# The interplay between privacy failure, recovery and crisis communication management: an integrative review and research agenda

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**Abstract**

***Purpose of the paper:*** *To integrate different research streams related to privacy, service recovery and crisis communication management in order to systematize and summarize the existing knowledge on recovery after a privacy failure. It also aims to develop an agenda for future research.*

***Methodology****: An integrative literature review assesses and synthesizes previous literature, integrating multiple research streams and proposing a new theoretical framework and research agenda. We identify articles of potential interest in three online databases using keywords, and select those relating to privacy and privacy failure, crisis communication management and service recovery after privacy failure across multiple industries.*

***Findings****: Reviewing literature streams on privacy, service recovery and crisis communication management reveals that multiple theories and approaches have been used to focus on this topic. The most widely used are Justice Theory, Attribution Theory and Situational Crisis Communication Theory. The fragmentation of theories and approaches in different research streams reveals the need for a comprehensive overview of the growing complexity of the phenomenon. Key variables explaining how consumers react to service recovery after privacy failure are identified and summarized in a framework.*

***Research limits:*** *Because the number of publications is rising rapidly, quantitative insights require methodologies such as a systematic literature review or a meta-analysis.*

***Practical implications:*** *Findings have implications and offer directions for future academic research.*

***Originality of the paper:*** *This is the first paper that attempts to integrate different research streams in service recovery from privacy failure to develop a theoretical overview on the topic and to attract academic attention on the interplay between privacy failure, recovery and crisis communication management.*

*Key words: privacy; privacy failure; service recovery; service crisis recovery; crisis communication; data breach; integrative literature review*

## 1. Introduction

Today, digital technologies have created a business environment richer in data than ever before: companies can collect customer data in a variety of ways, and across different online and offline touchpoints. This data can be used across the different levels of the value chain to achieve a sustainable competitive advantage based on detailed knowledge of evolving customer needs. This is a great opportunity for companies, but it brings heavy responsibilities, as the large amount of data needs to be collected, owned and managed with great care and in full compliance with international laws. In fact, however, privacy failures such as data breaches are reported by the media every day. The European General Data Protection Regulation (GDPR) defines a data breach as a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorized disclosure of, or access to, personal data transmitted, stored or otherwise processed. The number of severe data breaches has increased by 66% since 2017 (Clusit, 2021). Covid-19 has also dramatically affected data security: in 2020 the number of cyber-attacks reached an all-time high with 1,871 severe attacks, impacting on many aspects of society, politics, economics and geopolitics. These figures have pushed companies and public organizations to acquire knowledge and tools to avoid cyber-attacks in order to reduce the huge costs and the negative consequences related to data breaches. The Ponemon Institute estimates the average cost of a data breach rose to 4.24 million U.S. dollars in 2021, while the average cost of each stolen datum is 180 U.S. dollars, a figure that has almost doubled in the last decade. The average time that companies take to identify and address a cyber threat is almost 287 days, which indicates that substantial resources are required.

Apart from the economic aspect, data breaches can also harm the reputation of companies and public organizations. When a data breach occurs, the data of users and customers are exposed to unauthorized entities and individuals, and to the risk of being sold on the dark web or being used for future data breaches or cybersecurity attacks. It is thus essential for companies and public organizations to manage service recovery activities efficiently after a data breach. Announcements of data breaches, for example, need to be carefully worded to avoid giving misleading information and advice. In some cases, announcements should identify procedures for customers to find out whether their data was involved in the breach and how future risk can be prevented. Companies should also evaluate possible monetary and non-monetary compensation for those customers involved.

The August 2021 cyber-attack at the health database of the Lazio Region in Italy reveals the complexity of service recovery after a privacy failure. After the breach, public administration offices and employees, the partnering company and local politicians all blamed one another and denied all responsibility, which increased uncertainty about what had actually happened and about steps to be taken. This caused an overall decrease in trust in Public Administration. According to a 2020 GfK Sinottica® survey in Italy, consumers are worried about privacy issues: over 80% of Internet users are concerned about the protection of their online privacy and two respondents out of three state that they are not happy about providing their data on websites. In general, Italians also express mistrust towards all institutional and commercial entities that process sensitive data online, even though more than four Italians out of five are registered on at least one social network. In fact, consumers, firms, and governments are all currently trying to find a balance between benefits and privacy concerns (Krafft *et al.*, 2021).

Academic research has also investigated service recovery after privacy failure. As the topic is related to the different concepts of privacy, service recovery and crisis communication management, existing studies belong to different fields, such as information management, services marketing and corporate communication. Academic contributions adopt a variety of theoretical frameworks from different research areas, and the challenge is to reach a comprehensive theoretical view of service recovery after privacy failure. While there are numerous studies reviewing previous research on service recovery, to our knowledge no study has focused on critically reviewing existing literature on service recovery after a privacy failure. The present research thus posits two main research questions:

*RQ1. What are the theoretical underpinnings of service recovery after privacy failure?*
*RQ2. What are the main research directions to address opportunities and issues in service recovery after privacy failure?*

To answer these questions, we develop an integrative literature review. This type of literature review is used in order to integrate multiple research streams (e.g., Kim *et al.* 2010). It examines the literature and the main ideas relating to a topic and is suitable for integrating knowledge with reference to both emerging and mature issues under study (Torraco, 2005; Snyder, 2019). In this case, it is appropriate for integrating current academic knowledge on the three key issues of privacy, service recovery, and crisis communication management.

The goals of this integrative review are threefold. First, we aim to identify the streams of literature on privacy, service recovery and crisis communication management which can contribute to a better understanding of recovery after a privacy failure. Second, we aim to systematize and integrate existing knowledge on recovery after a privacy failure into a comprehensive research framework. Third, we aim to identify future research opportunities in this area by developing a future research agenda.

The paper is structured as follows. Section 2 describes the methodology used and Section 3 defines main concepts and outlines the theoretical underpinnings of privacy, service recovery and crisis communication management literature. Section 3 also reports the main findings related to literature on service recovery after privacy failure and provides a comprehensive overview of literature in the field. Section 4 provides a discussion of results and presents a future research agenda based on the literature review. Finally, conclusions are drawn in Section 5.

## 2. Methodology

This study presents an integrative literature review. As highlighted by Snyder (2019, p. 336): "the data analysis part of an integrative or critical review is not particularly developed according to a specific standard (Whittemore and Knafl, 2005)". Although there is no specific standard, the general aim of a data analysis in an integrative review is to critically analyze and examine the literature and the main ideas relating to a topic. The integrative literature review in fact allows researchers to follow a creative process in collecting data and analyzing the relevant literature (Kastanakis *et al.* 2022).

We followed three steps in developing this literature review. First, we searched for papers published and available up to late 2021 in three online databases: Web of Knowledge, Scopus and Scholar. We used the following keywords, or a combination of them, to search the title, abstract, and keywords of the articles: "service recovery", "privacy", "privacy failure", "data breach", "privacy violation", "privacy breach", "information breach" "cyber security incident", "service crisis recovery", and "crisis communication management". In addition, we also searched references of studies that we recognized as relevant and informative with respect to the present review, as in Van Vaerenbergh and Orsingher (2016). The search was conducted in mid-2021.

Second, we reviewed the studies and selected those relating to privacy and privacy failure, crisis communication management and service recovery after privacy failure across multiple industries. An article was deemed appropriate if published in English in a peer-reviewed academic journal, and conference proceedings were thus excluded. The selection was made taking account of the aim of our study: our goal was not to include every study published on the topic but to integrate perspectives and insights from different fields (Snyder, 2019). We excluded articles in which service recovery or crisis communication were completely unrelated to privacy and privacy failure, and articles about legal issues and technical or technological aspects of data breach. This process rendered a sample of 244 articles featured in the main marketing, business, communication and information technology journals: Journal of the Academy of Marketing Science, Journal of Marketing, Journal of Service Research, Journal of Business Research, European Management Journal, Journal of Communication Management, Communication Quarterly, and Journal of Management Information Systems and Computers in Human Behavior.

Third, we analyzed the actual literature and performed a critical synthesis. We extracted definitions, major theories, key variables and characteristics, research findings and related theoretical implications, and grouped them according to the main topic and perspective, which was either consumer or company oriented. We then identified main theories and findings and relationships between different bodies of literature in relationship to recovery from a privacy failure, and placed them in a comprehensive framework. This process allowed us to pinpoint the specific theoretical underpinnings of the topic and to generate new research directions. Table 1 summarizes the steps described above.

*Tab. 1: Methodology*

| Stage | Activities | Output |
|---|---|---|
| Literature Search | Conducting a keyword search using multiple online databases to identify studies exploring the topic of service recovery after a privacy failure | Initial pool of papers for the topic under study |
| Literature evaluation and selection | Checking the relevance of the papers and removing off-topic articles or articles that do not fulfill the selection criteria | List of relevant papers for the literature review |
| Literature analysis and critical synthesis | Integrating existing theories and perspectives with findings obtained by the literature analysis | Development of a framework and future research directions |

The following section provides a summary of the existing literature and major theories relating to the three key areas in service recovery from privacy failure: privacy and privacy failure, service recovery and crisis communication management. The section first offers some definitions to frame the topic, then discusses selected theories as a preliminary result of the integrative review, and lastly outlines a theoretical framework.

## 3. Literature background and results

### *3.1 Definitions*

Before analyzing the relationships between Privacy, Failure and Recovery, it is important to see how those concepts are defined and discussed by previous streams of literature, in order to create a common ground for discussion. Firstly, thinking about privacy failure, it is important to define and frame the concept of privacy. It is in fact a very old concept (Hazarika *et al.*, 2018) and varies widely depending on the setting and environmental factors (Kumar and Reinartz, 2018). In their influential article, "The Right of Privacy", Warren and Brandeis (1890, p. 193) introduced a fundamental principle stating that "the individual shall have full protection in person and in property". Today, customer privacy can be defined as the power of individuals to personally control information about themselves, and involves collection, storage, use and release of personal information (Stone *et al.*, 1983). Most definitions of privacy were originally related to the offline world and were very close to the concept of "informational privacy", which is in fact only one type of privacy. Other types include physical and psychological privacy, etc. (Ginosar and Ariel, 2017).

Martin and Murphy (2017) note that various theoretical perspectives across different fields of literature, e.g., marketing, psychology, and information management, have been used to research the role of privacy in society. One of the most recent and widely used definitions considers privacy as a claim to appropriate flows of personal information within distinctive social contexts (Nissenbaum, 2010). Privacy can also be defined as "a social contract - a mutually beneficial agreement within a community about sharing and using information - [which] suggests that respecting privacy entails understanding the implicit privacy norms about what, why, and to whom information is shared within specific relationship or community" (Martin, 2018, p. 105). Literature on Permission Marketing, also called Invitational Marketing, is also related to the topic of "social contract". This focuses on how and why consumers provide companies and marketers with "permission" to send them certain types of promotional messages (Godin, 1999), which improves the effectiveness of targeting strategies. Here, it has been noted that consumer interest is positively influenced by message relevance and monetary benefits, and negatively influenced by modification costs, message processing costs and privacy costs (Krishnamurthy, 2001). More recently, Krafft *et al.* (2017) develop a comprehensive framework distinguishing between drivers related to benefit-related factors and cost-benefit factors, which covers privacy among other issues. They find that the strong negative influence of privacy concerns on the probability of granting permission can be decreased by two benefit-related factors, i.e., message content with entertainment value or personal relevance for the consumer. Permission Marketing deals with tactics for approaching customers as well as solutions to privacy concerns (Kumar *et al.*, 2014).

Two main topics are widely discussed in terms of Privacy and Marketing: the privacy paradox and privacy calculus. The privacy paradox is that people state they are concerned about their privacy, but act as if they were not (Taddicken, 2014; Ginosar and Ariel, 2017; Kumar and Reinartz, 2018; Gerber *et al.*, 2018). Privacy calculus on the other hand is the idea that privacy behavior is determined by a rational tradeoff between privacy concerns, or perceived risks, and expected benefits (Laufer and Wolfe, 1977; Ginosar and Ariel, 2017; Krasnova and Veltri, 2010).

The idea of universal individual privacy is a modern concept primarily associated with Western culture, where an individual may voluntarily share personal information to gain benefit or reward. Most countries give citizens rights to privacy in their constitutions or legislation. Studying privacy means not only looking at consumer perceptions and misperceptions, but also international regulations (e.g., the EU General Data Protection Regulation [GDPR]) local regulations, (e.g., the California Consumer Privacy Act [CCPA]) and a myriad of paradoxes (Martin and Murphy 2017), in a constantly changing technological scenario.

Respecting privacy means (Martin, 2018 p. 103) "respecting the norms of what information is gathered, how information is used, and with whom information is shared; violating privacy means violating those information norms". Hence, privacy violating behavior is a conduct which violates the rules about how information should be gathered and for what purpose, within a context, and such behavior can impact trust in a company or in a touchpoint (Martin, 2018). Violations of privacy expectations are difficult to measure and highly contextual, but are infrequently described in previous literature on trust. Martin (2018) finds that companies that violate privacy expectations are penalized twice, because "violations impact trust directly and diminish the importance of trust factors such as integrity and ability on trust" (Martin 2018, p. 104).

Companies can violate customer privacy in at least three ways: first, by not respecting the rules about the type of information collected; second, by using information in ways it wasn't intended for; and third, by failing to control access to the information (Martin, 2018). Violations of consumer trust and information privacy can result in privacy failure, (Malhotra and Malhotra, 2011; Bansal and Zahedi, 2015; Choi *et al.*, 2016; Hazarika *et al.*, 2018) which is considered a particular kind of service failure. Service failure can be defined as a temporary or permanent interruption of the customer's regular service experience (Van Vaerenbergh and Orsingher, 2016; Van Vaerenbergh *et al.*, 2019). In response to a service failure, organizations are required to plan a set of proactive and reactive actions (Gronroos, 1994) for "service recovery" (Zeithaml *et al.*, 2006; Singh and Crisafulli, 2016). With the increasing risk of privacy violations, companies are now required to design and implement structured and effective recovery measures in order to avoid harming their relationship with their customers. One of the main recommendations of service recovery literature is that companies should apologize for service failure (Sengupta *et al.*, 2018), but little is known on how consumers react to company recovery efforts following a privacy failure.

Service failures are defined as situations where customers are dissatisfied because their perception of the service that they received is worse than their expectation or zone of tolerance (Bell and Zemke, 1987). A service failure can be also conceptualized as a service performance that falls below a customer's expectations (Hess *et al.*, 2007). Several studies attempt to define all the different types of service failure (e.g., Bell and Zemker, 1987; Smith *et al.*, 1999). Two types of service failure are identified by Smith *et al.* (1999): outcome and process failure. In outcome failure, the consumer does not receive the outcome expected from the company: the company does not comply with the basic service promise which is the core element of the service (Yang and Mattila, 2012). In process failure, the delivery of the service itself is somehow flawed: the service provider does not offer the service in a way that is consistent with customer expectations (Yang and Mattila, 2012).

Recent studies in the field of services call for service failure to be considered as a deviation from the regular customer journey, which leads to the start of a new journey in service recovery which includes a pre-recovery, a recovery and a post-recovery phase (Van Vaerenbergh *et al.* 2019). When service failure occurs, customers expect companies to respond as quickly and effectively as possible (Babin *et al.* 2021; Hogreve *et al.*, 2017). Service recovery involves the actions that a service provider adopts to deal with a service failure in response to customer complaints (Grönross, 1988; van Vaerenbergh and Orsingher, 2016).

Service recovery is defined by Michel *et al.* (2009, p. 253) as "the integrative actions a company takes to re-establish customer satisfaction and loyalty after a service failure (customer recovery), to ensure that failure incidents encourage learning and process improvement (process recovery) and to train and reward employees for this purpose (employee recovery)".

Service recovery involves more than twenty different types of action (Van Vaerenbergh *et al.* 2019), including (monetary) compensation, facilitation, apology, empathy, justification, and excuse, etc. Recovery actions are usually classified into two major groups: tangible and psychological (Miller *et al.*, 2000). Tangible recovery involves material compensation offered to consumers to reduce dissatisfaction related to the service failure. Psychological recovery refers to the intangible activities undertaken to address the service failure (Van Vaerenbergh *et al.* 2019).

The concept of service recovery is also related to the concept of crisis communication management: both areas employ communication activities and corrective actions whose consequences can affect the reputation of the company (Smith, 2005). Crisis can be defined as an unexpected event that creates uncertainty and threat, and which endangers the image, identity or reputation of an individual or company (Devlin, 2006). Coombs defines crisis management as "a set of factors designed to combat crises and to lessen the actual damages inflicted (…) and [which] seeks to prevent or lessen the negative outcomes of a crisis and thereby protect the organization, stakeholders, and/or industry from damage" (Coombs, 2015, p. 5). The main difference between service recovery and crisis communication management is in the target: service recovery is largely oriented towards customers, especially those who have experienced the service failure, while crisis communication management strategies are aimed at a wider set of targets, including the media, the public, no-profit associations and shareholders (Manika *et al.*, 2017; Elliott *et al.*, 2005). Moreover, service recovery actions focus more on rebuilding the relationship with a given customer or a group of customers, while crisis communications aim at minimizing reputational harm (Coombs and Holladay, 2008). Despite these differences, data breach can be usefully investigated from a crisis communication management perspective, as data breach can also impact negatively on an organization's reputation with the general public, media and shareholders. No organization is immune from the risk of being hit by a crisis, wherever it operates and whatever its products or services, however vigilant it may be. What really makes the difference is how crisis is handled, and a critical aspect is communication. Communication management has three successive phases: pre-crisis, crisis and post-crisis (Coombs, 2007). Coombs (2015) argues that communication is crucial for crisis management because it collects information, processes it into knowledge, and shares the information with others. The role of crisis management in determining reputational damages after data breaches is also underlined by Kuipers and Schonheit (2021), who show how different communication and recovery strategies mean that comparable data breach crises do not always have the same impact.

### *3.2 Results: Theoretical underpinnings of service recovery and crisis communication management*

Service recovery has the potential to significantly influence customer behavior. Previous studies find that effective service recovery can positively impact overall satisfaction, repurchase intentions, and word-of-mouth intentions (van Vaerenbergh and Orsingher, 2016). In terms of impact, there can also be "service recovery paradox" (McCollough and Bharadwaj, 1992): customer satisfaction after effective service recovery can sometimes be higher than before the service failure. Magnini *et al.* (2007) show that the service recovery paradox is more likely under certain circumstances: when the failure is not perceived as severe, if it is the first failure with the firm experienced by the customer, and if it is perceived as temporary and not under the full control of the firm. Service recovery actions can have a huge impact on customer behavior, so it is important to identify the key theoretical mechanisms that explain customer response to service recovery.

Different theories that have been used to investigate how customers respond to service recovery actions include Justice Theory, Fairness theory, Attribution theory, Cognitive dissonance theory and Reciprocity Theory. In the present review, we focus on Justice Theory and Attribution Theory, which have been most widely used to explain how consumers respond.

*Justice Theory.* Rooted in Social Exchange Theory, Justice Theory is widely used as a theoretical framework to explain how customers evaluate service recovery efforts and how customer satisfaction is formed (Van Vaerenbergh and Orsingher, 2016; Kau and Loh, 2006). Perceived justice has been identified as a key driver of customer satisfaction and post-purchase intentions in service recovery situations (del Río-Lanza *et al.*, 2009). Tax *et al.* (1998) highlight that perceived justice is a multi-dimensional construct, with three dimensions:

- distributive justice, which is related to the outcome of the recovery efforts undertaken by the service provider;
- procedural justice, which involves process control, decision control, accessibility, timing/speed and flexibility of the procedures employed by the service provider in achieving the recovery outcome;
- interactional justice, which is focused on the interpersonal exchange that occurs during the service recovery process, thus involving the communication elements that are part of the recovery.

Good management of the three dimensions has been found to positively impact customer satisfaction with the service recovery, et also impacts other outcomes such as trust, word of mouth and customer loyalty (e.g., Schoefer and Ennew, 2005; Jung and Seock, 2017).

*Attribution Theory.* This theory provides and explanation for how individuals attribute responsibility for events, especially negative events (Kelley, 1973), and can be a helpful theoretical framework for factors that drive customer perception of a company's recovery efforts following a service failure. If customers believe that a company had full control over the cause of a service failure, they will have a greater desire to complain and a lower repurchase intention (Folkes *et al.* 1987). The theory proposes three dimensions of causal attribution (Weiner, 1986; Nguyen and McColl-Kennedy, 2003): locus, controllability, and stability. Locus involves the location of the cause of problems or negative events. Controllability is the extent to which the problem could have been controlled. Finally, stability means the duration of the problem, and whether it is temporary or permanent. The attribution of responsibilities has been found to affect people's emotions and behaviors (Coombs and Holladay, 1996): if the service provider is thought to be responsible for a failure, negative feelings and behavior might arise, with negative consequences in terms of customer satisfaction (Belanche *et al.*, 2020).

In Crisis Communication literature, different theories have been used to explain crisis situations, including Situational Crisis Communication Theory, Rhetorical Arena Theory and Image Restoration Theory. Below we focus on the first two.

*Situational Crisis Communication Theory (SCCT).* Situational Crisis Communication Theory (SCCT) is the primary theoretical framework used to research crisis communication (Avery *et al.* 2010; Fediuk *et al.*, 2010; Ma and Zhan, 2016). SCCT enables researchers to examine how attribution of responsibility affects an organization's reputation (Coombs and Holladay, 2001), and suggests that the organization should match its response strategies to the responsibility attributed in order to mitigate the reputational risk to the organization in crisis (Coombs, 2004; Coombs and Holladay, 2002).

Schwarz (2012) suggests the use of Kelley's covariation principle (Attribution Theory) in order to investigate "if and how stakeholders covary organizations with crisis causes and how this affects their perceptions of organizational responsibility and reputation" (p. 174). In this experimental study, three informational dimensions, consensus, distinctiveness, and consistency, are theorized in order to forecast the likelihood of stakeholders attributing blame for crisis to the organization, the entity or circumstances, and to evaluate the impact of these attributions on company reputation.

Much of the Crisis Communication literature draws on Attribution Theory, which, as noted above, theorizes about how individuals attribute unexpected and negative events to certain causes. These attributions of responsibility can raise negative emotions and reactions (Weiner, 1986). Situational Crisis Communication Theory claims that the more responsibility stakeholders attribute to an organization for a crisis, the greater their negative perceptions (Coombs, 2007; Coombs and Holladay, 2002; Bundy *et al.*, 2017). Much experimental research confirms this assumption (Coombs and Holladay, 2006; Dean, 2004), and several management studies have drawn from the theories of Attribution Theory and SCCT to consider the role of crisis attributions (e.g., Bundy and Pfarrer, 2015; Lange and Washburn, 2012; Mishina *et al.*, 2012; Withers *et al.*, 2012). It should be also highlighted that "attributions" can be "a negotiated feature of crisis management, and, therefore, subject to social influence" (Bundy and Pfarrer, 2015, p. 352), which means that an organization's response strategy plays a key role in the attributions of responsibility (Bundy *et al.*, 2017).

*Rhetorical Arena Theory (RAT).* In social sciences, the term "arena" is used by Anselm Strauss (1978) to refer to spaces where issues of concern are debated and negotiated. Frandsen and Johansen (2010, 2016) subsequently apply the concept of the arena to the study of crisis communication and develop the Rhetorical Arena Theory (RAT) to address the problem of communicative complexity, which characterizes many crisis situations. Rhetorical Arena Theory (RAT) assumes that numerous voices interact and communicate inside a "rhetorical arena" to co-manage a crisis discussion, and its key assumption is that these different voices "co-construct" the rhetorical crisis situation. This implies that responsibility for crisis response strategy lies not with a single organization but rather in the "patterns of interaction" (Frandsen and Johansen, 2017, p. 148) between various voices. In this multi-vocal approach, the "rhetorical arena" is the place where different actors and stakeholders, including other corporations, political actors, activists, experts, and the media, talk to and about each other (Frandsen and Johansen, 2010).

In a more recent study, attempting to replace the organization-centric view of traditional Rhetorical Arena Theory, Raupp (2019) applies and extends RAT of crisis communication with a network analysis. Yang and Taylor (2015, p. 111) and Raupp (2019, p. 1) note that approaching public relations and crisis communication from a social network perspective "means shifting the attention from dyads to networks that are based on multiple and diverse relationships". This corresponds precisely to the idea of RAT: the network influences crisis management at all stages of the process.

Table 2 summarizes the theories presented above and classifies them by topic.

*Tab. 2: Theories and topics synoptic*

| Topic | Theory | Rationale |
|---|---|---|
| Service Recovery | Justice Theory | • Perceived justice is identified as a key cognitive driver of subsequent customer satisfaction and post-purchase intentions in service recovery situations<br>• Explains how customers evaluate service recovery efforts and how customer satisfaction develops<br>• Three main components: distributive, procedural and interactional justice |
| | Attribution Theory | • People make attributions for responsibility for events, particularly when the events are negative<br>• Categorizes factors driving customer perception of a company's recovery efforts following service failure |
| Crisis Communication Management | Situational Crisis Communication Theory | • Shows how attribution of responsibility affects an organization's reputation<br>• The organization matches its response strategies to the attributions of responsibility in order to lower reputational risk |
| | Rhetorical Arena Theory | • Numerous actors and voices interact inside a "rhetorical arena" in order to co-manage crisis<br>• Key assumption - different voices "co-construct" the rhetorical crisis situation. Responsibility for response strategies lies in "patterns of interaction" rather than the organization |

Source: Authors' elaborations

### *3.3 Results: Service Recovery from Privacy Failure*

As noted above, "any breach of customer information privacy can be considered a service failure potentially leading to an erosion of customer's perception of service quality" (Malhotra and Malhotra, 2011, p. 45). Privacy failures occur whenever the privacy of consumer information is violated, and previous studies have focused on the effect of recovery strategies for consumers and for firms. Below the studies are grouped into these two types.

At consumer level, studies focus on the impact of recovery strategies on customer attitudes such as trust, behavioural intentions like re-purchase intention, and actual purchase behaviour i.e., changes in customer spending. At firm level, they focus on the impact of data breach announcements and related recovery strategies on corporate reputation, on shareholder value and on net present value loss and financial returns. The most widely used theoretical frameworks are Justice Theory, Attribution Theory and Situational Crisis Communication Theory.

Choi *et al.* (2016) use Justice Theory as a framework to explain how customer beliefs develop with regard to recovery actions undertaken by companies. They look at how consumer perceptions in terms of procedural, distributive and interactional justice influence cognitive and emotional psychological responses, perception of breach and violation. They also look at behavioral consequences, such as word of mouth and likelihood of switching. Considering data breach as breaking a psychological contract of obligations between the company and the customer, they link Justice Theory with Social Exchange Theory. Choi *et al.* (2016) find that distributive justice has positive effects on both cognitive and emotional evaluations, while procedural justice affects cognitive evaluations (i.e., perception of breach) and interactional justice determines emotional evaluations (i.e., feelings of violation). They also find that cognitive and emotional responses to service recovery influence both word of mouth and intention to switch.

Hazarika *et al.* (2018) also use Justice Theory in their investigation of how service recovery after a violation of a privacy policy affects satisfaction. They find that perceived distributive justice, followed by procedural justice, is the most important dimension in driving satisfaction with the recovery and can impact on trust, perceived risk and repurchase intention. Organization Justice Theory has also been used in conjunction with Attribution Theory and Social Exchange Theory to investigate the process through which trust is affected by privacy breaches et also restored by means of service recovery actions (Bansal and Zahedi, 2015). Specifically, Bansal and Zahedi (2015) view the different dimensions of Organizational Justice Theory through the lens of Attribution Theory as causal attributions of the data breach event that negatively affect employee performance evaluation. They also highlight that a privacy violation is a violation of a social contract between the company and the consumer. This violation leads to a fall in consumer trust, which is subjective and depends on several factors such as the perceived seriousness and the type of the violation. Bansal and Zahedi (2015) also find that of three main recovery strategies, apology, no response and denial, apology appears to be the superior strategy in many circumstances. The success of the strategy of denial appears to depend on the extent to which consumers express privacy concerns, but it appears preferable to the option of offering no response. Attribution Theory is also emphasized as a key theoretical framework by Wan and Zhang (2014) and Janakiraman *et al.* (2018), who use it to investigate how consumers make causal inferences on why the privacy violation occurred, attribute responsibility and perceive subsequent company recovery efforts. Wan and Zhang (2014) find that consumers will undertake a causal analysis of a data breach event to identify causal factors and predict the likelihood that it will re-occur. This causal analysis shapes how consumers perceive future company actions and their future engagement with the company. Wan and Zhang (2014) also identify several key variables possibly influencing how consumers perceive service recovery efforts. Culture, for instance, is reported to be a key variable in conflict resolution as it supplies norms for how conflict situations should be addressed. This is also consistent with findings by Sengupta *et al.* (2018) that cultural differences matter in consumer reactions to service recovery efforts. In addition to culture, political ideology is another key variable: Chan and Palmeiera (2021) find that apologies are less credible and effective for more politically conservative consumers. Janakiraman *et al.* (2018) state that when a data breach is announced, three states of responsibility can be attributed to the company: victim, when the firm is considered to have almost no responsibility; accidental, when the accident is seen as unintended and intentional, when the firm is considered to have full responsibility. A company affected by a data breach is more likely to be seen as a victim. Janakiraman *et al.* (2018) find that data breach announcements negatively impact customer spending, with customers migrating from the channel where the breach occurred. But the negative impact appears to be weaker for loyal customers who tend to support the company during crises.

Chen *et al.* (2019) use Situational Communication to explain how crisis response strategies and communication resources can be critical to reduce potential negative effects on consumer attitudes towards a hotel when a privacy failure occurs. They highlight the role of the information source in affecting customer response. Personal involvement of the consumer in the breach, in other words, whether the consumer is a direct victim of the breach, does not affect the attribution of responsibility to the hotel. But if the consumer hears news of the data breach from a source that is not the company, perception of company responsibility increases dramatically, and there is a fall in trust and re-patronage intention. When the company informs consumers directly about the privacy violation, negative effects are softened.

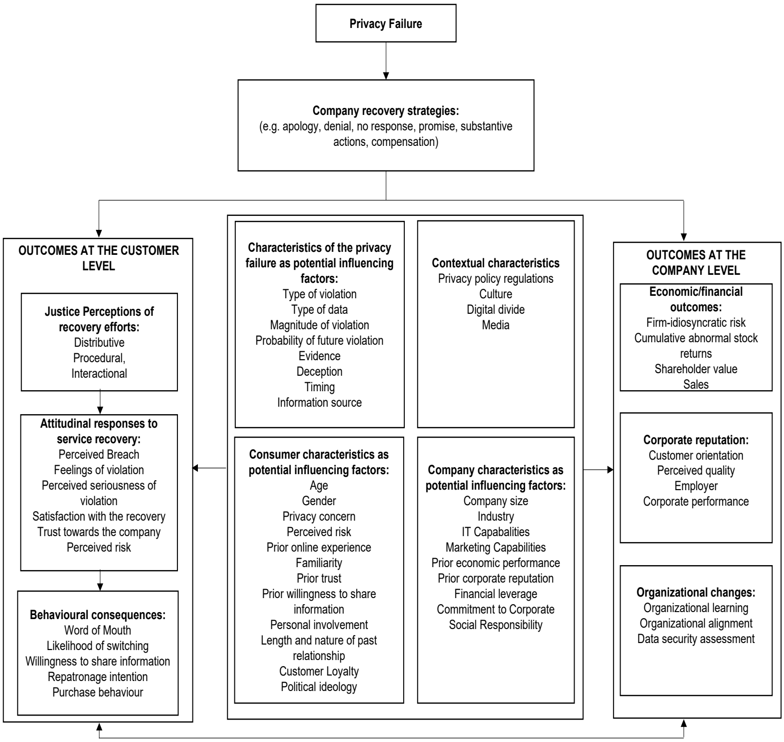
Studies at company level focus on response strategies and their effect on company performance. Some of these compare communication strategies and compensation efforts to ascertain which are more effective in reducing potential losses for the company involved in a data breach or privacy failure. Data breaches have been found to have significant impact on market value (Malhotra and Malhotra 2011), and thus require appropriate recovery strategies. Analyzing the data breach involving the U.S. retailer Target, Kashmiri *et al.* (2017) find that it had a contagion effect on the whole retail sector; an overall negative effect on the shareholder value of other retailers.

Rasoulian *et al.* (2017) focus on the impact of different data breach recovery strategies on firm performance using Justice Theory and Resource-based Theory. They analyze the impact of compensation (a tangible benefit offered to stakeholders) versus a process improvement (actions undertaken to avoid future privacy failures) versus an apology (a message through which the company accepts its responsibility for the failure and shows regret) on firm-idiosyncratic risk, using daily stock returns data. Their findings show that compensation and process improvement can reduce firm-idiosyncratic risk, while apology tends to increase risk. As noted above, apology plays a positive role for consumers, and this latter finding indicates that recovery strategies can have contrasting effects at customer and company levels.

Gwebu *et al.* (2018) draw up a taxonomy of response strategies to a privacy failure on the basis of Attribution Theory and Cognitive Dissonance Theory. Strategies are as follows: accommodative (including apology and remedial actions), moderate (including ingratiation and justification), defensive (including denial and excuse) and image renewal (including correction, stakeholder and value commitment). They show that corporate reputation is an important asset in mitigating the negative effect of a data breach announcement. They also find that defensive or accommodative strategies do not have any effects on financial returns, while moderate and image renewal strategies are effective in reducing the negative financial impact of the data breach. This is true for companies with a previously low reputation. Response strategies appear to be less important for companies with a high reputation; the high reputation already protects them from substantial financial losses. Confente *et al.* (2019) focus on the relationship between data breaches and corporate reputation by collecting user-generated content on social media. They analyze the impact of the negative event on the five dimensions of corporate reputation: customer orientation, perceived quality, employer, corporate performance, and social responsibility. They find that the five dimensions change in response to the data breach, and that the extent of change depends on whether the data breach is intentional or unintentional and internal or external.

Figure 1 gives an overview of the different aspects of service recovery from privacy failure according to literature reviewed above. It selects key variables and classifies them as follows: outcomes at consumer level, outcomes at company level and potentially influencing factors in terms of consumers, context, companies and privacy failures. The following section discusses these findings and develops an agenda for future research. As highlighted in Figure 1, when a privacy failure occurs, the company usually attempts to address the issue by implementing service recovery strategies impacting at customer and / or company level. Consumer perception of recovery strategies can be seen in terms of different dimensions of justice and consumer response can be seen in terms of attitude and behavior. Companies for their part can be affected economically and financially; their reputation can be damaged and they can perceive the need for organizational change. The impact of service recovery from privacy failure is potentially influenced by factors including the type of privacy failure, individual consumer characteristics, company characteristics and contextual characteristics.

*Fig. 1: An overview of findings on recovery after a privacy failure*




Source: Authors' elaborations

## 4. Discussion and research agenda

As well as presenting new conceptual frameworks, one of the most important aims of an Integrative Literature Review is to put forward a new Research Agenda (Torraco, 2005; Reynders *et al.* 2020). The research agenda presented in Table 3 was drafted by grouping questions on the basis of key stakeholders in service recovery from privacy failure and in crisis communication. Common key issues were collected and highlighted by matching these three research streams, and are briefly summarized below.

Consumers. Service recovery is itself likely to fail after a privacy failure if the company is not able to address consumer concerns about the safety of their personal data. Where recovery fails, it is important to ask whether consumer trust might decline not only in the company involved in the event, but also in other organizations which collected customer data. A service recovery failure might also have an impact on future channel choice and thus might affect the customer journey. Current studies investigate the short-term effect of recovery strategies, but it is also important to ask whether service recovery can have a long-term impact on consumer willingness to share information with companies and other parties. This question is particularly important given that data is today often the basis for the development of data-enhanced innovations and collaborative business networks. Companies are currently able to collect multiple types of data, ranging from personal to financial information, and including voice recordings, images, locations and many more. Despite this growing variety of data, no study to date has investigated whether the type of data collected plays a role in the impact of different response strategies on customer cognitive and emotional responses to privacy failure.

Consumers are increasingly aware of privacy failures occurring in different organizations. However, it is not clear whether the economic value of shared data or the potential consequences of data breaches are widely understood, even in cases where consumers are informed of a privacy violation. This lack of knowledge may affect the effectiveness of different recovery and prevention strategies

Companies. Service recovery from a privacy failure might require companies to re-think their organizational structure in order to better develop a privacy recovery policy, and deploy or improve prevention strategies. Research is required into identify the most effective organizational approach for different situations.

It is also important to research how different company partners could be aligned to develop a coordinated service recovery strategy which will not fail. Service recovery can also influence employee perception and satisfaction with the company, and research is also required into the impact of different service recovery strategies on employee performance.

Context. Existing privacy regulations tend to give little guidance on how organizations should implement service recovery for customers and users. Because privacy failure has a negative impact on consumer trust, it is important to ask how companies and governments can cooperate to align and improve service recovery actions in order to increase this trust, and consumer willingness to share information. And given that data breach also occurs in public institutions, as in the case of the Lazio Region described above, it is very important to identify key drivers of government response to data breach.

*Tab. 3: Research agenda*

| Topic/ research stream | Future research questions in a data rich-business scenario | Main References |
|---|---|---|
| Consumers | • What is the significance for consumers of data breach incidents and related service recovery strategies?<br>• Are consumers aware of the value of their data?<br>• Can customers act as co-creators of online service recovery?<br>• Does previous experience with data breaches influence how consumers perceive recovery strategies and data breach messages in the future? | Singh and Crisafulli (2016)<br>Gwebu *et al.* (2018)<br>Chen and Jay (2019)<br>Valentini *et al.* (2020)<br>Wang *et al.* (2022) |
| Consumers | • What is the long-term impact of service recovery from privacy failure on consumers' general willingness to share information?<br>• Will customers re-analyze the trade-off between risks and benefits of sharing personal information?<br>• How do different generations react to a service recovery experience? | Martin (2018)<br>Babin *et al.* (2021)<br>Chen and Jai (2021)<br>Ameen *et al.* (2022) |
| Consumers | • How are customer relationships and loyalty affected by data breach incidents?<br>• How is the Service Recovery Journey changing?<br>• What is the impact on the customer journey? In the case of a service recovery failure after a privacy failure, can consumer dissatisfaction with the recovery involve consumer trust in other companies? Does consumer decision-making and behavior change in the light of cyber crises? | Lemon and Verhoef (2016)<br>Van Vaerenbergh *et al.* (2019)<br>Chen and Jay (2019)<br>Krafft *et al.* (2021) |
| Consumers | • What is the role of type of data in influencing customer reaction to a service recovery following a privacy failure? How will consumers react to data breaches and related recovery efforts that involve innovative devices such as vocal assistants, and/or to different data breaches? | Manika *et al.* (2017)<br>Janakiraman *et al.* (2018)<br>Labrecque *et al.* (2021)<br>Vimalkumar *et al.* (2021) |
| Companies | • How can companies increase the effectiveness of their recovery strategies by focusing on prevention of data breaches?<br>• Which approaches and model can be useful to build a robust understanding of how individuals, organizations and society behave digitally (ir)responsibly?<br>• Can ethics and sustainability point to new "data-less" business models? | Martin and Murphy (2017)<br>Lobschat *et al.* (2021) |
| Companies | • What kind of organizational (re)structuring and capabilities could be deployed in organizations to be able to prevent data breaches, to manage service recovery and to learn from the past?<br>• Should companies rely on external partners for managing service recovery from privacy failure? | Bundy *et al.* (2017)<br>Sengupta *et al.* (2018)<br>Kuipers and Schonheit (2021) |
| Companies | • In offering a seamless/personalized customer centric experience, how can companies manage the increasing amount and sharing of customer information across the value chain?<br>• Can coordination/partnership across an increasing number of channel partners (manufactures, retailers, channel intermediaries, stakeholders) be achieved to manage service recovery following a privacy failure?<br>• How can communication strategies be aligned after data breaches?<br>• How can companies increase the effectiveness of their recovery strategies by focusing on prevention of data breaches? | Lemon and Verhoef (2016)<br>Palmatier and Martin (2019)<br>Krafft *et al.* (2021) |
| Companies | • What is impact of service recovery strategies on employee satisfaction, performance and advocacy? | Lobschat *et al.* (2021) |
| Context | • How can privacy regulations be pre-empted? How can organizations develop long-lasting partnerships with GAFA (Google, Amazon, Facebook and Apple) to prevent and manage data breaches?<br>• Are government institutions ready to deploy effective response strategies when a privacy failure occurs?<br>• How has Covid-19 impacted on the issue of privacy and service recovery? | Palmatier and Martin (2019)<br>Brough and Martin (2021) |

## 5. Conclusions

Privacy failure is a violation of a psychological contract between consumers and companies and should be considered as an important form of service failure. Today, it is becoming increasingly frequent and severe. Companies, however, still need to collect and manage the increasing amount of data produced at almost every interaction between customers and touchpoints, and service recovery plays a key role in every organization. Our study shows that service recovery from privacy failure is a complex phenomenon and is addressed by several research streams. As it is integrative, this review shows that service recovery from privacy failure is linked to privacy, service recovery and crisis communication management. A comprehensive perspective is essential to study the phenomenon, as different factors and related theories all come into play. Factors include consumer privacy concerns, consumer response to service recovery actions, different crisis communication strategies, and service recovery impact at both customer and company level.

With reference to RQ1, the review finds that the main theories used to understand service recovery from privacy failure are Justice Theory, Attribution Theory and Situational Crisis Communication Theory. The topic has in fact been examined mainly from the perspective of service recovery. Privacy failure has been identified as service failure, but researchers and practitioners should not take for granted that same theories and procedures can be applied as in a standard service recovery situation. Consumers make psychological responses to both violation of privacy and recovery, and the pattern of attribution of responsibilities can significantly affect consumer trust in the organization, its partners as well as other companies. Privacy violation can also harm reputation and thus shareholder value. This implies that multiple theories related to privacy and crisis communication management are useful in identifying consumer reaction to service recovery after a privacy failure.

The review reveals different variables which can impact on how consumers and stakeholders evaluate data breach, information and announcements about data breach, and related service recovery efforts. Reviewing multiple studies shows the necessity of researching both customer and company levels when assessing the effect of service recovery strategies. It should not be taken for granted that a strategy effective for consumers is also effective for investors or other stakeholders.

With reference to RQ2, the review identifies several research opportunities which deserve further attention. The research agenda is drawn up by grouping questions on the basis of the key stakeholders in service recovery from privacy failure (Table 3). The topic requires further attention from marketing research; it is clear that the type of recovery from a data breach has important consequences as far as marketing strategies and consumer behavior are concerned. The interplay between privacy failure, recovery and crisis communication management is the key to a comprehensive academic analysis of the topic. Research from this perspective would provide managers with insights on the most effective recovery strategies for retaining consumer trust and avoiding loss of corporate reputation.

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