalty* (maintaining the relationship with the service provider, in the hope that the situation/offerings will improve) – to discuss the possible outcome resulting from satisfaction/dissatisfaction and the disconfirmation paradigm (see Figure 1).

Where does customer recovery begin? Johnston (1995) discusses the concept of a 'zone of tolerance' that consumers experience. In light of this, the question then becomes whether organizations should identify customers that have moved into this zone, and commence effective recovery procedures before they turn into dissatisfied customers who exercise either the exit or voice options, or both.

Although the Service-Recovery Model (Boshoff, 1977) is one of the few models that discuss aspects of customer dissatisfaction, and details the process of customer service recovery, it has a number of limitations. First, it is not comprehensive in terms of detailing the various influences on

consumer satisfaction/dissatisfaction levels. For example, although the organization may decide to acknowledge the customer's problem, they might decide not to act in such a way that would rectify the situation. The non-behavior (decision not to act) responses will also incur a certain degree of dissatisfaction on the part of the customer.



Source: Boshoff (1997, p. 112).

Fig. 1. Service Recovery Options

Secondly, the model does not consider a whole range of possible outcomes/responses resulting from satisfaction/dissatisfaction situations. The service recovery options discussed in the Boshoff's (1977) model seem to be limited to Hirschman's (1970) three-factor typology, that is,

exit, voice and *loyalty*. Issues such as captured consumers and the resulting rationalization strategies pursued by both parties; namely the company and the consumer, are not discussed.

Thirdly, the model does not distinguish between difficult and dissatisfied consumers. Difficult consumers may not be equated to dissatisfied customers. It is just that they may be loyal, but often complaining customers. Fourthly, the inter-relationship between corporate leadership strategies and governance patterns practiced internally on the one hand, and organizational responses to dissatisfaction situations and/or recovery options on the other hand, are not discussed.

Finally, the Service Recovery Model (Boshoff, 1977) does not consider a wide range of issues/factors related to relationship marketing and their consequent impact on customer dissatisfaction and recovery. The whole issue of loyalty is briefly discussed, without making reference to its determinants. The main emphasis of the marketing exchange process has shifted from transaction to relationship marketing (Evans and Laskin, 1994; Juttner and Wehrli, 1994; Morgan and Hunt, 1994). Relationship marketing is not a totally new concept (Bagozzi, 1995). Furthermore, Juttner and Wehrli (1994) explain that the development and maintenance of enduring relationships with customers contribute to an organization's competitive advantage. The challenge of customer maintenance has encouraged marketing managers to provide quality customer service as part of building enduring relationships with customers.

Characteristics of the Chinese Consumer

There is no doubt that what comprises a customer in China has dramatically changed. Although the consumer market in the Peoples Republic of China, comprised of about 1.2 billion Chinese consumers, is the largest in the world, consumer behavior and consumer psychology in China are rather underwritten areas of research due to the previous closed-door pure command style economy characterized by strong government intervention (Pennington, 2002; Wong and Yu, 2003). Furthermore, the relationship between the consumption *for social identity* and *lifestyle* has not as yet been sufficiently researched (Leung, 1998). Possibly the term "customer" had little relevance in China prior to the transformation that has occurred since 1978. As Tong (1994: 38) explains, 'The notion of a "consumer society" was previously inconsistent with China's centrally planned state system. Consumption of consumer goods and services was discouraged. Rather, the government emphasized the virtues of "selfless dedication, self-sacrifice and a willingness to forgo private material gain and personal comfort". …State companies produced solely to meet quotas outlined by the State Planning Commission, not to meet consumer demand. Quality was almost irrelevant'.

Tong (1994) further explains that ordinary Chinese today are not interested in bicycles, electric fans and rice cookers, but in telephones and motorcycles. In particular, Shanghai shoppers, for example, have been described as having the purchasing power required to back up their sophisticated sense of fashion (Tai, 2005). Although the traditional view that the customer has no role at all is no longer appropriate, the question remains whether Chinese customers or end-users possess the same level of sophistication as that of Western customers? Do Chinese customers make purchases within an economic environment that is regulated to the same extent as that in Western countries?

For example, State governments in Australia have public sector authorities, which monitor and regulate the activities of manufacturing companies and other organizations involved in retail trade. At the Federal level, there is legislation controlling the activities of corporations and other organizations such as the Trade Practices Act. Furthermore, coupled with the enactment of the legislation, there must be awareness and education programs which ensure that customers have a suitable understanding of their rights.

Another effect of the emergence of the customer must also be a fundamental examination of what are the characteristics of the "Chinese end-user" in China of today. There are a number of factors which would hinder this exercise. For example, there are diverse cultures and cultural preferences, languages, race, and people with various developmental levels that exist within the Chinese bor-

ders (De Mente, 1994; Pennington, 2002; Perkins, Spear, Wu, Mina, and Shujuan, 1997). Gittings (1996) notes the difference between the urban rich and the rural poor. In trying to determine a profile of the "Chinese customer", what may be applicable to the residents of cities such as Shanghai and Beijing, may have very little or no relevance to the residents of cities in the central and western provinces of China, or the residents that live outside of urban areas altogether (Hu and McAleer, 1997; Wong and Yu, 2003).

Accordingly, a main complication in arriving at a definitive answer to the characteristics of the Chinese consumer nowadays is whether the difference between the "have" and "have not" will widen or narrow. For example, Hu and McAleer's (1997) findings indicate that the probabilities of consuming *food away from home, recreation,* and *medical care* are sensitive to changes in the underlying economic and demographic factors. While, in Western societies, there is a more homogeneous customer profile, developed to some extent by the enormous American influence, mainly emitted through television.

There is little doubt that advances in information technology, in general, and the Internet, in particular, have reshaped not just business processes, but the whole business environment. Subsequently, another complication lies in the impact that the Internet has on the purchasing patterns and methods in China, especially as the use of personal computers continues to spread out and the Chinese consumers further their experience in using the Internet (Kim, Ma and Kim, 2005). This undoubtedly means that the definition of the "customer" in today's China will continue to evolve over time. It may be that the Chinese socialist-market economy has to further mature before anything effective can be implemented. Meanwhile, this may provide the opportunity for extensive adaptation or contextualization of current Western management techniques, being a part of this maturation process.

Customer Psychology and Recovery Management in the Chinese Context

In the old China, quality was not an issue as the demand exceeded the supply and the customer was at the receiving end of the distribution chain. Service recovery, in terms of retaining dissatisfied customers and ultimately converting them into satisfied customers, had little relevance. Given the emergence of the consumer in today's China, the service recovery concept and the associated functions must now assume an increasing importance within the China of today. Furthermore, a big change for the Chinese business environment has been the change in consumer's attitudes (Thomm, 1996) and their customer service expectations. Suitable customer service strategies are needed in order for firms to be successful in the new market environment with its increased emphasis on services. As the educational level has increased, customers will become more sensitive to what they consider to be unacceptable business practices.

The previously mentioned limitations of the Service Recovery Model (Boshoff, 1997) do not prevent its application in China's new business environment. Nevertheless, there are additional factors, besides the previously mentioned limitations, that hinder the contributions of its direct transplantation (adoption) to the Chinese socialist-market economy. First, it does not make reference to the impact of customers' cultural value systems on the purchase and consumption processes, the post-consumption experience, and the resulting option(s) that customers may choose to pursue in case of dissatisfaction. For example, how will the Chinese cultural values and social mores influence the way Chinese end users pursue dissatisfaction in the form of voice or customer complaints? Would the threshold level for exit by Chinese end users be different to that experienced in Western countries; or would exit be ignored as an option by Chinese end-users?

Conclusion and Directions for Future Research

It would appear that mere adoption of Western consumer behavior and service recovery frameworks and models may not be an effective option. Chinese organizations may either have to adapt Western management processes and techniques, i.e., contextualize them to their own needs, or even innovate something brand new. The present consumer satisfaction literature has mostly ema-

nated in North America with a noticeable disregard to fundamental cross-cultural variations (Tai, 2005; Yau, 1994). Given the impact of cultural values, social influences, and individual situations on the nature and pattern of consumption processes within the Chinese setting, the direct application and resulting generalization of the predominantly North American models could be misleading (Leung, 1998; Tai, 2005; Yau, 1994).

Contextualization of service recovery frameworks and models would require first an understanding of Chinese consumer expectations and their effective management, something that would require far more applied research. In fact, China at present represents an interesting laboratory for the study of markets in transition, in terms of the development and evolution of consumer attitudes and the consequential organizational strategies aimed at addressing the challenges on hand.

Future research directions include studying the influence of a movement from an economy more focused on the delivery of products which have a high goods content to an economy in which the predominant products are those that are either pure services or products in which the service dimension is dominant. Another interesting area of research relates to undertaking longitudinal case studies of Chinese organizations aimed at mapping and measuring their development of various aspects of consumer psychology relevant to their respective markets.

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