

The effect of service recovery on socially distant third-party customers: an experimental research on emotions, forgiveness, repatronage intention and WoM

Socially distant
third-party
customers

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Abstract

Purpose – Service failures usually occur in front of third-party customers. Third-party customers react emotionally and behaviorally to service failure and recovery efforts aimed at focal customers. However, there is a gap in the literature on how third-party customers react to a service failures incident and a recovery over another customer, depending on how socially close or distant they are from. This study investigates the effect of third-party customers' emotions on consumer forgiveness, negative word-of-mouth (WoM) and repatronage intentions in the service recovery process by comparing close and distant third-party customers.

Design/methodology/approach – This study utilizes a 2 (social distance to the focal customer: close, distant) \times 2 (service recovery: yes, no) between-subjects design. The authors used a scenario-based experiment to test the proposed hypotheses. A total of 576 respondents were involved in the study.

Findings – The results from the authors' scenario-based experimental study show that positive and negative emotions felt by distant third-party customers are higher than those of close third-party customers. In addition, the effect of positive emotions on customer forgiveness is more substantial for distant third-party customers. Third, moderated-mediation analysis indicates that social distance has a moderator effect only on the relationship between positive emotions and customer forgiveness.

Originality/value – This study contributes to the service literature by comparing socially close and socially distant third-party customers' reactions to service failure and recovery attempts.

Keywords Service failure, Service recovery, Third-party customers, Emotions, Customer forgiveness

Paper type Research paper

1. Introduction

Service encounters are frequently occupied by the simultaneous presence of many customers (Grove and Fisk, 1997), and service failures are simply unavoidable in the servicescape (Harrison-Walker, 2019a), as long as human factors and circumstantial complexities play a role (Kron *et al.*, 2023). Since a customer shares the same environment with many people, third-party customers as observers are an inseparable part of the service experience (Miao and Mattila, 2013). Third-party customers who are in the service environment simultaneously with focal customers (Sreejesh *et al.*, 2017) often have the opportunity to observe the service consumption experiences of others (Cowley, 2005).

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Stores, hotels, restaurants, banks and airports are common places where service failures and service recovery attempts are witnessed by third-party customers (Casidy and Shin, 2015). The service marketing literature has focused heavily on the effect of service failures and recovery strategies on focal customers (Brown *et al.*, 1996; Maxham, 2001; Smith and Bolton, 2002; DeWitt *et al.*, 2008; Mattila and Ro, 2008; Ozkan-Tektas, 2017; Komunda and Osarenkhoe, 2012; Xu *et al.*, 2019). However, studies investigating the reactions of third-party customers in the service failure and recovery process are limited (Sharma *et al.*, 2020). These studies focus on comparing focal customers and third-party customers in terms of forgiveness and negative WoM (Casidy and Shin, 2015; Shin *et al.*, 2018), satisfaction (Sharifi *et al.*, 2017), emotions (Mattila *et al.*, 2014) and perceived justice (Mattila *et al.*, 2014; Shin *et al.*, 2018). These studies assumed that no relationship between focal and third-party customers exists. However, studies in the service marketing literature show that service customers can share a service environment with people they do not know at all, as well as acquaintances, friends and family (Wan, 2013). In these two cases, differences may occur in the perception and evaluation of service performance by the customer receiving the service. For instance, Mantovani *et al.* (2018) and Fan *et al.* (2015) stated that customers who receive the service with a relative or friend may evaluate the service differently. Therefore, social distance should be considered as a factor that makes a difference in service perception and should be investigated. In this study, social distance in terms of third-party customers is investigated as close and distant third-party customers. By “close third-party customers”, we mean customers who have close social relationships with the focal customer, like a friendship. On the other hand, by “distant third-party customers” we mean customers who have no prior relationship with the focal customer.

Further, this study contributes to the relevant literature by addressing Shin *et al.*'s (2018) call for future research regarding the influence of emotions on customer forgiveness in the servicescape by emphasizing the different emotional reactions of victim and observer. Customers frequently experience positive or negative emotions during service interactions (Lee *et al.*, 2020). Emotions play a key role in customers' decision-making process and in forming attitudes and behaviors towards services (Wen *et al.*, 2018). Negative emotions lead to negative WoM, complaining and switching behavior (Mattila and Ro, 2008; Harrison-Walker, 2019a), whereas positive emotions lead to positive WoM, satisfaction and repatronage intention (White, 2010; Mathur and Gupta, 2019; Xu *et al.*, 2019). Although it is known that the emotions felt during service failure and recovery process affect consumers' future behavioral intentions, there is no evidence of the effect of emotions on customer forgiveness. Thus, research on how third-party customers as observers react emotionally and behaviorally following a service failure and recovery efforts depending on how socially close or distant they are from focal customers and the effect of emotions on customer forgiveness has been lacking in the literature.

This study uses deontic justice theory (DJT) and construal-level theory (CLT) as theoretical anchors. Building on these theories and past studies, this research investigates how third-party customers as observers react emotionally and behaviorally when they witness a close friend (versus a stranger) encounter a service failure incident followed by an offered (versus not offered) service recovery in the same shared service environment. More specifically, this study has two main objectives. First, it explores whether third-party customers show different levels of negative and positive emotions to service failure incidents followed by offered (or not offered) recovery efforts directed at their close friends versus strangers. Second, this study examines whether the effect of emotions on negative WoM and repatronage intention is mediated by customer forgiveness based on how socially close to or distant from the target customer is.

The following section provides conceptual background and research hypotheses. Then, the methodology of the present research is explained and analyses for hypotheses testing are conducted, followed by a discussion of the findings. Finally, the study concludes by

discussing the managerial and theoretical implications, limitations and directions for future research.

Socially distant
third-party
customers

2. Literature review and hypothesis development

2.1 *Third-party customers: deontic justice theory and construal-level theory as theoretical anchor*

A service failure is any mistake, wrongdoing, insufficiency or problem that occurs during the service delivery, causing delay and preventing the meeting of customers' needs (Koc, 2019). Inequity, injustice, unfair treatment and uncivil behaviors from service providers are also seen as service failure in restaurants, airports and wedding photographer services based on DJT (Mattila *et al.*, 2014; Casidy and Shin, 2015; Shin *et al.*, 2018; Karabas *et al.*, 2019). Deontic justice is treating others as they should or deserve to be treated by adhering to standards of right and wrong. In other words, deontic justice is a judgment about the morality of an outcome, process or interpersonal interaction (Cropanzano *et al.*, 2003). Service encounters are characterized by the presence of third-party customers such as family and acquaintances or strangers in the same social consumption environment (Wan, 2013), and service failures are inevitable and likely to be witnessed by third-party customers (Shin *et al.*, 2018). Thus, third-party customers can also witness incivilities and unfair treatment occurring between other actors in service settings (Karabas, 2018). Research in the psychology literature have shown that observing the unfair treatment of others leads to emotional, behavioral and attitudinal responses even when they are not affected (Casidy and Shin, 2015). When third-party customers observe a focal customer being treated irreverently and unfairly, it will likely reveal perceptions of deontic injustice (Karabas, 2018).

On the other hand, the CLT of psychological distance assumes that low-level construals represent events, humans or psychologically close objects. In contrast, psychologically distant events, humans or objects are represented by high-level construals. Low-level construals are concrete, detailed and contextualized features and high-level construals are abstract, schematic and decontextualized (Trope *et al.*, 2007; Trope and Liberman, 2010). Psychological distance is a subjective experience associated with being close or distant to a person, place, event or mental representation (Trope and Liberman, 2010; Williams *et al.*, 2014). As psychological distance increases, construal becomes more abstract and high-level (Trope and Liberman, 2010). According to CLT, psychological distance consists of four different dimensions: Temporal distance (e.g. near vs distant future), social distance (e.g. stranger vs friend), hypothetical distance (e.g. certain vs uncertain) and spatial distance (e.g. here vs there) (Trope *et al.*, 2007; Trope and Liberman, 2010; Lo *et al.*, 2019). This study utilizes social distance, which is a dimension of psychological distance. Social distance is a subjective perception of distance from another person or others (Magee and Smith, 2013). Social distance affects the thoughts and behaviors of individuals (Trope *et al.*, 2007). The more socially distant people feel, they think more abstractly and are less susceptible to concrete details when they think, feel and make decisions referred to as high-level construals (Kim *et al.*, 2008; Williams *et al.*, 2014).

2.2 *The effect of service failure and service recovery on third-party customers' emotions*

Customers are crucial assets for companies. Therefore, firms should try to meet customers' expectations by meeting or exceeding them the first time (Miller *et al.*, 2000) to create superior customer satisfaction (Choi and Kim, 2013). However, failures are an unavoidable feature of all human endeavors and, thus, also of service delivery (Boshoff, 1997). Service failures may be highly costly for businesses since customers frequently change service providers after experiencing failures (Koc, 2017). At this point, service recovery is critically significant for the establishment or maintenance of customer relationships to minimize costs (Wang *et al.*, 2011).

Service recovery is a process in which a company undertakes in response to a service failure to bring dissatisfied customers to a state of satisfaction (Singh and Mishra, 2023).

Most prior service recovery research have examined the effect of service recovery on focal customers who experienced service failure (e.g. Komunda and Osarenkhoe, 2012; Ozkan-Tektas and Basgoze, 2017; Xu *et al.*, 2019). However, only a few studies have focused on third-party customers who observe service failure and recovery efforts aimed at the focal customer (e.g. Mattila *et al.*, 2014; Casidy and Shin, 2015). Observing service failure and service recovery interactions between the service provider and focal customer leads to third-party customers reacting behaviorally and emotionally (Van Vaerenbergh *et al.*, 2013; Mattila *et al.*, 2014). One of the theories explaining the reactions of third-party customers is the DJT. DJT claims that when people witness unfair practices from transgressors to others, they tend to show adverse reactions even if they risk losing their resources (Turillo *et al.*, 2002; Cropanzano *et al.*, 2003). In a servicescape, observing a service failure in the form of unethical transgression induces third-party customers' negative emotions (Sharma *et al.*, 2020) even if they are not affected by this service failure and have a positive service experience (Shin *et al.*, 2018; Mattila *et al.*, 2014). Similarly, third-party customers react positively to service recovery efforts, including apologies and compensation aimed at focal customers (Sharifi *et al.*, 2017). Service recovery toward focal customers can enhance observing customers' perceptions of fairness (Shin *et al.*, 2018). Mattila *et al.* (2014) state that witnessing a good service recovery, including compensation, apology and explanation, leads to higher positive emotions such as happiness, excitement and pleasure among third-party customers.

Although previous studies explain the emotions of third-party customers based on DJT, CLT, which takes the subject from a different perspective, is also a guide in explaining the emotions of third-party customers. CLT explains how psychological distance affects the evaluations and behaviors of individuals (Trope and Liberman, 2010). CLT suggests that a person's values and moral principles are more likely to be activated when considering more psychologically distant situations (Eyal and Liberman, 2012). Therefore, when the actions are distant from being psychologically close, people evaluate the immoral actions as more offensive and the moral actions as more virtuous (Eyal *et al.*, 2008). In a social distance context, psychologically distant individuals may feel and interpret negative and positive events more intensely because abstract thinking helps the person to put himself in another person's place and provide a mental transition (Liberman and Trope, 2008; Dogan, 2018). Thus, high-level construal may cause people to attribute immoral behavior to the perpetrators of immoral events and generate higher-intensity negative emotions.

Conversely, people nearby may be more inclined to adopt the low-level construal, believing it is an accidental phenomenon and generates a lower intensity of negative emotions (Tang *et al.*, 2019). For example, Sharma *et al.* (2020), in their netnography study, revealed that socially distant third-party customers are the most affected by service failures that violate prescriptive norms of unethical social and human behavior and those who witness such unethical service failures can arouse extreme emotions. In addition, since effective service recovery strategies, including apology and compensation for such service failures, enhance third-party customers' justice perception (Mattila *et al.*, 2014), applying such service recovery strategies can be considered virtuous and correct behaviors. Thus, when service recovery is not offered, third-party customers who are socially distant from focal customers may show higher negative emotions. When effective service recovery is offered, they may show higher positive emotions. In this context, the first two hypotheses of the study are formed as follows:

- H1. Distant third-party customers will demonstrate higher levels of negative emotions than close third-party customers when service recovery is not offered.
- H2. Distant third-party customers will demonstrate higher levels of positive emotions than close third-party customers when service recovery is offered.

2.3 The effect of third-party customers' emotions on customer forgiveness

Emotions are critical in understanding the consumption experience (Mattila and Enz, 2002; Lin and Liang, 2011). Positive emotions provide beneficial results such as customer satisfaction, repatronage intention and positive WoM during service failure and service recovery process (Wang, 2009; Wen and Chi, 2013; Yan *et al.*, 2018). On the other hand, negative emotions cause harmful results such as dissatisfaction, switching service providers, complaining, revenge and negative WoM (Bougie *et al.*, 2003; Mattila and Ro, 2008; Wen-Hai *et al.*, 2018). Although these results are primarily demonstrated in the literature, customer forgiveness as a positive outcome after service failure and service recovery has received less attention (Casidy and Shin, 2015; Tsarenko *et al.*, 2019; Muhammad and Gul-e-Rana, 2019). In the last decade, customer forgiveness has gained attention in service marketing (Joireman *et al.*, 2016; Yagil and Luria, 2016; Harrison-Walker, 2019b; Tsarenko *et al.*, 2019; Muhammad and Gul-e-Rana, 2019). Customer forgiveness is essential in service failure and recovery research (Kim *et al.*, 2023). However, no studies investigated the effects of negative and positive emotions on customer forgiveness following a service failure and recovery. Furthermore, Shin *et al.* (2018) suggested that researchers investigate the relationship between emotions and forgiveness regarding third-party customers' perspectives for future research. Customer forgiveness is a process of letting go of negative emotions associated with the service failure and becoming motivated to act constructively toward the service provider (Chung and Beverland, 2006). Customer forgiveness occurs when anger reduces and the desire for revenge sinks. It demonstrates a tendency to be friendly toward the service firm (Muhammad and Gul-e-Rana, 2020).

Effective recovery strategies include an apology, compensation and an opportunity for the voice to eliminate negative emotions and forgive service providers (Harrison-Walker, 2019b). However, a lack of service recovery, such as apology, voice and compensation, leads to remaining negative emotions (Hui and Au, 2001) and prevents the customer's forgiveness (Tsarenko and Tojib, 2011). Positive emotions facilitate self-regulatory actions and thus enable positive and constructive behaviors, whereas negative emotions impair self-regulatory actions and thus negatively contribute to maintaining social relationships (Cremer and Van Hiel, 2006). Considering that the basis of forgiveness is to release resentment and anger (Hargrave and Sells, 1997) and become motivated to act constructively towards the wrongdoer (Chung and Beverland, 2006), positive emotions may facilitate customer forgiveness, while negative emotions may hinder customer forgiveness. Tam *et al.* (2007) stated that intergroup emotions such as anger and fear are negatively related to forgiveness, whereas Worthington and Scherer (2004) stated that positive emotions such as empathy, sympathy, compassion or love promote forgiveness. Therefore, it can be expected that when service recovery is not offered, negative emotions will remain and negatively affect customer forgiveness. However, when service recovery is offered, third-party customers show positive emotions, positively affecting customer forgiveness.

When it comes to social distance in terms of CLT, socially distant third-party customers interpret more harshly immoral behaviors (Žeželj and Jokić, 2014) such as service failure in the form of injustice and unfair treatment, while moral behaviors are evaluated more positively (Eyal *et al.*, 2008). Because values and moral rules tend to be abstract, the increase in social distance allows people to focus on the essence of the event, not the details and pushes them to think abstractly (Eyal and Liberman, 2012; Mårtensson, 2017). In addition, as suggested in the previous hypotheses, distant third-party customers may show higher levels of negative emotions against service failures and higher levels of positive emotions toward efficient service recovery efforts. Therefore, the positive and negative emotions displayed by socially distant third-party customers, who are likely to react more strongly to service failures and more positively to service recovery efforts, may have a more substantial impact on customer forgiveness. Taken together, this study claims that the positive (negative) effect of

positive (negative) emotions on customer forgiveness will be stronger for distant third-party customers compared to close third-party customers when service recovery is offered (not offered). Thus, the following hypotheses are proposed:

- H3. The positive effect of positive emotions on customer forgiveness is stronger for distant third-party customers than close third-party customers when service recovery is offered.
- H4. The negative effect of negative emotions on customer forgiveness is stronger for distant third-party customers than close third-party customers when service recovery is not offered.

2.4 Mediating role of customer forgiveness

Although literature assumes that effective service recovery and emotions have a direct and indirect effect on WoM and repatronage intention (Swanson and Kelley, 2001; Kau and Loh, 2006; Mattila and Ro, 2008; Wen-Hai *et al.*, 2018) some customers may not return to this company and still tell others about their experience regarding the service failure (Harrison-Walker, 2019b). For example, Berry *et al.* (1990) and Zeithaml *et al.* (1996) showed that no service failure situation provides better outcomes compared to effective service recovery after a service failure (cited in Lin *et al.*, 2011). This situation reveals an incomplete structure in evaluating the relationship between recovery strategies and their outcomes. Service recovery in increasing repatronage intentions and decreasing negative WoM depends on whether the customers forgive the company or not. Thus, customer forgiveness may be the mechanism for explaining this structure (Harrison-Walker, 2019b).

Furthermore, Manthiou *et al.* (2020) argue that positive emotions do not automatically lead to positive consumption results and negative emotions may not necessarily generate negative results. Thus, we propose that customer forgiveness as a coping strategy completes the structure between emotions and behavioral outcomes such as repatronage intention and WoM after service failure and recovery. Stress and coping theory (Lazarus and Folkman, 1984) states that stress occurs when a person encounters a transgression. In response, a person employs some coping mechanisms to remove the effects of transgression (Riaz and Khan, 2016). Forgiveness facilitates mitigating stressful actions and may increase the motivation to conciliate and restore a relationship with the offender (McCullough *et al.*, 1997; Tsarenko and Tojib, 2011). Hence, customer forgiveness as a coping strategy may diminish negative emotions' harmful effects and increase positive emotions' desired effects on behavioral outcomes. In addition, customer forgiveness increases repatronage intentions while decreasing negative WoM (Harrison-Walker, 2019b; Muhammad and Gul-e-Rana, 2020).

In line with the abovementioned explanations, emotions may indirectly affect negative WoM and repatronage intention through customer forgiveness. Considering this indirect effect regarding social distance, as explained in H3 and H4, it is assumed that the effect of positive and negative emotions on customer forgiveness may differ according to social distance. Similarly, it is assumed that the effect of customer forgiveness on negative WoM and repatronage intention may differ based on social distance. CLT suggests that as social distance increases, people think abstractly and interpret events or situations at a high level (Eyal and Liberman, 2012). On the other hand, a decrease in social distance between the parties causes a mentally low-level, concrete and detailed interpretation of the events (Trobe *et al.*, 2007). Therefore, mental constructs that occur at high and low levels also affect people's decisions, behaviors and judgments. From third-party customer perspectives, He *et al.* (2019) stated that the reactions of third-party customers who observe unethical behavior of customers depend on how they mentally construct the events. Within this logic, reactions of

third-party customers who witness a service failure incident and a recovery over focal customers may also vary depending on social distance. Thus, the following hypotheses are proposed:

Socially distant
third-party
customers

- H5.* The indirect effect of negative emotions on negative WoM mediated by customer forgiveness differs depending on close third-party customers and distant third-party customers when service recovery is not offered.
- H6.* The indirect effect of positive emotions on repatronage intention mediated by customer forgiveness differs depending on close third-party customers and distant third-party customers when service recovery is offered.

3. Research methodology

3.1 Procedure and participants

This study utilizes a 2 (social distance to the focal customer: close, distant) \times 2 (service recovery: yes, no) between-subjects design. A scenario-based experiment to test the proposed hypotheses. For years, scenarios have been frequently used in service failure and service recovery research (e.g. [Brown et al., 1996](#); [Smith and Bolton, 2002](#); [Mattila and Ro, 2008](#); [Kim and Lee, 2012](#); [Kim and Baker, 2020](#)). Scenarios have the advantage of minimizing biases from memory lapses, rationalization tendencies and consistency factors ([Smith et al., 1999](#)).

Respondents were randomly assigned to one of the four scenarios. Respondents were asked to imagine themselves observing a focal customer in a scenario. The scenario describes the third-party customer observing an overbooking service failure incident where the check-in desk is at the hotel lobby and the focal customer complaints to the service provider about why she/he cannot stay at the hotel even though her/his reservation is confirmed and payment is paid in advance. Social distance to the focal customer is manipulated as the failure happens to the close friend of a third-party customer or another customer (the third party has no prior relationship with the focal customer) in the scenarios. Service recovery is manipulated as no recovery or adequate recovery condition (apology, explanation and compensation) (see [Appendix](#)). After reading the scenario, respondents answered a survey about their reactions to the conditions in the scenario.

The study context involves the hotel sector. For this reason, the participants who read the scenarios in the study need to be generally composed of people who can go to five-star hotels and holiday villages, as it helps to increase the external validity of the study and to ensure the realism of the scenarios ([Weun et al., 2004](#)). Therefore, this study chose people who live in Turkey and can usually go on vacation. Household socio-economic status (SES) index is used to define the research population correctly. SES is a SES grouping applicable in all sectors in terms of consumer analysis and target audience approaches in marketing activities in Türkiye with various criteria directly related to education, employment status, occupation, income and consumption ([TUAD, 2012](#)). According to the SES index, consumers in groups A, B and C1 can usually go to five-star hotels and holiday villages. This corresponds to 35% of Türkiye's population. Since the scope of the study is determined to be the whole of Türkiye, the TURKSTAT Statistical Regional Units Classification (1st level) has been considered. According to the TURKSTAT Statistical Regional Units Classification, Türkiye is divided into 12 regions. It was decided to conduct the study with the subjects to be obtained from these 12 regions to obtain a sample that would represent the whole of Türkiye. In this direction, participants in the A, B and C1 groups in the SES index are equally included in the study, with an equal number of participants from 12 regions using the quota sampling method. In addition, because it is not possible to achieve a complete list of the target population, the convenience sampling technique is used. This study is financially supported

by The Scientific and Technological Research Council of Türkiye (TUBITAK), and the data were gathered through a private survey firm. 576 respondents were involved in the study using a self-administered questionnaire. The demographic profile of the data sample is provided in [Table 1](#).

3.2 Measures

After reading the relevant scenario, respondents answered questions about negative and positive emotions, customer forgiveness, negative WoM and repatronage intention. The five-point Likert-type scale (5 = strongly agree, 1 = strongly disagree) was used to measure the items. Negative and positive emotions were each measured using a five-item scale adapted from [Schoefer and Diamantopoulos \(2008\)](#). Customer forgiveness was measured using a four-item scale adapted from [Hur and Jang \(2019\)](#). Negative WoM and repatronage intention were each measured using a three-item scale adapted from [Blodgett et al. \(1997\)](#). Since the measurement items used in this study were in English, scales were translated into Turkish by the authors to ensure conceptual equivalence ([Douglas and Craig, 2007](#)). The scales were

| | <i>N</i> | % |
|------------------|----------|------|
| <i>Gender</i> | | |
| Female | 288 | 50 |
| Male | 288 | 50 |
| <i>Cities</i> | | |
| İstanbul | 48 | 8.3 |
| Kırklareli | 48 | 8.3 |
| İzmir | 48 | 8.3 |
| Eskişehir | 48 | 8.3 |
| Ankara | 48 | 8.3 |
| Antalya | 48 | 8.3 |
| Kayseri | 48 | 8.3 |
| Samsun | 48 | 8.3 |
| Trabzon | 48 | 8.3 |
| Erzurum | 48 | 8.3 |
| Malatya | 48 | 8.3 |
| Gaziantep | 48 | 8.3 |
| <i>Age</i> | | |
| 18–24 | 81 | 14.1 |
| 25–34 | 174 | 30.2 |
| 35–44 | 166 | 28.8 |
| 45–54 | 117 | 20.3 |
| >55 | 38 | 6.6 |
| <i>Education</i> | | |
| High school | 193 | 33.5 |
| University | 331 | 57.4 |
| Graduate | 52 | 9 |
| <i>Income</i> | | |
| Low | 56 | 9.7 |
| Middle | 313 | 54.3 |
| High | 202 | 36 |

Table 1.

Sample demographics

Source(s): Table created by author

translated from English to Turkish using the back-to-back translation technique. Two marketing scholars and professionals also checked translations.

Furthermore, questions were asked for manipulation checks, scenario realism and demographic characteristics. For the manipulation check for social distance, respondents were asked to choose a statement of the event described in the scenario (i.e. “It happened to a close friend of mine” or “It happened to someone I do not know”). All respondents chose the expected statement depending on the condition in the scenarios. The manipulation check for the service failure and service recovery was measured using a three-item scale (“How much did the incident disturb you?”, “How fair do you think the hotel was in the incident you witnessed in the scenario?”, “In the incident described above, the hotel recovered for the service failure”). There is expected to be a significant difference between socially close scenarios and socially distant scenarios. Independent samples *t*-test results for each statement respectively (socially close: *t*: -9.671; *p* < 0.01; *t*: 2.074; *p* < 0.01; *t*: 19.086; *p* < 0.01; socially distant: *t*: -16.933; *p* < 0.01; *t*: 9.008; *p* < 0.01; *t*: 12.493; *p* < 0.01) show that manipulations worked as intended. Additionally, respondents evaluated the scenario as believable, *M* = 4.16 versus 2.50 (the midpoint) and realistic, *M* = 4.15 versus 2.50 (the midpoint) and reported that they were able to identify themselves with people and events in the scenario, *M* = 4.15 versus 2.50 (the midpoint).

4. Results

The independent sample *t*-tests were conducted to test the first two hypotheses. The results of H1, shown in Table 2, support the significant difference in the level of negative emotions (*t* = -3.102; *df* = 286; *p* < 0.05) between distant and close third-party customers. More specifically, socially distant third-party customers feel higher levels of negative emotions than close third-party customers when service recovery is not offered. Accordingly, the first hypothesis of the study was supported. The results of H2, shown in Table 2, support the significant difference in the level of positive emotions (*t* = -2.679; *df* = 265.596; *p* < 0.05) between distant and close third-party customers. More specifically, socially distant third-party customers feel higher positive emotions than close third-party customers when service recovery is offered. Accordingly, the second hypothesis of the study was supported.

The partial least squares structural equation modeling (PLS-SEM) method was used to test the other hypotheses of the study. PLS-SEM provides a better understanding of the relationships between the structures observed in various management disciplines, such as marketing (Soh *et al.*, 2017). In addition, according to Hair *et al.* (2017), the predictive power of the PLS-SEM method is high when the relationship between the two variables is examined for the first time in the literature. Since this study examines the effect of emotions on customer

| Variable | Group | <i>N</i> | Mean | Std. deviation | Equality of variances | <i>t</i> | <i>df</i> | <i>p</i> |
|-------------------|------------------------------|----------|------|----------------|-----------------------|----------|-----------|----------|
| Negative emotions | Close third-party customer | 144 | 3.90 | 0.540 | 0.771 | -3.102 | 286 | 0.002 |
| | Distant third-party customer | 144 | 4.10 | 0.569 | | | | |
| Positive emotions | Close third-party customer | 144 | 2.43 | 0.841 | 0.000 | -2.679 | 265.596 | 0.008 |
| | Distant third-party customer | 144 | 2.74 | 1.119 | | | | |

Source(s): Table created by author

Table 2.
Independent sample
t-tests results

forgiveness for the first time in the literature and a new model is proposed by considering customer forgiveness as a structure that complements the missing mechanism between emotions and repatronage intention and negative WoM, it seems reasonable to use PLS-SEM to test the hypotheses. The SmartPLS 4 program was used in the data analysis.

First, the structural model was created in SmartPLS to measure the effect of positive emotions on repatronage intention through customer forgiveness depending on social distance level when service recovery is offered (H3 and H6). Before assessing the structural model, firstly, the measurement model was tested. The assessment of the measurement model comprised the examination of the model's reliability, convergent validity and discriminant validity.

As depicted in Table 3, Cronbach's alpha, rho_A and composite reliability (CR) coefficients were checked for reliability. These coefficients should be above 0.70 (Hair *et al.*, 2017). Then, the measurement items' factor loadings and the average variance extracted (AVE) values were checked for convergent validity. Factor loadings of the measurement items are expected to be above 0.70, and the AVE value is expected to be above 0.50 (Hair *et al.*, 2014). The factor loadings of the measurement items exceeded the acceptable level of 0.70, and all AVE values were above the 0.50 threshold, indicating good convergent validity.

The heterotrait-monotrait ratio (HTMT) method and Fornell–Larcker Criterion were used for the discriminant validity. The HTMT value should be below 0.90 for close concepts and 0.85 for distant concepts (Henseler *et al.*, 2015). For the Fornell–Larcker Criterion, the square root of the AVE should be higher than its highest correlation with any other concept (Hair *et al.*, 2017). Table 4 shows that each measure's square root of AVE value is higher than correlations among latent variables, and the HTMT coefficients are below the threshold value. Therefore, it can be concluded that HTMT and Fornell–Larcker criteria are met for discriminant validity.

After ensuring the reliability and validity of the measurement model, the next step was to test the structural model. First, collinearity among independent variables, path coefficients, R^2 effect size (f^2) and predictive power (Q^2) values were examined. Since all variance inflation factor (VIF) values are lower than the threshold value of five, there is no indication of collinearity among independent variables (Hair *et al.*, 2022). R^2 values for predictive accuracy show that the customer forgiveness variable is explained at a rate of 0.38 and repatronage intention is explained at a rate of 0.73. In addition, since Q^2 values for the predictive power of endogenous variables are greater than zero, the research model has predictive power on customer forgiveness and repatronage intention (Hair *et al.*, 2017). When the model's effect

| Variables | Items | Loadings | Cronbach's alpha | rho_A | CR | AVE |
|-----------------------|--------|----------|------------------|-------|-------|-------|
| Positive emotions | PD1 | 0.778 | 0.959 | 0.966 | 0.959 | 0.826 |
| | PD2 | 0.918 | | | | |
| | PD3 | 1.016 | | | | |
| | PD4 | 0.968 | | | | |
| | PD5 | 0.845 | | | | |
| Customer forgiveness | FOR1 | 0.844 | 0.935 | 0.937 | 0.935 | 0.784 |
| | FOR2 | 0.858 | | | | |
| | FOR3 | 0.884 | | | | |
| | FOR4 | 0.951 | | | | |
| Repatronage intention | REPAT1 | 0.951 | 0.926 | 0.931 | 0.927 | 0.810 |
| | REPAT2 | 0.834 | | | | |
| | REPAT3 | 0.910 | | | | |

Table 3. Results regarding the measurement model of the H3 and H6

Source(s): Table created by author

| | | Customer forgiveness | Positive emotions | Repatronage intention | Social distance | Socially distant third-party customers |
|---------------------------|-----------------------|----------------------|-------------------|-----------------------|-----------------|--|
| Fornell–Larcker criterion | Customer forgiveness | 0.885 | | | | |
| | Positive emotions | 0.586 | 0.909 | | | |
| | Repatronage intention | 0.823 | 0.667 | 0.900 | | |
| | Social distance | -0.013 | 0.156 | 0.111 | 1.000 | |
| HTMT | Customer forgiveness | | | | | |
| | Positive emotions | 0.581 | | | | |
| | Repatronage intention | 0.824 | 0.665 | | | |
| | Social distance | 0.064 | 0.158 | 0.111 | | |

Note(s): Diagonal elements are the square root of AVE; of-diagonal elements are the correlations among constructs

Table 4. Discriminant validity results for the model of H3 and H6

Source(s): Table created by author

size (f^2) is examined, it is seen that positive emotions have a negligible effect size of 0.04 on customer forgiveness and a moderate effect size with a coefficient of 0.18 on repatronage intention. On the other hand, customer forgiveness has a high effect size with a coefficient of 0.55 on repatronage intention (Cohen, 1988; Yildiz, 2021).

Finally, p and t values were calculated by taking 10,000 subsamples with bootstrapping to evaluate the significance of the hypotheses and path coefficients related to the structural model (Hair *et al.*, 2022). Table 5 shows the results regarding the direct, indirect and moderating effects.

As shown in Table 5, customer forgiveness has a significant positive effect ($\beta = 0.773$; $p < 0.01$) on repatronage intention. Positive emotions have a significant positive effect on customer forgiveness ($\beta = 0.311$; $p < 0.01$) and repatronage intention ($\beta = 0.282$; $p < 0.01$). BootLLCI and BootULCI (95% CI) values were examined to determine whether the mediating effect was significant in the indirect effect analysis. Table 4 shows that customer forgiveness has a mediating role in the effect of positive emotions on repatronage intention ($\beta = 0.282$; $p < 0.01$; CI = 0.073, 0.433). Furthermore, the interaction terms (Social Distance \times Customer

| Path | Path coefficients (β) | Std. deviation | t value | p value | BootLLCI, BootULCI |
|--|-------------------------------|----------------|-----------|-----------|--------------------|
| Customer forgiveness \rightarrow Repatronage intention | 0.773 | 0.102 | 7.595 | 0.000 | {0.599, 0.998} |
| Positive emotions \rightarrow Customer forgiveness | 0.311 | 0.105 | 2.954 | 0.003 | {0.101, 0.516} |
| Positive emotions \rightarrow Repatronage intention | 0.282 | 0.061 | 4.638 | 0.000 | {0.160, 0.399} |
| Positive emotions \rightarrow Customer forgiveness \rightarrow Repatronage intention | 0.241 | 0.092 | 2.618 | 0.009 | {0.073, 0.433} |
| Social distance \times Customer forgiveness \rightarrow Repatronage Intention | -0.169 | 0.126 | 1.336 | 0.182 | {-0.451, 0.054} |
| Social distance \times Positive emotions \rightarrow Customer forgiveness | 0.432 | 0.136 | 3.179 | 0.001 | {0.158, 0.695} |

Source(s): Table created by author

Table 5. Structural relationships and results of H3 and H6

Forgiveness) and (Social Distance \times Positive Emotions) were created to test the effects of the social distance variable in the research model. The findings show that the effect of positive emotions on customer forgiveness differs depending on social distance ($\beta = 0.432$; $CI = \{0.158, 0.695\}$; $p < 0.01$). Therefore, H3 was supported. On the other hand, the interaction term (Social Distance \times Customer Forgiveness) is not significant in the path between customer forgiveness and repatronage intention ($\beta = -0.169$; $CI = \{-0.451, 0.054\}$; $p = 0.18$). Thus, H6 is partially supported.

Figure 1 presents the graphical representation of the effects of the interaction term (Social Distance \times Positive Emotions) on the positive emotions and customer forgiveness relationship. As Figure 1 shows, the effect of positive emotions on customer forgiveness is positive and significant for both socially distant and close third-party customers. However, this effect is stronger for socially distant third-party customers. In other words, as positive emotions increase, distant third-party customers' forgiveness levels increase more than close third-party customers.

Regarding the moderating role of social distance, the interaction term (Social Distance \times Customer Forgiveness) was not significant in the path between customer forgiveness and negative word-of-mouth (WoM) ($\beta = 0.352$; $p = 0.143$). On the other hand, the interaction term (Social Distance \times Negative Emotions) has no significant moderating effect on the path between negative emotions and customer forgiveness ($\beta = -0.025$; $p = 0.999$).

A structural model was created in the SmartPLS program to measure the effect of negative emotions on negative WoM through customer forgiveness depending on social distance level when service recovery is not offered (H4 and H5). Firstly, the measurement model was tested, as depicted in Table 6. Cronbach's Alpha, rho_A and CR values were above 0.70, presenting the reliability of the measures. The factor loadings of the measurement items exceed the acceptable level of 0.70 except for two items (ND1 = 0.494 and ND3 = 0.278). Hair et al. (2022) suggest that indicator loadings between 0.40 and 0.70 should be excluded from the model if

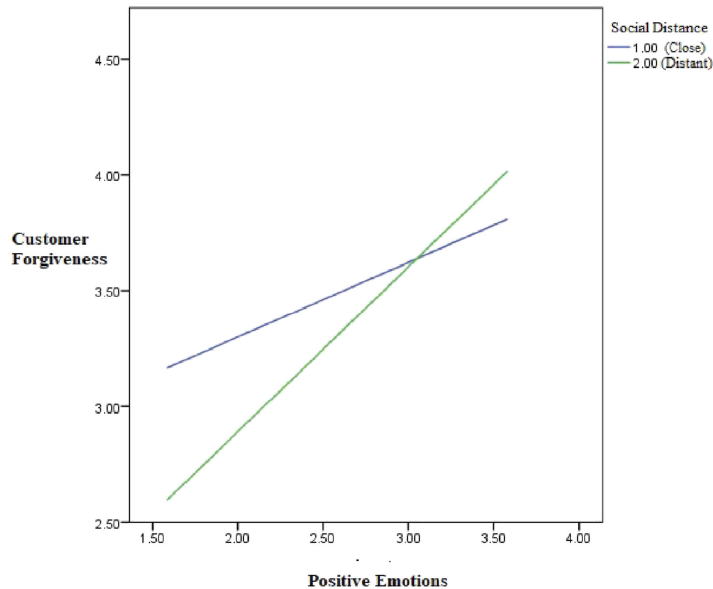


Figure 1.
Interaction between positive emotions and social distance on customer forgiveness

Source(s): Created by author

| Variables | Items | Loadings | Cronbach's alpha | rho_A | CR | AVE | Socially distant third-party customers |
|----------------------|-------|----------|------------------|-------|-------|-------|--|
| Negative emotions | ND1 | 0.461 | 0.819 | 0.836 | 0.800 | 0.512 | |
| | ND2 | 0.677 | | | | | |
| | ND4 | 0.894 | | | | | |
| | ND5 | 0.759 | | | | | |
| | FOR1 | 0.942 | | | | | |
| Customer forgiveness | FOR2 | 0.816 | 0.930 | 0.929 | 0.927 | 0.760 | |
| | FOR3 | 0.869 | | | | | |
| | FOR4 | 0.855 | | | | | |
| | NWOM1 | 0.903 | | | | | |
| Negative WoM | NWOM2 | 0.953 | 0.942 | 0.944 | 0.943 | 0.846 | |
| | NWOM3 | 0.903 | | | | | |

Source(s): Table created by author

Table 6. Results regarding the measurement model of the H4 and H5

their AVE or CR values are below the threshold value. Hence, firstly, the ND3-coded indicator was removed from the measurement model, and the model was analyzed again. As a result of the analysis, it was seen that the CR value was above 0.70, and the AVE value was above the 0.50 threshold. Therefore, items with factor loadings between 0.40 and 0.70 were not removed from the measurement model. Thereby, good convergent validity is provided. The heterotrait-monotrait ratio (HTMT) method and Fornell–Larcker Criterion were used for the discriminant validity. Table 7 shows that each measure's square root of AVE value is higher than correlations among latent variables, and the HTMT coefficients are below the threshold value. Therefore, it can be concluded that HTMT and Fornell–Larcker criteria are met for discriminant validity.

The structural model was tested after reliability and validity. First, collinearity among independent variables, path coefficients, R^2 and effect size (f^2) and predictive power (Q^2) values were examined (Yıldız, 2021). Since the VIF value of the item coded ND1 for negative emotions was greater than the threshold value, this indicator was excluded from the analysis.

| | | Customer forgiveness | Negative emotions | Negative WoM | Social distance |
|--------------------------|----------------------|----------------------|-------------------|--------------|-----------------|
| Fornell-Larcker criteria | Customer forgiveness | 0.872 | | | |
| | Negative emotions | -0.548 | 0.920 | | |
| | Negative WoM | -0.266 | 0.416 | 0.715 | |
| | Social distance | -0.479 | 0.245 | 0.246 | 1.000 |

| | | Customer forgiveness | Positive emotions | Repatronage intention | Social distance |
|------|----------------------|----------------------|-------------------|-----------------------|-----------------|
| HTMT | Customer forgiveness | | | | |
| | Negative emotions | 0.544 | | | |
| | Negative WoM | 0.245 | 0.404 | | |
| | Social distance | 0.478 | 0.245 | 0.237 | |

Note(s): Diagonal elements are the square root of AVE; of-diagonal elements are the correlations among constructs

Source(s): Table created by author

Table 7. Discriminant validity results for the model of H4 and H5

Then, since the recalculated VIF values were below the threshold value of 5, it indicated there was no collinearity among variables.

R^2 values show that customer forgiveness and negative WoM variables are explained by 0.26 and 0.40, respectively. Q^2 values for the predictive power of endogenous variables are greater than zero, indicating that the research model has predictive power on customer forgiveness and negative WoM (Hair *et al.*, 2017). When the effect size (f^2) of the model is analyzed, it is seen that negative emotions have a small effect size of -0.014 on customer forgiveness and a medium effect size of 0.172 on negative WoM communication. Customer forgiveness also has a moderate effect size with a coefficient of 0.241 on negative WoM communication (Cohen, 1988; Yıldız, 2021).

Finally, A bootstrapping procedure with a resample of 10,000 was performed to evaluate the significance of the hypotheses and path coefficients. Table 8 shows the results regarding the direct, indirect and moderating effects.

As shown in Table 8, customer forgiveness has a significant negative effect on negative WoM ($\beta = -0.595$; $p < 0.01$). Negative emotions have no significant effect on customer forgiveness ($\beta = -0.175$; $p = 0.99$) but have a significant positive effect on negative WoM ($\beta = 0.348$; $p = 0.05$). In addition, the effect of negative emotions on negative WoM mediated by customer forgiveness is not significant ($\beta = 0.104$; $p = 0.99$; CI = $-0.739, 0.873$). To check the moderating role of social distance, interaction terms were created. The interaction term (Social Distance \times Customer Forgiveness) was not significant in the path between customer forgiveness and negative WoM ($\beta = 0.352$; $p = 0.143$). The interaction term (Social Distance \times Negative Emotions) has no significant moderating effect on the path between negative emotions and customer forgiveness ($\beta = -0.025$; $p = 0.999$). In light of these results, H4 and H5 are not supported.

5. Conclusion

5.1 Discussion and theoretical contributions

The service environment implies the sharing of a physical setting with third-party customers (Furrer *et al.*, 2023), and unfortunately, service failures often occur in front of third-party customers (Mattila *et al.*, 2014). This study compares close and distant third-party customers' emotions on consumer forgiveness, negative WoM and repatronage intentions in a service environment. This study contributes to the service marketing literature in several ways. First, past research on third-party customers have examined the effect of a service failure and service recovery on the third-party customer by comparing them with the focal customer

| Path | Path coefficients (β) | Std. deviation | t value | p value | BootLLCI, BootULCI |
|---|-------------------------------|----------------|-----------|-----------|--------------------|
| Customer forgiveness \rightarrow Negative WoM | -0.595 | 0.090 | 6.648 | 0.000 | {-0.760, -0.405} |
| Negative emotions \rightarrow Customer forgiveness | -0.175 | 15.155 | 0.012 | 0.991 | {-1.492, 1.241} |
| Negative emotions \rightarrow Negative WoM | 0.348 | 0.058 | 6.005 | 0.000 | {0.234, 0.461} |
| Negative emotions \rightarrow Customer forgiveness \rightarrow Negative WoM | 0.104 | 9.269 | 0.011 | 0.991 | {-0.739, 0.873} |
| Social distance \times Negative emotions \rightarrow Customer forgiveness | -0.025 | 23.195 | 0.001 | 0.999 | {-2.327, 2.038} |
| Social distance \times Customer forgiveness \rightarrow Negative WoM | 0.352 | 0.241 | 1.463 | 0.143 | {-0.155, 0.791} |

Table 8. Structural relationships and results of H4 and H5

Source(s): Table created by author

(Mattila *et al.*, 2014; Shin *et al.*, 2018), but this study expands on that body of literature by examining how third-party customers react to a following service failure and recovery efforts depending on how socially close or distant they are from focal customers. Second, this study addresses Shin *et al.* (2018) call for future research regarding the influence of emotions on customer forgiveness. To our knowledge, no research investigates the effect of emotions on customer forgiveness in terms of third-party customer perspectives. Further, to our knowledge, this research is the earliest attempt to examine the mediator role of customer forgiveness between emotions and customer responses (repatronage intention and negative WoM). Examining this role contributes to the literature that customer forgiveness can be considered as a complementary element in the service recovery process.

Our results show that third-party customers, as observers, show negative emotions toward service failure incidents and positive emotions toward effective service recovery efforts aimed at focal customers. These results support the DJT (Cropanzoni *et al.*, 2003). Observing a service failure induces third-party customers' negative emotions (Sharma *et al.*, 2020). However, witnessing a good service recovery leads to higher positive emotions among third-party customers (Mattila *et al.*, 2014). When comparing third-party customers based on social distance, this study found that the positive and negative emotions felt by third-party customers during the service failure and recovery process differ based on social distance. Accordingly, it is found that distant third-party customers demonstrate higher levels of positive (negative) emotions when service recovery is offered (not offered) compared to close third-party customers. These results are consistent with the propositions of the CLT. The CLT proposes that a person's values and moral principles are more likely to be activated when they consider more psychologically distant situations (Eyal and Liberman, 2012). From this perspective, distant customers interpret an unfair and unequal service failure as more offensive and efficient service recovery efforts as more virtuous compared to close third-party customers as abstract thinking helps the distant third-party customers to put themselves in another person's place and to provide a mental transition.

Furthermore, the research finds that positive emotions affect customer forgiveness positively. Research findings are consistent with studies in the psychology literature. Worthington and Scherer (2004) stated that positive emotions such as sympathy, empathy and compassion facilitate the forgiveness of individuals. Indeed, when a service provider recovers from the failure effectively, customers' negative emotions can be reduced while positive emotions can be increased. Such a change in an emotional state will likely motivate the offended customer to forgive (Zourrig *et al.*, 2009). In addition, results show that the effect of positive emotions on customer forgiveness is more substantial for distant third-party customers. In other words, positive emotions facilitate forgiveness for distant third-party customers compared to close third-party customers. At this point, as stated in the results of the second hypothesis, the higher level of positive emotions of socially distant third-party customers may have caused them to be more forgiving. According to the CLT, psychologically distant individuals can feel and interpret the positive events they witness more intensely (Tang *et al.*, 2019). Thus, this proposition supports the findings of the study.

On the other hand, negative emotions do not have a statistically significant effect on customer forgiveness and social distance has no moderator effect on this path. Although there is a negative relationship between negative emotions and customer forgiveness, it is not statistically significant. In the psychology literature, Tam *et al.* (2007) stated that emotions felt between parties, such as anger and fear, were negatively related to forgiveness. However, Manthiou *et al.* (2020) stated that negative emotions may not necessarily produce negative results. Under specific consumption situations, positive and negative emotions can have opposite consequences. For example, stress (as a negative emotion) increases when one wants a reward, which is a positive outcome. At this point, although third-party customers feel

negative feelings about service failure, these feelings do not negatively affect their forgiveness.

Besides direct effects, this study also investigates the mediating effect of customer forgiveness and the moderating effect of social distance of third-party customers in the relationship of emotions and repatronage intention and negative WoM. Moderated-mediation analyses showed that social distance has a moderator effect only on the relationship between positive emotions and customer forgiveness. The effect of positive emotions on customer forgiveness differs based on the social distance of third-party customers. This effect is stronger for socially distant third-party customers. Thus, as positive emotions increase, the forgiveness levels of distant customers increase more than socially close third-party customers. Based on the CLT, psychologically distant individuals can feel and interpret the events they witness more intensely (Tang *et al.*, 2019). Since effective service recovery efforts are considered as more correct and virtuous behavior by distant third-party customers (Eyal *et al.*, 2008), it can be viewed as an expected result that the effect of positive emotions on forgiveness is stronger for distant third-party customers. In addition, customer forgiveness has a mediating effect in the relationship of positive emotions on repatronage intention. This result shows that forgiveness is a structure that complements the mechanism in the relationship between positive emotions and repatronage intention. Whether positive emotions generate repatronage intentions for distant and close third-party customers depends on whether they forgive or not. These findings are consistent with studies in the marketing literature. For example, Harrison-Walker (2019b) similarly found that customer forgiveness is a construct that complements the relationship between service recovery strategies and repatronage intention. Riaz and Khan (2016) and Tsarenko and Tojib (2015) demonstrated that customer forgiveness is a mediator between service failure and repatronage intention. In this respect, it can be stated that customer forgiveness is a structure that complements the relationship between the positive emotions of third-party customers who observe service recovery efforts in a service environment such as hotels and repatronage intention.

5.2 Managerial implications

This study examines third-party customers' reactions to service failure and recovery efforts happening to focal customers based on their social distance level in the hotel sector. This research has several significant implications for service businesses and managers, especially for the hospitality industry. Hospitality consumption often involves sharing the physical environment with third-party customers who are friends or strangers (Miao, 2014). Thus, third-party customers, as observers witness a service failure and fair or unfair service recovery attempts happen frequently in the service place (Casidy and Shin, 2015). This study reveals significant results that show that the complaint management mechanism should work more effectively for third-party customers in the hotel industry. The findings of this study show that regardless of the social distance from the focal customer, third-party customers may show adverse reactions to service failures and positive reactions to effective service recovery efforts aimed at focal customers. At this point, even if third-party customers have an excellent service experience, when they witness service failures that happen to focal customers, their perception of deontic justice comes into play. They show negative emotions and attitudinal reactions towards hotel businesses (Mattila *et al.*, 2014). Therefore, it has been seen that a service failure that occurs in a service environment cannot be isolated from the perception of third-party customers and restricted to a dyadic perspective (Sharma *et al.*, 2020).

Furthermore, third-party customers' reactions may also differ depending on their social distance level from the focal customer. Accordingly, socially distant customers show higher

negative emotions toward a service failure and higher positive emotions toward an effective service recovery. Considering that unfamiliar and socially distant customers often surround the service environment, hotel managers should be aware that distant third-party customers can also be affected by service failures and service recovery attempts at a much higher level. They also use customers' experience as a benchmark in evaluating and making decisions (Casidy and Shin, 2015). When a service failure occurs, managers and service providers should minimize the observation of this failure by third-party customers. On the other hand, carrying out service recovery efforts, as observed by third-party customers, will play a critical role in eliminating adverse reactions and generating positive emotions.

Third-party customers' positive emotions affect customer forgiveness positively. This result indicates that recovery efforts do not only create positive emotions. At the same time, positive emotions lead the third-party customer (whether close or distant from the focal customer) to forgive the service failure of the business. The importance of whether the customer forgives the hotel management or not is revealed here. Forgiveness has a mediating role in the effect of positive emotions on repatronage intention for distant and close third-party customers. As a result, the positive emotions that will occur after service recovery depend on whether the customers forgive or not in forming repatronage intentions. This result shows that hotel managers can attempt to constitute forgiveness intentions by making various explanations for third-party customers who observe service failure and subsequent recovery efforts.

Finally, managers and marketers in service enterprises can benefit from the findings of this study by getting a broader perspective on the fact that service failures and effective service recovery strategies affect not only the focal customer but also third-party customers in the service environment, especially distant third-party customers. Hospitality managers should consider advising frontline employees to make transparent and observable service recovery attempts to elicit positive emotions, customer forgiveness and repatronage intentions among third-party customers.

5.3 Limitations and recommendations for further research

This study has several limitations that could be addressed in future research. First of all, positive and negative emotions, customer forgiveness, negative WoM and repatronage intention variables are used in this study. In future research, models including different variables can be studied to examine third-party customers. For example, recovery speed is a critical factor during the immediate recovery stage (Gao *et al.*, 2022). Thus, service recovery speed can be added to the models as a moderating variable in the effect of service recovery strategies on third-party customers' emotional and behavioral reactions. Empathy can also play a role in responding to service failures witnessed by third-party customers in a similar way to the focal customer. Indeed, empathy is a core feature of helping and caring interactions and is fundamental to the service industry (Bove, 2019).

For this reason, in future studies, the differences in the reactions of third-party customers, such as the intention to help, based on high and low empathy skills can be examined. On the other hand, social anxiety, defined as the fear of negative evaluation by others (Koc, 2019), can be examined in response to a service failure observed by third-party customers with high and low degrees. Second, this study is scenario-based, and the findings are evaluated hypothetically within the scope of these scenarios. Studies can be carried out by collecting data based on actual complaints and experienced service failures in the past. Third, this study examines hotel sectors as a single context, and thus, generalization of the results to third-party service sectors should be undertaken cautiously. Therefore, the study may be repeated for different service sectors. Finally, the study's results may have been affected by the fact that the data were collected from all over Turkey, and there were cultural differences compared to Western countries. Although the data was collected from all over Turkey and

was homogeneous with high representative ability, the results may change when the experimental studies are studied with a different scenario and a participant group with different socio-demographic characteristics.

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Further reading

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Turkish Statistical Institute (TURKSTAT) (2020), "Adrese Dayalı Nüfus Kayıt Sistemi Sonuçları, 2020", available at: <https://data.tuik.gov.tr/Bulten/Index?p=Adrese-Dayal%C4%B1-N%C3%BCfus-Kay%C4%B1t-Sistemi-Sonu%C3%A7lar%C4%B1-2020-37210&dil=1>

Appendix

Social distance to focal customer scenarios

Condition Manipulation

| | |
|-------------------------------|--|
| Close third-party customers | You decided to go on a vacation and stay at a nice five-star hotel. You are sitting on a couch in the lobby. Suddenly, you see a close friend of yours entering through the front door. You are both happy to see each other. Your friend goes to the front desk, stating that he will come and catch up with you after completing the check-in process. After a few minutes, you notice a problem and head over to the front desk to see what is happening. Apparently, the hotel is overbooked, and the receptionist tells your friend there are no rooms available. Your friend tells the receptionist that he had booked the room months in advance and pre-paid for it and asked why he was chosen who cannot stay at the hotel instead of other customers. The receptionist apologizes and says there is nothing she can do about it |
| Distant third-party customers | You decided to go on a vacation and stay at a nice five-star hotel. You are sitting on a couch in the lobby. After a few minutes, you notice a problem and head over to the front desk to see what is happening. Apparently, the hotel is overbooked, and the receptionist tells a customer there are no rooms available. The customer tells the receptionist that he had booked the room months in advance and pre-paid for it and asked why he was chosen who cannot stay in the hotel instead of other customers. The receptionist apologizes and says there is nothing she can do about it |

Service recovery scenarios

Condition Manipulation

| | |
|---------------------------------|---|
| Service recovery is offered | Following the incident, a manager comes to deal with the situation. Introducing himself, he apologizes and politely explains why the double booking was made. Your friend (The customer) is then told that he/she will stay at another 5-star hotel tonight at no charge. Your friend (The customer) also says that they will refund 10% of the price you paid for the room |
| Service recovery is not offered | Following the incident, a manager comes to deal with the situation. The manager neither apologizes nor offers compensation. Your friend (The customer) is then told that he/she will be staying in the hotel from tomorrow and leaves |

Source(s): Table created by author

Table A1.
Scenarios and manipulations

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