Listen to their heart:

Why does active listening enhance customer satisfaction after a service failure?

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Abstract

A service employee's active listening plays a crucial role in restoring a damaged customer relationship. However, previous studies reveal little about how listening to customer complaints operates in recovering a service failure. The purpose of this research is to explore when and why the employee's active listening has a positive influence on customer response. We define active listening as (1) listening to customers' concerns before apologizing and (2) verbally acknowledging them. Using scenario-based experiments, we demonstrate that active listening improves customer satisfaction, which in turn increases tip size (Study 1). Moreover, we find that active listening fosters customers' perceptions of preferential treatment, which lead to greater customer satisfaction (Study 2). Yet, such positive effects of active listening diminish when customers are unexpectedly offered a complimentary service such as a room upgrade. The implications for academic researchers and marketing managers are discussed.

Keywords: Hotel; Service failure and recovery; Active listening; Preferential treatment; Satisfaction; Tip size

1. Introduction

Imagine that you heard an announcement at the airport gate that all carry-on bags must be checked in because your flight is full. This announcement prompted you to quickly join one of the two lines. When it was your turn, the counter staff did not look at you and kept chatting with other staff. You overheard that she would be a cabin crewmember for your flight.[1] Ten minutes later, she finally called you, and you noticed that all the passengers in the other line already dropped off their bags. How would you feel if she apologized without listening to your concern?

A service employee's listening skill is an important communication tool to manage complaining customers (Gruber 2011; Manusov et al. 2020). If the employee listens attentively and apologizes, customers may believe that their concerns are taken seriously, thereby resulting in an increase in their engagement, trust, and satisfaction (De Ruyter and Wetzels 2000; Dickinger and Bauernfeind 2009; Ok, Back, and Shanklin 2005; Ramsey and Sohi 1997). However, even though past studies often recognized the value of listening and apologizing (Gruber 2011; Van Vaerenbergh, Vermeir, and Larivière 2013), most such studies have not systematically examined these two actions together in recovering a failed service. The current research is intended to fill the gap in the literature on the joint role of listening and apologizing.

Drawing on the literature on apology timing (Frantz and Bennigson 2005; Min et al. 2020), we argue that a sequential order of an employee's listening first and then apologizing, along with acknowledging customers' voiced concerns, will produce favorable customer response if a service failure occurs at the beginning of the service interaction; customers want to ensure that the same failure will not be repeated. The employee's careful listening before

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[1] We included this particular statement to create a situation where customers are likely to interact with the same service person in the near future. According to Min et al. (2020), customers are more susceptible to the employee's apology timing when they expect to interact with the same employee in the future.

apologizing, rather than after, enhances customers' positive feelings and satisfaction, especially when they expect to interact with the same employee in the future (Min et al. 2020). Additionally, it makes customers feel that the employee fully understood their issues (Frantz and Bennigson 2005), thus increasing the perception that they will be treated well (Lacey, Suh, and Morgan 2007). However, as documented in the active listening literature (Jones, Bodie, and Hughes 2019; Min, Lim, and Magnini 2015), customers are less likely to recognize the employee's perspective if the employee fails to verbally acknowledge their concerns. Hence, we conceptualize active listening as having at least two components: (1) listening to customers' concerns before apologizing, rather than after, and (2) verbally acknowledging them.

We also claim that the effectiveness of active listening can disappear once customers receive surprise treatment such as a room upgrade. Customers may attribute the treatment to their own effort, rather than the employee's effort, if it is offered after they voice their concerns. Thus, the presence of the unexpected complimentary service can offset the benefits of active listening.

This research provides several contributions. First, we demonstrate the differential effects of an employee's active listening. Challenging the common marketing practice that the employee should promptly apologize, we show that the employee's listening before apologizing, rather than after, enhances customer satisfaction, which in turn boosts customers' behavioral intention to tip. Second, we newly document not only that customers' perceived preferential treatment explains why active listening increases customer satisfaction, but also that active listening effects can be weakened under certain circumstances. Finally, along with a traditional scenario reading task, we use a novel scenario writing approach to enhance the realism of the study and generalize the findings. The main purpose of the current research is to test when and why active listening shapes customer satisfaction.

2. Theoretical background

2.1. Apology

Apologies refer to speech acts that seek a victim's forgiveness and help to reconcile broken relationships (Lazare 2004). Prior research suggests that the effectiveness of an apology depends primarily on what the apology is composed of (Lewicki, Polin, and Lount 2016). The different elements of an apology that could influence a victim's forgiveness are expressing remorse, offering an explanation, assuring to refrain from the same offense in the future, and offering repair.

In addition to the component of an apology, service researchers explored the role of the speed of an apology (Roschk and Kaiser 2013; Smith, Bolton, and Wagner 1999; Tomlinson, Dineen, and Lewicki 2004; Wirtz and Mattila 2004). They show that an employee's immediate apology is more effective than a delayed apology because it can imply that the employee is competent and the management system is efficient (Blodgett, Wakefield, and Barnes 1995).

Several studies also report that the sequential order of offering an apology, and having customers' concerns understood, matters to the customers (Frantz and Bennigson 2005; Huan 2021; Hubbard et al. 2013). They reveal that when customers are motivated to voice their concerns, it will be more desirable for the employee to apologize after, rather than before, having them voiced and heard. Such a sequential order can make customers believe that the employee's apology reflects their personal issues, especially when customers expect to interact with the same employee in the future (Min et al. 2020). Building on Min et al. (2020), we propose that the

employee's listening before apologizing, rather than after, will be more effective if a service failure occurs at the beginning of a service encounter where customers are likely to expect to work with the same employee not to have the problem repeated in the future. However, unlike Min et al. (2020), we directly test the importance of the employee's verbal acknowledgment of customers' voiced concerns during the service recovery process. Moreover, we newly investigate an underlying cognitive process and identify a boundary condition for which listening before apologizing can outperform listening after apologizing in recovering a service failure.

2.2. Impacts of active listening on customer satisfaction and tip size

When a frontline employee listens attentively, customers seem to interpret that their opinions are valued, and they will likely trust the employee (Gruber 2011; Manusov et al. 2020; Pryor, Malshe, and Paradise 2013; Ramsey and Sohi 1997). In particular, the employee's listening can be particularly important during the first service interaction, because the first impressions influence both current and future relationships (Bodie et al. 2012; Weger et al. 2014). Negative first impressions also have stronger long-lasting effects than positive first impressions (Lount et al. 2008).

According to equity theory (Maxham 2001), the more customers perceive that an employee recovers from a failure in a fair manner, the more customers are satisfied. Such perceptions make the employee's recovery process crucial. In addition, recovery can enhance customers' appreciation even when the employee's effort fails to produce a positive outcome (Mohr and Bitner 1995). Listening is a deliberate effort to serve customers better.

Not surprisingly, the positive impact of an employee's listening on customer satisfaction has been well documented in the literatures on sales (De Ruyter and Wetzels 2000; Ramsey and Sohi 1997) and service failure and recovery (Dickinger and Bauernfeind 2009; Min et al. 2015; Ok et al. 2005). Using student participants' haircut services as a service failure context, Maxham (2001) found greater customer satisfaction, purchase intentions, and positive word-of-mouth when the level of recovery efforts was moderate (i.e., listening, apologizing, and fixing the problem) or high (i.e., listening, showing empathy, apologizing, offering refunds, fixing the problem, and offering future discounts). Moreover, Min et al. (2015) demonstrated that customer satisfaction increased when a service person explicitly acknowledged patrons' concerns by paraphrasing them or asking for more details. Without such direct acknowledgment, customers could not have known whether their concerns were truly heard.

Despite the progress made, we still know very little about how listening and apologizing operate, because much research has examined each of these two actions separately (De Ruyter and Wetzels 2000; Gruber 2011; Ok et al. 2005; Van Vaerenbergh et al. 2013). We attempt to fill the gap in the literature by uncovering how the sequential order of listening and apologizing helps recover a service failure. Specifically, drawing on the research on apology timing and listening, we conceptualize active listening as an employee's listening to customers' concerns before apologizing, rather than after, and then verbally acknowledging them (see Figure 1). To test these two key elements of active listening, we propose the following hypotheses:

H1a: The employee's listening before (vs. after) apologizing will increase customers' satisfaction if their concerns are verbally acknowledged.

H1b: The employee's listening before (vs. after) apologizing will not increase

customers' satisfaction if their concerns are not verbally acknowledged.

----- Insert Figure 1 Here -----

Research on tipping is not only relatively new, but has also mostly been conducted in the restaurant context (Lynn 2015; Whaley, Kim, and Kim 2019). Our review indicates that tip size or tipping intention is positively influenced by servers' friendliness or special attention (Ivkov, Božić, and Blešić 2017; Mok and Hansen 1999), customers' desire to reward servers for good services (Lynn 2015), and customers' status perception of the restaurant (Lee, Noble, and Biswas 2016). When a restaurant server offers high-quality service, customers become gratified and seek to reciprocate the gratitude by compensating the server monetarily (Lynn and Graves 1996; Lynn and McCall 2000).

Considering that customers' tip size can be viewed as an outcome of their satisfaction (Fitzsimmons and Maurer 1991; Mok and Hansen 1999; Van Baaren 2005), we predict that customer satisfaction can mediate the influence of active listening on tip size. That is, active listening represents a higher level of employees' efforts that could lead to greater customer satisfaction, which in turn increases tip size. Our prediction parallels that of Whaley et al. (2019), showing that customers' holistic evaluation of employees' quality determines their perceived benefits over costs of obtaining a service, which subsequently improve tip size. Therefore, we develop the following hypotheses:

H2a: The employee's listening before (vs. after) apologizing will increase tip size if customers' concerns are verbally acknowledged.

H2b: The employee's listening before (vs. after) apologizing will not increase tip size if customers' concerns are not verbally acknowledged.

H3: Customers' satisfaction will mediate the positive effect of the employee's listening before (vs. after) apologizing on tip size only if their concerns are verbally acknowledged.

2.3. Perceived preferential treatment

We propose that customers' perceptions of preferential treatment can shape the effectiveness of active listening. As discussed previously, listening promotes customers' feelings of being heard and valued, so listening can make them believe that the employee will treat them better than other customers. In particular, if the employee displays a high level of empathy via active listening, customers will perceive being specially treated, leading to increased customer satisfaction (Roschk and Kaiser 2013; Smith et al. 1999).

Preferential treatment is an act of offering certain benefits (e.g., free breakfast, exclusive access to VIP lounges, special discounts) to selective customers over other customers (Lacey et al. 2007; Wu, Mattila, and Hanks 2015). If an employee feels guilty over a service failure, the employee's active listening may signal to customers that the employee will treat them better (Söderlund et al. 2014). Consequently, customers' perceptions of being given special treatment will serve as an underlying process for which active listening promotes customer satisfaction.

However, the relative positive effect of active listening can diminish if customers have already been specially treated. To our knowledge, no studies have yet examined this issue. Compared to the benefit regularly earned through a customer loyalty program (e.g., an annual free night at a hotel), the benefit offered spontaneously (e.g., an unexpected room upgrade at a hotel) may not occur again in the future (Tomlinson and Mayer 2009). If customers voice their concerns before receiving the unexpected treatment, they are likely to attribute it to their own effort, rather than the employee's effort (McFarland and Ross 1982; Tsiros, Mittal, and Ross 2004; Weiner 2000). Accordingly, active listening may not produce the intended positive response if customers have already received the preferential treatment (see Figure 2 for a proposed model). Therefore, we pose the following hypotheses:

H4a: Active listening will increase customers' satisfaction if they have not yet received an unexpected complimentary service.

H4b: Active listening will not increase customers' satisfaction if they have already received an unexpected complimentary service.

H5a: Active listening will increase customers' perceptions of preferential treatment if they have not yet received an unexpected complimentary service.

H5b: Active listening will not increase customers' perceptions of preferential treatment if they have already received an unexpected complimentary service.

H6: Customers' perceived preferential treatment will mediate the positive effect of active listening on their satisfaction only if they have not yet received an unexpected complimentary service.

----- Insert Figure 2 Here -----

3. Study 1

The goal of Study 1 was to explore how two components of an employee's active listening function during a service failure. Specifically, we investigated the critical role of the employee's verbal acknowledgment of customers' concerns in service recovery when the employee listened to those concerns before apologizing, rather than after. Additionally, we went beyond customer satisfaction by testing its influence on customers' behavioral intentions, such as tip size.

3.1. Methods

3.1.1. Design. We employed a 2 (listening timing: listening before apologizing vs. listening after apologizing) x 2 (verbal acknowledgment: yes vs. no) between-subjects design. A total of 122 undergraduate students (49% female; average age = 22.3) participated in the study in return for course credit.

3.1.2. Procedure. Participants were instructed to read a scenario and imagine that they were experiencing a service failure at the hair salon (see Appendix 1). The service failure portrayed was a delayed check-in service where a hairstylist did not serve the customer on time. In the listening-after-apologizing condition, the hairstylist apologized first and then listened to the customer's concern; in the listening-before-apologizing condition, the hairstylist listened to

the customer's concern first and then apologized. We also varied the hairstylist's explicit acknowledgment. The customer's concern was verbally acknowledged in the acknowledgment condition, but not in the no acknowledgment condition.

3.1.3. Measurement. As a manipulation check for listening timing, participants indicated whether the hairstylist apologized first or had their concerns voiced first (1 = voiced concerns after the hairstylist's apology, 7 = voiced concerns before the hairstylist's apology). Because the hairstylist's listening and the customer's voicing occurred at the same time in the scenario, we treated the customer's voicing time as a proxy for the employee's listening time. As a manipulation check for verbal acknowledgment, participants also assessed whether the hairstylist understood their side (1 = strongly disagree, 7 = strongly agree), which was modified from Frantz and Bennigson (2005) (see Appendix 3).

Participants rated their overall satisfaction with three items (e.g., "I am satisfied with my overall experience with the hair salon") (1 = strongly disagree, 7 = strongly agree; Cronbach's α = .96; Maxham and Netemeyer 2002). Participants also recorded their tip size as their behavioral reaction to an apology. We measured tip size by a percentage of the total bill (before tax) (Seiter, Brownlee, and Sanders 2011).

Finally, we included several control variables as covariates to correct for the unintended differences among four experimental conditions (Cook, Steiner, and Pohl 2009). Even though we used random assignment, it was still possible that our findings could be driven by participants' perceptions about the scenario and their personal characteristics. The control variables that were specific to the scenario were: perceived severity (1 = trivial, 7 = extremely severe; Frantz and Bennigson 2005), perceived plausibility of the scenario (1 = not plausible at all/not reasonable at

all, 7 = very plausible/very reasonable; $r = .71$; Newby-Clark et al. 2000), and pre-apology

negative feelings evoked (angry, frustrated, irritated; 1 = not at all, 7 = very much; Cronbach's α

= .70; Frantz and Bennigson 2005). The control variables that were specific to participants'

characteristics were normal tip size (Seiter et al. 2011), age, and gender (see Table 1 for the

correlations among all variables).

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3.2. Results

3.2.1. Manipulation Checks. Participants reported that the scenario used in this study was

reasonable. Their perceived plausibility score ($M = 4.73$) was significantly greater than the scale

midpoint of 4 ($t = 6.07$, $p < .01$). No significant differences were found among the four

conditions in terms of their perceived plausibility (p's $> .1$).

As expected, compared to participants in the listening-after-apologizing condition ($M = 4.12$), those in the listening-before-apologizing condition ($M = 5.77$) perceived that the hairstylist

heard their concerns before apologizing ($F(1, 111) = 16.9$, $p < .01$). We observed neither a

significant main effect of verbal acknowledgment ($p > .9$) nor a significant interaction effect ($p > .7$). Moreover, consistent with the active listening literature (Jones et al. 2019; Min et al. 2015),

participants in the verbal acknowledgment condition ($M = 4.51$) reported, to a greater extent than

those in the no acknowledgment condition ($M = 3.91$), that the hairstylist understood their

concerns ($F(1, 111) = 4.00$, $p < .05$). Neither a main effect of listening timing ($p > .1$) nor an

interaction effect ($p > .9$) was significant. Accordingly, all of the manipulations were successful.

3.2.2. Overall Satisfaction. A 2 (listening timing) x 2 (verbal acknowledgment) ANCOVA with six control variables showed a significant interaction effect on overall satisfaction ($F(1, 111) = 4.19$, $p < .05$). For control variables, only pre-apology negative feelings ($p < .01$) and perceived scenario plausibility ($p < .01$) were significant. Consistent with H1a, under the verbal acknowledgment condition, participants were more satisfied when the hairstylist listened to complaints before ($M = 3.50$), rather than after ($M = 2.79$; $F(1, 55) = 4.66$, $p < .04$), offering an apology (see Figure 3). Contrarily, consistent with H1b, under the no acknowledgment condition, participants' satisfaction was not different, regardless of whether the hairstylist listened to complaints before apologizing ($M = 2.79$) or after apologizing ($M = 3.05$; $F(1, 50) < 1$). Hence, H1a and H1b were supported.

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3.2.3. Tip Size. Our two-way ANCOVA revealed a marginally significant interaction effect on tip size ($F(1, 111) = 3.36$, $p < .07$). For control variables, normal tip size ($p < .01$), pre-apology negative feelings ($p < .01$), and perceived scenario plausibility ($p < .01$) were significant. Consistent with H2a, under the verbal acknowledgment condition, participants were likely to give a bigger tip to the hairstylist when the hairstylist listened to complaints before ($M = 9.5\%$), rather than after ($M = 6.7\%$; $F(1, 55) = 8.20$, $p < .01$), making an apology. In contrast, consistent with H2b, under the no acknowledgment condition, their intended tip size did not change significantly, regardless of whether the hairstylist listened to complaints before ($M =$

8.1%) or after ($M = 8.9\%$; $F(1, 50) < 1$) apologizing. Therefore, H2a and H2b were also supported.

      3.2.4. Moderated Mediation Analysis. Moderated mediation tests whether the mediated relationship is determined by a moderating variable. Specifically, it helps explore whether the mediating role of customer satisfaction (mediator) on the relationship between listening timing (independent variable) and customers' intention to tip the hairstylist (dependent variable) depended on the hairstylist's verbal acknowledgment (moderator). We used a bootstrapping approach, which is a technique to produce more reliable estimates by randomly drawing samples with replacement (Preacher and Hayes 2004). This technique allows us to obtain a confidence interval (CI) for an indirect effect where mediation is observed if the CI does not include zero.

      As predicted, our moderated mediation model (Model 8; Hayes 2017), based on 5,000 samples, indicated that overall satisfaction played a mediating role in explaining the impact of the interaction between listening timing and verbal acknowledgment on tip size (indirect effect = 1.20, 95% CI [.03, 2.88]), confirming that overall satisfaction mediated the proposed relationship. Consistent with H3, the indirect path from listening timing to tip size via overall satisfaction was significant in the verbal acknowledgment condition (indirect effect = .87, 95% CI [.07, 1.90]), but not in the no acknowledgment condition (indirect effect = -.32, 95% CI [-1.36, .41]). That is, overall satisfaction mediated the effect of listening timing on tip size only when the hairstylist verbally acknowledged customers' concerns, supporting H3.

3.3. Discussion

One of the main goals of Study 1 was to validate that an employee's active listening requires both listening before apologizing and verbal acknowledgment in recovering a service failure. As conceptualized, customer satisfaction increased when these two conditions were met. The employee's listening after apologizing or mere listening without acknowledging customers' issues was insufficient to produce a positive customer response. We revealed the role of active listening as a vital part of service recovery by confirming that the employee's listening timing and verbal acknowledgment would help repair a damaged customer relationship. Moreover, we discovered that customers' overall satisfaction mediated the impact of the employee's active listening on their intended tip size when they encountered a service failure in a non-restaurant setting.

4. Study 2

Study 2 further explored why an employee's active listening would improve customer satisfaction in a different service setting. We demonstrated that customers' perceived preferential treatment is responsible for such influence. In addition, we tested a boundary condition to show when the active listening effect would diminish. Finally, in this study, we introduced a novel approach where participants were asked to write, rather than simply read, their complaints in response to a service failure scenario.

4.1. Methods

We used a 2 (listening timing: listening before apologizing vs. listening after apologizing) x 2 (complimentary service: yes vs. no) between-subjects design. Because we already reported in Study 1 that an employee's listening timing matters only when the employee verbally acknowledges customers' concerns, the scenario presented in Study 2 features the employee's direct acknowledgment of their concerns in all four experimental conditions. We recruited 222 online panel members, who were compensated with a small amount of money. Among them, 23 participants were removed due to lack of attention, so we included 199 respondents (41% female; average age = 40.5) in the data analysis.

The procedures and stimuli of Study 2 were similar to those of Study 1, except for three notable changes. First, to generalize our earlier findings, we employed a different service context and a different reason for a service failure. The failure was a delayed service when a guest tried to check in at a hotel. The desk clerk explained that she was distracted by her family emergency. Second, we introduced a new approach to improve participants' involvement and realism of the study. While the typical scenario method requires participants to read a scenario, we used a writing task (Moore 2012; West, Huber, and Min 2004) by asking participants to sequentially write their own complaints either before or after an employee expressed remorse (see Appendix 2). Third, we tested whether customers' perceptions of preferential treatment would explain why active listening positively influences customer satisfaction. To explore how perceived preferential treatment operates, we manipulated the presence of a surprise complimentary service, such as a room upgrade, and measured customers' perceptions of preferential treatment (Cronbach's α = .98; Lacey et al. 2007). Similar to Study 1, we also included perceived severity, pre-apology negative feelings (Cronbach's α = .88), age, and gender as covariates to control for the influences of these extraneous variables (see Table 2 for correlations of all variables).

----- Insert Table 2 Here -----

4.2. Results

4.2.1. Manipulation Checks. We checked whether the problem described in the scenario was viewed as realistic. The perceived realism of the problem ($M = 5.31$) was significantly higher than the scale midpoint of 4 ($t = 11.18$, $p < .01$). No difference was recorded in the perceived realism score between two listening timing conditions ($p > .1$), but there was a difference in the realism score between two complimentary service conditions ($p < .03$). Participants perceived greater realism with a complimentary service ($M = 5.56$), rather than without a complimentary service ($M = 5.05$). Yet, we found no significant interaction between listening timing and complimentary service on the perceived realism ($p > .3$).

As expected, participants in the listening-before-apologizing condition ($M = 5.90$) were more likely to believe that the clerk heard their voiced concerns before offering remorse than those in the listening-after-apologizing condition ($M = 3.50$; $F(1, 191) = 85.72$, $p < .01$). As in Study 1, we treated the customer's voicing time as a measure for the clerk's listening time, because voicing and listening occurred at the same time in the scenario. We found neither a significant main effect of the complimentary service ($p > .9$) nor a significant interaction effect ($p > .1$). Additionally, participants in the complimentary service condition ($M = 4.78$) perceived that the clerk treated them specially, compared to those in the no complimentary service condition ($M = 3.37$, $F(1, 191) = 28.19$, $p < .01$). Neither a main effect of listening timing ($p >$

.1) nor an interaction effect ($p > .9$) was significant. Accordingly, our manipulations were successful.

4.2.2. Overall Satisfaction. A two-way ANCOVA with four control variables showed a significant interaction effect between listening timing and complimentary service on overall satisfaction (Cronbach's $\alpha = .97$; $F(1, 191) = 3.96$, $p < .05$). Consistent with H4a, under the no complimentary service condition, participants were more satisfied when the clerk listened to complaints before apologizing ($M = 3.71$), rather than after ($M = 2.63$; $F(1, 92) = 8.50$, $p < .01$) (see Figure 4). Thus, we replicated the earlier findings when participants actually wrote their own complaints during the clerk's recovery process. In contrast, consistent with H4b, under the complimentary service condition, their satisfaction level did not change, regardless of whether the clerk listened to their complaints before ($M = 4.82$) or after ($M = 4.79$; $F(1, 95) < 1$) offering an apology. Thus, H4a and H4b were supported.

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In addition to the interaction effect, we observed main effects of listening timing ($F(1, 191) = 4.63$, $p < .04$) and complimentary service ($F(1, 191) = 40.2$, $p < .01$) on overall satisfaction. Participants' satisfaction was higher when the clerk listened to their complaints before apologizing ($M = 4.26$), rather than after ($M = 3.71$). Their satisfaction was also greater when the clerk offered a complimentary service ($M = 4.80$), rather than did not offer the service ($M = 3.17$).

4.2.3. Perceived Preferential Treatment. Consistent with our prediction, a two-way ANCOVA exhibited a significant interaction effect on perceived preferential treatment. As hypothesized in H5a, under the no complimentary service condition, participants perceived that they would receive preferential treatment when the clerk listened to their complaints before ($M = 3.30$), rather than after ($M = 2.51$; $F(1, 92) = 5.15$, $p < .03$), offering an apology (see Figure 4). In contrast, as predicted in H5b, under the complimentary service condition, their perceptions of preferential treatment remained unchanged, regardless of whether the clerk listened to their complaints before ($M = 3.56$) or after ($M = 3.91$; $F(1, 95) < 1$) apologizing. H5a and H5b were also supported. Moreover, we observed a main effect of complimentary service where participants who received a complimentary service ($M = 3.74$) showed greater perceived preferential treatment than those who did not ($M = 2.90$; $F(1, 191) = 11.39$, $p < .01$).

4.2.4. Moderated Mediation Analysis. We performed moderated mediation analysis using a bootstrapping method (Model 8, Hayes 2017) with 5,000 samples to test whether the mediating role of perceived preferential treatment (mediator) on the relationship between listening timing (independent variable) and customer satisfaction (dependent variable) depended on the presence of a complimentary service (moderator). As expected, we found that participants' perceptions of preferential treatment explained the impact of the interaction between listening timing and complimentary service on overall satisfaction (indirect effect = -.75, 95% CI [-1.40, -.11]). Specifically, consistent with H6, we confirmed the indirect path from listening timing to overall satisfaction via perceived preferential treatment only when participants did not receive a complimentary service (indirect effect = .52, 95% CI [.02, .99]), but not when they had already received it (indirect effect = -.23, 95% CI [-.68, .20]). As a result, H6 was supported.

4.3. Discussion

In Study 2, we replicated Study 1 with a more diverse sample and reconfirmed that an employee's active listening was the key to promoting customer satisfaction in a different service failure context. It is important to note that we used a unique scenario writing—rather than scenario reading—approach, to identify when and why active listening had a favorable influence on customer satisfaction. We first uncovered that active listening helped to improve customers' perceptions of preferential treatment, which ultimately contributed to an increase in customer satisfaction. Next, we demonstrated that the effectiveness of active listening vanished when customers were unexpectedly offered a complimentary service such as a room upgrade.

5. General discussion and conclusions

5.1. A summary of the studies

The current research seeks to enhance our understanding of the role of active listening in restoring a damaged customer relationship during a service failure in the check-in process. Specifically, we examine when and why a service employee's active listening shapes customer satisfaction. In two studies, we empirically test a boundary condition and an underlying process responsible for positive roles of listening before apologizing, compared to listening after apologizing. In Study 1, we conceptualize and show that active listening is composed of two elements: One is listening before apologizing and the other is verbally acknowledging

customers' concerns. We reveal that active listening can lead not only to higher customer satisfaction but also to greater behavioral intention to tip the employee. In Study 2, we generalize this active listening effect to a broader sample and a different service context. We find that customers' perceptions of preferential treatment are the reason why active listening boosts their satisfaction. However, we also found that the active listening effect fades away as soon as customers are unexpectedly offered a complimentary service, because the perception of preferential treatment goes away.

5.2. Theoretical implications

While past research documented the importance of listening and apologizing (De Ruyter and Wetzels 2000; Gruber 2011; Ok et al. 2005; Van Vaerenbergh et al. 2013), scant prior research has simultaneously investigated listening and apologizing in a service failure and recovery context. Our research aims at filling the gap in the literature by exploring how an employee's listening and apologizing can jointly influence customer satisfaction. We echo previous studies on active listening that highlight the essential role of responding such as a verbal acknowledgment of customers' concerns or complaints (Jones et al. 2019; Min et al. 2015; Pryor et al. 2013; Ramsey and Sohi 1997; Weger et al. 2014).

Additionally, our research extends on prior research on apology timing (Frantz and Bennigson 2005; Huang 2021; Hubbard et al. 2013; Min et al. 2020) by newly identifying an underlying cognitive process and a boundary condition for which listening before apologizing, rather than after, can improve customer satisfaction in different service failure settings. Unlike Frantz and Bennigson (2005) and Min et al. (2020), who focused on exploring how the

sequential order of apologizing and listening influences customers' feelings, we go beyond the employee's apology timing and customers' affective response and directly test the critical role of the employee's verbal acknowledgment of customers' concerns and customers' cognitive (e.g., perceived preferential treatment) and behavioral response (e.g., intended tip size).

We consistently found the active listening effect across two different scenario methods. In Study 1, we adopted a traditional scenario reading approach, whereas in Study 2, we introduced a novel scenario writing approach where participants sequentially wrote their complaints (Moore 2012; West et al. 2004) before or after receiving an apology.

The current research also contributes to the tipping literature by documenting active listening as one of the drivers of tip size at the hair salon. When an employee actively listens to customers' concerns and then apologizes, their increased satisfaction could lead to greater tip size. Extending on the findings of Whaley et al. (2019), we report that customer satisfaction can be an important driver of customers' tip size in a service failure setting. Our findings are particularly notable because few studies have explored the role of tipping behavior in service failure and recovery in a non-restaurant context (e.g., Lynn and Graves 1996; Lynn and McGall 2000; Van Baaren 2005; Whaley et al. 2019).

Furthermore, we contribute to the service failure and recovery literature by uncovering why active listening helps restore a broken customer relationship. When an employee carefully listens to customers' concerns before apologizing, they may perceive that they are being treated specially (Roschk and Kaiser 2013). Customers' perceptions of preferential treatment can be translated to receiving extra attention and monetary compensation. Because compensation is one of the most effective recovery actions to restore fairness or justice (Im, Youk, and Park 2021;

Roschk and Gelbrich 2014; Smith et al. 1999), such preferential treatment perception generates greater customer satisfaction (Kim and Baker 2020; Lacey et al. 2007; Söderlund et al. 2014).

Finally, we document that the active listening effect vanishes when customers unexpectedly receive a complimentary service, such as a room upgrade. Consistent with the literature on causal attribution theory, such a spontaneous surprise may not be repeated (Tomlinson and Mayer 2009), so customers are likely to attribute the unexpected compensation to their effort, rather than the employee's effort (McFarland and Ross 1982; Tsiros et al. 2004; Weiner 2000), rendering the employee's active listening ineffective.

5.3. Managerial implications

Besides the theoretical implications, our findings offer marketing managers new insights into when and why their frontline employees should actively listen to customers' complaints. Customers are often reluctant to express their concerns because voicing them takes time and effort. They may fear that it also gives a negative impression of them as whiners, even though it may resolve the problem or result in compensation (Davidow 2003). Consequently, frontline employees may be inclined to quickly rectify a failed service without listening to customers' complaints. However, challenging the common business practice that the employee should offer an immediate apology (Blodgett et al. 1995; Roschk and Kaiser 2013; Smith et al. 1999; Tomlinson et al. 2004; Wirtz and Mattila 2004), we find that the employee's apology that is made after carefully listening to customer complaints can improve customer satisfaction and tip size. Paralleling the notion of customer empowerment (Knox and van Oest 2014), our research suggests that managers should coach their frontline employees to facilitate a customer voicing

complaints and encourage customers' participation in the recovery process when the employees first come in contact with the customers.

Even though conventional wisdom says that active listening is the most valuable skill that nobody teaches, it is paramount for marketers to train their employees in listening skills to know how and when to respond to customer complaints. Previous studies on self-expression and voice suggest that giving customers an opportunity to have a voice can have a positive influence on interpersonal relationships (Avery and Quiñones 2002). Allowing customers to vent negative feelings can produce catharsis and reduce their distress (Kaplan 1975; Kennedy-Moore and Watson 2001). However, our findings indicate that mere voicing – simply letting customers voice their concerns without explicitly acknowledging their concerns – may not generate the intended recovery outcomes. To effectively restore damaged customer relationships, the employee should know how to respond (e.g., verbally acknowledging complaints) and when to respond (e.g., listening before apologizing).

Moreover, our research implies that service employees must understand a potential consequence of offering customers a complimentary service. In some circumstances, such special treatment can mitigate the effectiveness of active listening. Although active listening can increase customers' perceptions of preferential treatment and their satisfaction, active listening may no longer produce intended relational outcomes once customers unexpectedly receive a complimentary service.

5.4. Limitations and future research directions

A main limitation of the present research is that it examines customer response to hypothetical scenarios with a relatively small sample size (Kim and Jang 2014). Even though scenario-based research helps to control for potential extraneous factors and tightly test a theory, its generalizability can be still questioned. It will be valuable if future studies explore the role of active listening using a field study or online data with a larger sample size (e.g., consumer reviews and hotel responses at Tripadvisor.com).

In addition, we restricted our focus to a service failure that occurred at the beginning of a service encounter. Even though negative first impressions have a long-lasting effect (Lount et al. 2008), it will be important to investigate how to manage customers' negative impressions that are formed in the middle or at the end of the service experience.

We also tested only perceived preferential treatment as an underlying process, but there must be alternative processes that can be determined by other potential boundary conditions, including service failure type (e.g., process vs. outcome failure), perceived cause of the failure (e.g., customer vs. service provider), and culture (e.g., interdependent vs. independent culture). Future researchers should examine when and why active listening can produce positive customer response in these circumstances.

Finally, we limited our scope to a joint recovery situation where both the employee and the customer are aware of the failure. However, some service failures are known only to the employee (e.g., a production delay) or only to the customer (e.g., a failure at a self-checkout kiosk). These failures will offer future researchers ample opportunities to explore.

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Appendix 1. Hair salon scenarios (Study 1)

At 10:30 a.m. on Saturday, you arrived at a hair salon… At 11:00 a.m., you noticed that most of the customers who had come earlier than you were served… However, the hairstylist did not look at you after she served the previous customer... It was almost 11:30 a.m. when the hairstylist finally called you.

(1) Listening after apologizing/Verbal acknowledgment condition:

When you approached her, **she apologized and explained that she broke up with her boyfriend yesterday and her mind was elsewhere. She added that she was getting some advice from other hairstylists.** You said, "I have been waiting for an hour." You added that you had an important meeting to attend at 1:00 p.m…*The hairstylist told you that she could understand why you were upset, and that she herself would be upset in the same situation.*
After immediately having your hair cut, she also informed you that she would take good care of your hair in the future if you make an appointment in advance.

---

(2) Listening before apologizing/Verbal acknowledgment condition:

When you approached her, you said, "I have been waiting for an hour." You added that you had an important meeting to attend at 1:00 p.m… *The hairstylist told you that she could understand why you were upset, and that she herself would be upset in the same situation.* **She apologized and explained that she broke up with her boyfriend yesterday and her mind was elsewhere. She added that she was getting some advice from other hairstylists.**
After immediately having your hair cut, she also informed you that she would take good care of your hair in the future if you make an appointment in advance.

---

* The italicized sentence was removed in the no verbal acknowledge conditions.

Appendix 2. Hotel scenarios (Study 2)

On Saturday evening, you arrived at a hotel… At 7:30 p.m., a front desk clerk greeted the guest right in front of you so you expected to receive a room in a few minutes. However, the clerk did not look at you after serving the previous guest.

(1) Listening after apologizing/Verbal acknowledgment/Complimentary service condition:

When the clerk finally called you at 8:00 p.m., you had already waited for 30 minutes. Here is the conversation between you and the clerk:

Clerk: "**I'm sorry for the delay. Because I had a family emergency today, my mind was elsewhere. I was receiving advice from other clerks.**"

You: "_____".

Clerk: "I can understand why you were upset and I myself would be upset in the same situation."

Clerk: "*I'll upgrade your room to a suite*. My shift just started, so I'll assist you in the next 8 hours."

---

(2) Listening before apologizing /Verbal acknowledgment/Complimentary service condition:

When the clerk finally called you at 8:00 p.m., you had already waited for 30 minutes. As soon as you approached her, you voiced your concerns.

You: "_____".

Clerk: "**I'm very sorry for the delay. Because I had a family emergency today, my mind was elsewhere. I was receiving advice from other clerks**. I can understand why you were upset and I myself would be upset in the same situation."

Clerk: "*I'll upgrade your room to a suite*. My shift just started, so I'll assist you in the next 8 hours."

---

* In Study 2, participants were asked to write their own concerns in the underlined space.

** The italicized sentence was removed in the no complimentary service conditions.

Appendix 3. Key measurement items

Manipulation Check for Listening Timing (Studies 1 and 2)
- When do you think your hairstylist made an apology in the scenario? (Study 1)
- When do you think the clerk expressed remorse (e.g., I'm sorry)? (Study 2)

Manipulation Check for Verbal Acknowledgment (Study 1)
- The hairstylist said she understood my side

Manipulation Check for Complimentary Service (Study 2)
- Do you think the clerk treated you specially in the scenario?

Overall Satisfaction (Studies 1 and 2)
- I am satisfied with my overall experience with the hair salon/hotel
- As a whole, I am happy with this hair salon/hotel
- Overall, I am pleased with the service experience with this hair salon/hotel

Tip Size (Study 1)
- How much would you be willing to tip this hairstylist?

Perceived Preferential Treatment (Study 2)
- The hotel will do things for me that they don't do for most customers
- The hotel will place me higher on the priority list when dealing with other customers
- The hotel will give me faster service than most customers get
- The hotel will give me better treatment than most customers get
- The hotel will give me special things that most customers don't get

Severity (Studies 1 and 2)
- How severe was the problem that you read in the scenario?

Pre-apology negative feelings (Studies 1 and 2)
- Please indicate how well each adjective describes the feelings you would have after you read the scenario: Angry/Frustrated/Irritated

Normal Tip Size (Study 1)
- In the past, how much did you normally tip your hairstylist when you had good services?

Scenario Plausibility (Study 1)
- How reasonable/plausible was the scenario that your read?

Scenario Realism (Study 2)
- How realistic was the problem that was described to you in the scenario?

Table 1. Correlations and descriptive statistics (Study 1)

Variables	M	SD	1	2	3	4	5	6	7	8	9	10
1. Listening timing (before vs. after apologizing)	.49	.50	-									
2. Verbal acknowledgment (yes vs. no)	.52	.50	.08	-								
3. Overall satisfaction	3.05	1.35	.07	.12	-							
4. Tip size	6.38	7.15	-.02	-.10	$.36^{***}$	-						
5. Severity	4.78	1.38	-.08	-.06	.08	-.14	-					
6. Pre-apology negative feelings	5.48	1.05	-.12	-.03	-.13	$-.31^{***}$	$.35^{***}$	-				
7. Gender	1.49	.50	.14	.04	-.08	-.13	$-.15^{*}$	.06	-			
8. Age	22.30	3.86	-.02	.06	-.13	-.11	$.28^{***}$	$.19^{**}$	.08	-		
9. Normal tip size	16.50	11.50	-.15	-.14	$.65^{***}$	.08	$.15^{*}$	.06	-.11	.01	-	
10. Scenario plausibility	4.73	1.32	-.14	.10	$.24^{***}$	$.31^{***}$	-.09	.03	$-.20^{***}$	-.07	.11	-

Note: The correlation matrix represents a pairwise correlation matrix. The independent variables are coded as follows: Listening timing (1 = listening before apologizing, 0 = listening after apologizing); Verbal acknowledgment (1 = yes, 0 = no).

$^{*}p < .10, ^{**}p < .05, ^{***}p < .01$

Table 2. Correlations and descriptive statistics (Study 2)

Variables	M	SD	1	2	3	4	5	6	7	8	9
1. Listening timing (before vs. after apologizing)	.51	.50	-								
2. Complimentary service (yes vs. no)	.51	.50	.01	-							
3. Overall satisfaction	4.00	2.05	.14**	.41***	-						
4. Perceived preferential treatment	3.33	1.90	.07	.23***	.69***	-					
5. Severity	5.27	1.32	.02	.01	.01	.07	-				
6. Pre-apology negative feelings	5.82	1.24	-.04	-.07	-.21***	-.26***	.52***	-			
7. Gender	1.41	.49	.08	.05	-.06	-.12*	.01	.11	-		
8. Age	40.50	12.20	-.00	.07	-.00	-.12	.15**	.19***	.25***	-	
10. Scenario realism	5.31	1.66	.11	.16**	.38***	.30***	.08	.06	.02	-.03	-

Note: The correlation matrix represents a pairwise correlation matrix. The independent variables are coded as follows: Listening timing (1 = listening before apologizing, 0 = listening after apologizing); Complimentary service (1 = yes, 0 = no).

$^*p < .10$, $^{**}p < .05$, $^{***}p < .01$

Figure 1. A conceptualization of active listening

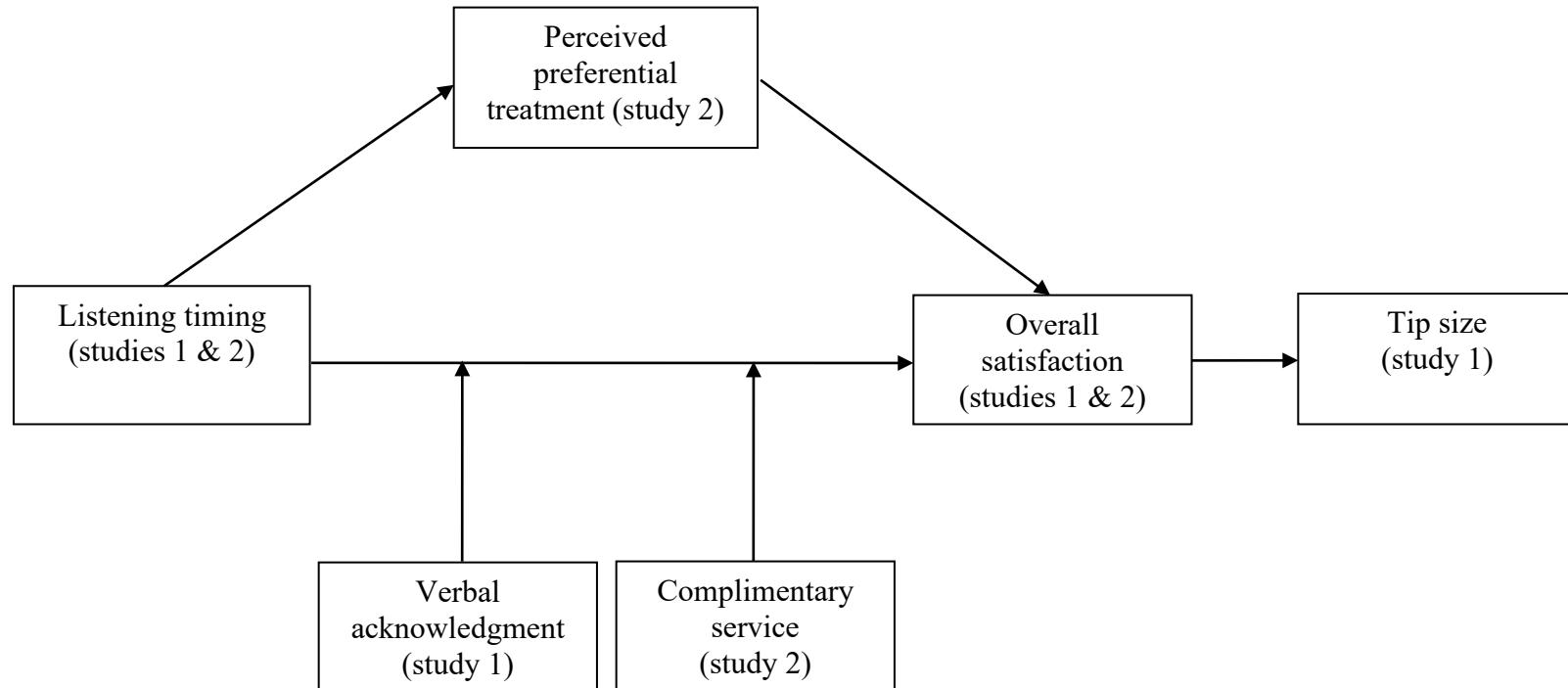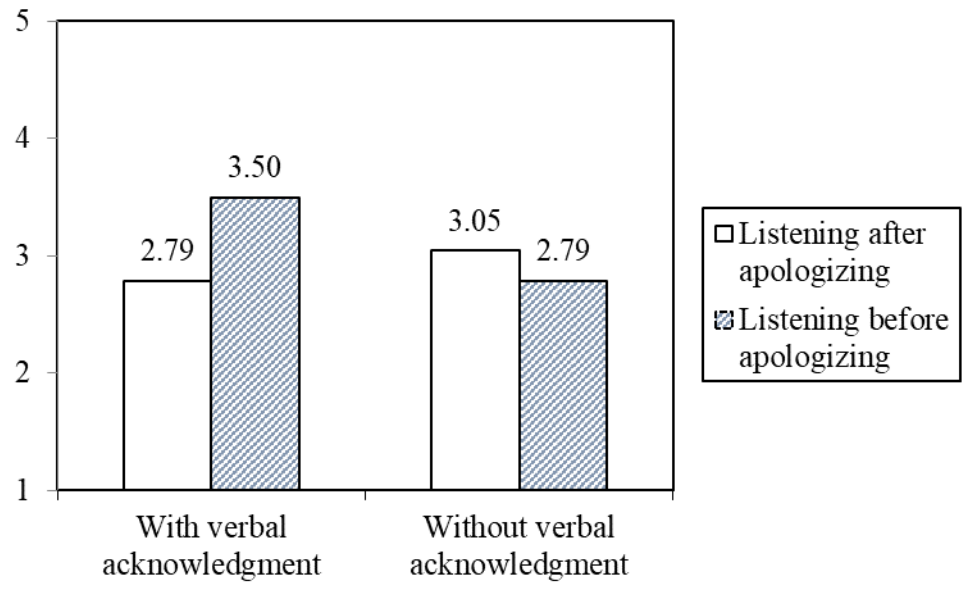|		Listening Timing	
		Listening *before* apologizing	Listening *after* apologizing
Verbal acknowledgment	Yes	Active listening	Passive listening
	No	Passive listening	Passive listening

Figure 2. A proposed model

Figure 3. Customer response to listening timing and verbal acknowledgment (Study 1)

(1) Dependent variable: Overall satisfaction

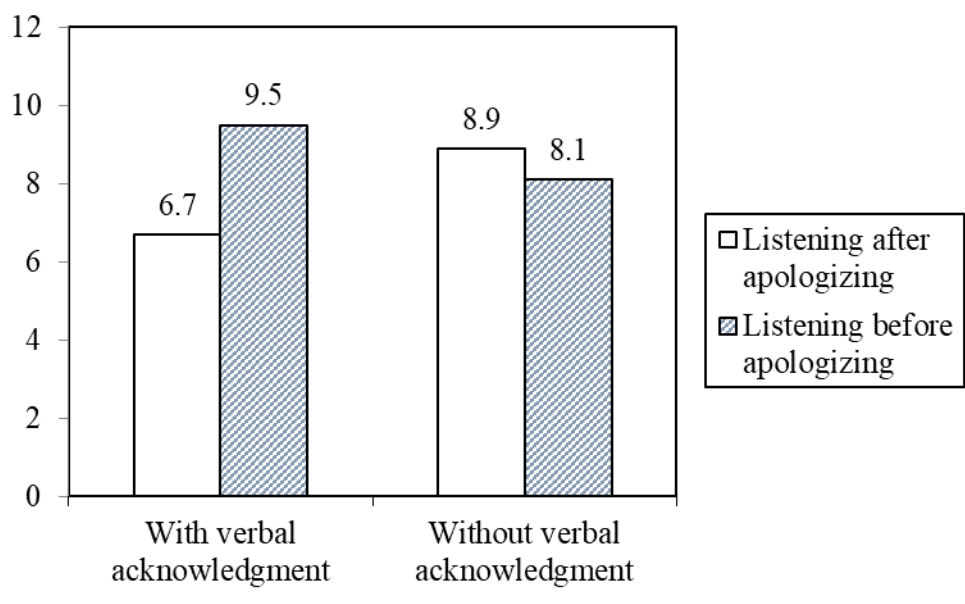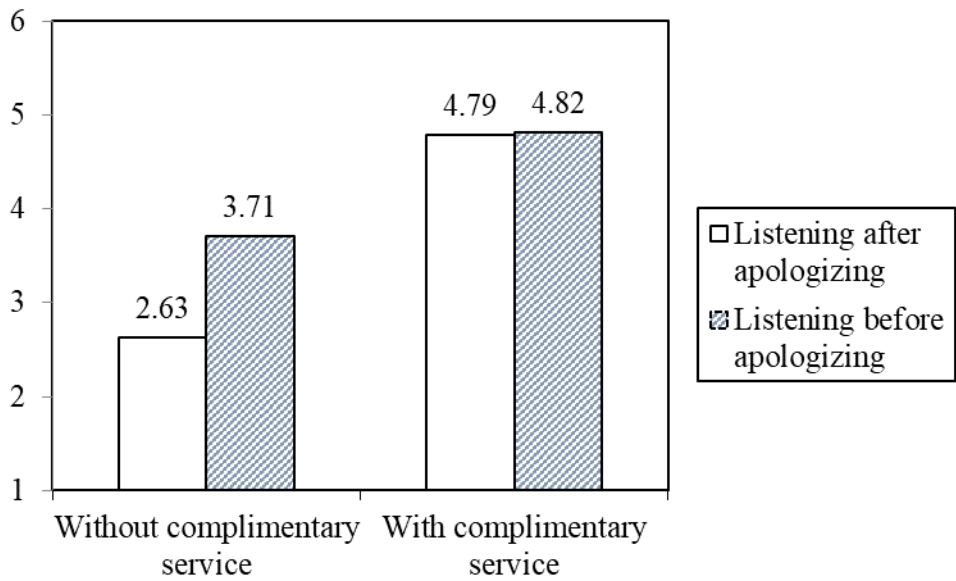(2) Dependent variable: Tip size (%)

Figure 4. Customer response to listening timing and complimentary service (Study 2)

(1) Dependent variable: Overall satisfaction

(2) Dependent variable: Perceived preferential treatment