Diagnosing Service Success and Failure Incidents in the Consumer-to-Business Sharing Economy:
A Case of Logistics Sharing

Shiu-Li Huang, National Taipei University, New Taipei City, Taiwan

Ya-Jung Lee, National Taipei University, New Taipei City, Taiwan

ABSTRACT

This study uses the critical incident technique to collect and analyze incidents of service failure and success involving a logistics sharing service in which the service providers are individuals. The authors also explore the key factors that affect customer satisfaction, along with the official and ideal recovery strategies. Data is based on interviews with 35 business users in Taiwan in 2017. A card-sorting exercise is employed to classify the collected incidents and strategies into categories. The results show that the determinants of success and failure in logistics sharing services include drivers, platform operation, the matching system, and communication. Compensation is the most effective recovery strategy, whereas doing nothing is the least effective. Suggestions based on the results can help managers of the sharing economy to avoid or recover from failures and attain success.

KEYWORDS

Service Failure, Service Recovery, Service Success, Shared Logistics, Sharing Economy

INTRODUCTION

The sharing economy is an economic system in which underutilized assets are shared between individuals or groups by means of the Internet (Huang and Kuo, 2020). The consumer-to-business (C2B) sharing economy involves companies paying for assets or knowledge provided by individuals via the sharing process. The C2B sharing economy has grown rapidly in recent years, particularly shared logistics, including on-demand logistics such as Lalamove and GoGoVan, and online food delivery services like Uber Eats and Foodpanda (Deloitte, 2019). People join the platform as drivers to provide services and help companies deliver goods. Since the service provider is a person who is neither hired, trained nor evaluated by the company, the risk of unstable service quality is high (Hong et al., 2019). However, the literature lacks relevant research regarding the factors affecting the success or failure of services provided via this C2B sharing economy model. This study aims to bridge this knowledge gap.

Prior studies have found that for sharing-economy services, service quality is a determinant of customer satisfaction and loyalty (Möhlmann, 2015; Cheng et al., 2018). A service encounter is a dyadic interaction between a customer and service provider. The interaction determines the customer's perception of the quality of the service and, thus, the level of satisfaction. Effective management of the service encounter involves understanding both favorable and unfavorable incidents from the

customers' point of view (Bitner et al., 1990). Therefore, the present study aims to discover favorable and unfavorable service encounters in the sharing economy, and for the C2B model in particular.

This study uses a shared logistics company in Taiwan as a study case. Since we have little understanding of factors affecting the success or failure of C2B sharing economy, this study addresses the following research questions: (1) What are the types of service failure and success incidents commonly experienced in shared logistics? (2) What are the key factors that affect customer satisfaction with shared logistics? In addition, the possibility of service failure increases when the service providers become persons who are not full-time employees. An effective recovery strategy is important to the maintenance or restoration of customer satisfaction following a service failure. In order to understand how to recover from service failures, this study also addresses the question: (3) What are the official and ideal recovery strategies, and to what extent do those strategies effectively reestablish satisfaction among business users after a service failure?

The remainder of this paper is organized as follows. The next section reviews relevant literature. The research methodology and study case are described in the third section. Data analysis results are described and discussed in the fourth and fifth sections. The paper concludes with the theoretical and practical implications.

THEORETICAL BASIS

Service Quality

Service quality is commonly defined as the extent to which a service meets customers' needs or expectations (Arora and Narula, 2018). It also refers to customers' perception of the service provider's performance (Cronin et al., 2000). Cronin et al. (2000) argued that service quality determines service value, customer satisfaction and behavioral intentions, e.g., to remain loyal to the service and to recommend the service to other consumers. In the field of sharing economy, prior studies have confirmed the positive impact of service quality on satisfaction for ride-hailing services (Cheng et al., 2018; Hamenda, 2018) and bike-sharing services (Liu et al., 2020; Shao et al., 2020).

Service encounters are essential to the assessment of overall service quality and satisfaction (Bitner et al., 1990). The extant literature on service encounters has focused mainly on business-to-business (B2B) and business-to-consumer (B2C) models (Bitner et al., 1990; Goetzinger et al., 2006; Tsai and Su, 2009; Melián-González and Bulchand-Gidumal, 2017). The C2C and C2B models, however, have seldom been explored. Mittendorf et al. (2019) argued that service encounters in the sharing economy (sharing encounters) are distinct from traditional service encounters in several ways. Sharing encounters take full advantage of online platforms and information technologies. Furthermore, they typically take place through interactions with strangers (other individuals rather than businesses) on short notice. Therefore, it is crucial to understand what factors determine service quality in sharing economy to ensure customer satisfaction. The present study aims to discover favorable and unfavorable service encounters in the C2B sharing economy in order to identify quality attributes that influence customer satisfaction.

Critical Incidents of Service Failure and Success

In order to improve service quality, managers must pay attention to the incidents that influence customer satisfaction (Tse and Ho, 2009). Therefore, a key issue is how to recognize, evaluate and analyze incidents that impact service quality. Bitner (1990) mentioned the importance and complexity of evaluating service encounters. She proposed a procedure that utilizes the critical incident technique (CIT) to diagnose customer satisfaction (service success) or dissatisfaction (service failure) in regard to service performance. Participants were asked to think of a time when they had a particularly satisfying or dissatisfying service encounter. This was followed by questions regarding when the incident happened, the specific circumstances that led up to the situation, what the employee or service

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