

CONSUMER SATISFACTION WITH THE COMPLAINT RESOLUTION EFFORTS OF A U.S. FEDERAL AGENCY

Jeanne M. Hogarth, Consumer and Community Affairs, Federal Reserve Board
Maureen English, Consumer and Community Affairs, Federal Reserve Board

ABSTRACT

A sample of consumers who complained about bank services to the Federal Reserve System is supplemented with census-tract data to explore consumer satisfaction with third-party complaint handling in the financial services sector, where the third party is a federal agency. Response rates varied by: region, the financial product that was the focus of the complaint, and whether or not the complaint was resolved in the consumer's favor. Among respondents, two-fifths were satisfied with the final outcome of the complaint resolution, and another one-fifth were partially satisfied. Income and the time it takes to resolve the complaint are associated with consumer satisfaction levels; partial support exists in the findings that more objective complaints are more likely to be resolved to the consumer's satisfaction than complaints that are more judgmental in nature.

INTRODUCTION

Consumer complaints to third parties can serve not only to obtain redress but also to increase marketplace efficiency. One can argue that without the control offered by third party complaint handlers, sellers would have a monopoly on complaint handling and would be able to impose their own standards on resolving complaint cases (see Best & Andreasen, 1977).

Consumer complaining behaviors have been studied a great deal. Data is available on who complains, what they complain about, who they complain to, and, to some extent, how satisfied they are with the resolution of their complaints. In the area of third party complaint behaviors, however, the data is thinner--mainly because consumers are less likely to complain to third parties.

Even less is known about complaints to specific third parties; the Better Business Bureau (BBB) issues its annual inquiry and complaint summary, which tallies consumer contacts (Better Business Bureau, 1995). Many states' attorneys general issue "top ten" lists of the most numerous

complaints by consumers, but little is known about these complaints beyond the pure numbers. The same could be said for most other third party complaint handlers such as community agencies, trade associations, federal agencies, and not-for-profit consumer agencies. Furthermore, little is known about third party complaints within specific sectors, with the possible exception of the medical/health and automobile repair sectors. Most of the third party complaint data is so sparse that analysis by industry (e.g., automobile, financial services, or consumer durables) is impossible.

This paper attempts to address some of the shortfalls in the data and in our knowledge of complaint behaviors. Specifically, the purpose of this paper is to explore factors associated with consumer satisfaction with third-party complaint resolution efforts in the financial services sector, where the third party is a federal agency.

BACKGROUND

In addition to its function as the nation's central bank, the Federal Reserve System has a role in supervising the safety and soundness of financial institutions and their compliance with federal law. The Federal Reserve's duties fall into four general areas: conducting the nation's monetary policy; supervising and regulating banking institutions to ensure safety and soundness and to protect the credit rights of consumers; maintaining the stability of the financial system; and providing certain financial services to the U.S. government, to the public, to financial institutions, and to foreign official institutions (Board of Governors, 1994b, p. 1,5). The Federal Reserve's Consumer Complaint Program falls within this supervisory function. Since the late 1960's, the number of federal laws intended to protect consumers in credit and other financial transactions has grown and the Congress assigned the Federal Reserve System the duty of implementing many of these laws. In response to congressional direction, in the mid-1970s the Federal Reserve Board established a formal complaint program for

investigating and responding to consumer complaints about state-chartered banks that are members of the Federal Reserve System. Subsequently, the Board issued Regulation AA, Unfair or Deceptive Acts or Practices, which details procedures for receiving and investigating consumer complaints. Regulation AA requires: 1) that either an acknowledgment or a substantive response be sent to the complainant within 15 business days of the System's receipt of a complaint; and 2) that complaints received by the System about an institution other than a state-chartered, member bank are to be forwarded to the federal agency having jurisdiction over that institution.

The complaint program is administered at the Federal Reserve System's central office (the "Board") in Washington, D.C., and housed in the Board's Consumer and Community Affairs Division. The System's 12 Federal Reserve Banks located across the country are responsible for the actual investigations of consumer complaints. The Consumer and Community Affairs program also monitors state-chartered, member bank compliance with federal consumer laws and regulations through its bank examination program, and writes and interprets regulations to carry out the consumer protection laws in the financial services area (such as the Truth in Lending, Equal Credit Opportunity, Electronic Fund Transfer, Home Mortgage Disclosure Acts.)

The complaint program is designed to serve two purposes. First, it aims to provide consumers with prompt, thorough action on their complaints; second, it provides a mechanism for identifying unfair or deceptive banking practices that may require further investigation and possible regulatory action by the Board (Board of Governors, 1994a).

The Federal Reserve accepts complaints from consumers even if the complaints do not involve state-chartered, member banks. Such complaints are referred to the appropriate federal regulatory agency (e.g., the Federal Deposit Insurance Corporation, the Office of the Controller of the Currency, or the Federal Trade Commission) and the consumer is notified of the referral. Although these complaints are referred elsewhere for resolution, data--such as the dates of the complaints, the complainants' names and

addresses, and the subject matter of the complaints--are entered in the System's Consumer Complaint and Inquiry Tracking System (CCITS) database.

The Complaint Program's Policies and Procedures

The Federal Reserve System's policies and procedures for investigating complaints are detailed in its *Consumer Complaint Manual* (Board of Governors, 1995). When a complaint is received at the Board, a consumer affairs analyst reviews it and it is entered into the CCITS; it's at this point that a complaint is referred to another agency, if appropriate. If the complaint involves a state-chartered, member bank, it is referred to the Reserve Bank with oversight responsibility for that bank. Reserve Bank staff are responsible for investigating the complaint (contacting the bank for information and documentation, reviewing bank procedures, and going "on-site" at the bank to search records.) Once the complaint is fully analyzed, a written response detailing the findings and resolution is sent to the consumer. The complaint file is then returned to the Board and reviewed to ensure that Board procedures and policies were followed and that a thorough investigation of the complaint took place. Complainants are sent a satisfaction survey (a "Consumer Satisfaction Questionnaire") after the case is closed; responses received from the complainants are entered into the CCITS database.

The Federal Reserve System's Consumer Complaint Data

Complaints and inquiries are entered into the CCITS, a centralized on-line mainframe system that both Board and Reserve Bank staff can access. The Reserve Banks are responsible for entering much of the data that resides in the system, and can access the system on their own to obtain either "canned" or specialized reports. Data collected by the Federal Reserve System are regularly reviewed by consumer affairs analysts at the Board in order to monitor the number and types of complaints received, any trends that might be developing in the complaint data, and Reserve Bank performance in investigating and responding to complaints.

The Federal Reserve System received nearly 3000 consumer complaints and over 2600 inquiries in 1996. The great majority--almost 2400--were lodged in writing, and approximately 570 were received by telephone. A little over 1200 of the complaints were against state-chartered, member banks. Two-thirds of the total number of complaints involved unregulated practices. Over the past several years, credit cards have been the number one complaint category, representing about one-third of all complaints received.

The database includes: the consumer's name and address; the Reserve Bank that received the complaint; codes for identifying the banking product related to the complaint (for example, loan, credit card, deposit account, checking account); the nature of the complaint (for example, discrimination, billing error, overcharge); any applicable regulatory code (for example, if the consumer alleges a problem covered by an existing regulation, it would be coded as such); the final disposition of the complaint; and a text field for providing a more complete description of the complaint. The data base also provides date codes for tracking the complaint to determine if System time lines are being met.

Consumer Feedback: The Consumer Satisfaction Questionnaire

After the complaint file is closed, a one-page Consumer Satisfaction Questionnaire is sent to complainants for their feedback on how the System's complaint process performed. The questionnaire is subject to rules administered by the Office of Management and Budget (OMB). (This special OMB role is an outgrowth of the federal Paperwork Reduction Act, which is a legislative attempt to keep questionnaires, surveys and other types of information requests from being burdensome and to ensure that government's demands on the public are appropriate and justifiable. Agencies must submit survey instruments and sampling plans to OMB for review and authorization. OMB's authorization is obtained for a limited period of time, after which the document and sampling plan must be resubmitted for review and approval.) In general, the questionnaire is only sent to those who lodge complaints with the Board; consumers who

complain to Reserve Banks do not usually receive these questionnaires. A cover letter signed by the Consumer and Community Affairs' division director requests that complainants complete the questionnaire. Complainants are provided with self-addressed, postage-paid envelopes to return their questionnaires to the Board.

Another way the complaint process is monitored is through an annual review of Reserve Bank programs, including complaint investigation responsibilities. The Reserve Banks' complaint functions are also evaluated every four years through an on-site "operations review" program conducted by the Board as part of its supervision and regulation function. As part of this review, Consumer Satisfaction Questionnaires may be sent out to consumers who complain directly to the Reserve Banks.

PREVIOUS WORK IN THIRD PARTY COMPLAINTS

Profile of Complainers

Since the early 1970's, a great deal has been learned about consumer complaining behaviors, with much work focusing on exploring determinants of who complains and who does not (Mason & Hines, 1973; Warland et al, 1975; Best & Andreasen, 1977; Pfaff & Blivice, 1977; see also overviews in Andreasen, 1988 and Singh, 1990). Many of these studies have gone on to explore determinants of the types of action complaining consumers take, i.e. public action or private action (see, for example, Kolodinsky, 1995). Some classify public actions as complaints to sellers and to third parties (Best & Andreasen, 1977; Lee & Soberon-Ferrer, 1996; Tipper, 1997).

Studies indicate that consumers who complain to third parties tend to be younger, better educated, better informed, more politically active and have higher incomes (Best & Andreasen, 1977; Warland et al, 1975, Duhaime & Ash, 1979). The effect of gender is less consistent in the research literature (Duhaime & Ash, 1979; Strahle & Day, 1984).

Most studies show very low rates of complaining to third parties. Both Warland et al (1975) and Best & Andreasen (1977) report around seven percent of persons with complaints used

third parties. Kolodinsky (1993) reports less than eight percent of consumers with medical service complaints utilized a third party; and her 1995 report on auto repair and medical services indicates that less than five percent of respondents took a third party action (Kolodinsky, 1995). Lee & Soberon-Ferrer (1996) report rates ranging from three percent (complain to federal agency) to 24 percent (complain to BBB) for persons 65 and over.

Tipper's study focused exclusively on third party complainants and explored the factors associated with which particular third party outlet--BBB, consumer agency, state attorney general's office, federal agency, or legal system--a consumer used. Over one-third (37 percent) of his sample had complained to a third party, with rates ranging from less than three percent (complained to federal agency) to 27 percent (complained to BBB). He found that education, income, gender, knowledge of consumer rights, and attitudes toward business were determinants of using various third party outlets. The only significant determinant of complaining to a federal agency was having a negative attitude toward business (Tipper, 1997).

Satisfaction with Complaint Resolution Efforts

A few studies have included measures of satisfaction with complaint resolution. In Kolodinsky's 1993 study, 21 percent of the respondents reported that their complaints were resolved, but no information was provided on satisfaction with the resolutions. In Best & Andreasen's 1977 study, 44 percent of consumers with service complaints were satisfied with the disposition of their problems; in contrast, 66 percent of those with complaints about frequently purchased goods and 57 percent of those with complaints about infrequently purchased goods were satisfied with the resolution of their complaints. However, only 26 percent of those using a third party outlet reported a satisfactory result; 51 percent reported an unsatisfactory result (21 percent reported that their complaint was still pending).

A 1979 Technical Assistance Research Programs (TARP) report indicated that 43 percent of respondents were "largely satisfied" while 54

percent were "largely dissatisfied" with the resolution of their complaints. Work by Best & Andreasen (1977) and Gilly (1982) indicate that the legitimacy of the complaint and the type of problem are associated with consumers' obtaining a satisfactory response to their complaints. Problems that are more objective (breakage, mathematical errors) are more likely to be resolved to the consumer's satisfaction than are problems that are more subjective or judgmental in nature.

Summary

While many researchers have studied third party consumer complaining behavior, few have presented any evidence from the agency side of the equation. Furthermore, none look in depth at the financial services sector. This descriptive study will present data on: 1) consumer complaints to a federal agency about financial services; and 2) consumer satisfaction with the complaint resolution process.

METHODOLOGY

Questionnaire Description and Data Available

The Customer Satisfaction Questionnaire was designed to gather data considered relevant for monitoring the Federal Reserve's consumer complaint program, consistent with federal guidelines. The questionnaire is short and simple to minimize respondent burden and increase the probability of consumer response.

The questionnaire requests information on: where consumers heard about the complaint program; their satisfaction with the overall outcome; the amount of time it took to resolve their complaints and their satisfaction with the time line; their perceptions as to whether the complaints were handled thoroughly; whether they were treated courteously; whether the responses were clear; and whether or not they would contact the Federal Reserve again should they have another complaint.

Because the questionnaires can be tracked by a unique consumer complaint number, the questionnaires can be linked with information in the CCITS database. Gender usually can be identified using the consumer's name. Address

information in the database allows linking the consumer's record with census-tract data and incorporating tract level household income and education level into the data. Income was measured as median income for the census tract and education was measured as the percent of households in that tract with at least a bachelor's degree.

Sample Selection

As indicated above, the Federal Reserve System received over 1200 complaints about state-chartered, member banks in 1996. Ideally, a random sample would have been drawn from this universe to survey. However, the Federal Reserve's sampling plan provides that the questionnaire be sent to consumers who complain directly to the Federal Reserve Board in Washington and who file complaints at Reserve Banks scheduled for operations reviews. Reserve Banks in New York, Philadelphia and San Francisco were scheduled for review in 1997, so it was considered appropriate to survey not only consumers who complained directly to the Board but also those who complained to these Reserve Banks. This yielded a sample of 540 consumers.

The Federal Reserve's usual process is to send out a cover letter and questionnaire to consumers. For this project, in order to increase the response rate, a follow-up mailing was sent after three or four weeks to those who had not yet responded. Responses were received from 290 of the 540 consumers; another 17 were returned as undeliverable, yielding a response rate of 55 percent.

RESULTS

Description of Sample

One of the advantages of working with the CCITS database is that it allows a comparison between respondents, non-respondents, and the full sample (see Table 1). Respondents differed slightly from non-respondents: they were more likely to have complained to the Board rather than to one of the three Reserve Banks. For ease of reporting, regional variables were created: the Eastern U.S. (consumers who complained to the

New York and Philadelphia Reserve Banks); the Western U.S. (consumers who complained to the San Francisco Reserve Bank); and the general U.S. (consumers who complained to the Board in Washington). Respondents were more likely to come from census tracts with higher incomes; and they were more likely to have complained about credit cards, other (non-real estate) loans, securities, or checking accounts. They were also more likely to have had their complaints resolved in their favor. A higher proportion of men than

Table 1
Comparison of Sample, Non-Respondents,
and Respondents

	<u>Sample</u>	<u>Non-Respondents</u>	<u>Respondents</u>
Number	540	250	290
Region			
Eastern US	50.0%	51.6%	48.6%*
Western US	14.8	16.8	13.1
General US	35.2	31.6	38.3
Gender (% male)	59.8	56.7	62.4
Income (Census Tract)			
Mean	\$45,919	\$44,727	\$46,936†
Median	\$41,797	\$40,570	\$42,852
Education (% of households with Bachelor's degree in Census Tract)			
Mean	16.9%	16.5%	17.3%
Median	15.7	15.4	15.7
Complaint about			
Credit cards	32.6	31.0	34.0**
Real estate loans	7.4	7.4	7.4
Other loans	11.3	9.4	12.9
Stocks, bonds, securities	8.5	5.7	10.9
Checking account	24.5	23.7	25.3
Deposit/savings account	9.1	13.1	5.6
Other‡	6.6	9.8	3.8
Complaint resolved in consumer's favor‡‡	29.8	24.0	34.8**

† t-test significant at .05 or better

* Chi Square significant at .10 or better

** Chi Square significant at .05 of better

‡ Includes complaints about consumer leasing, general functions, international operations, safe deposit, Uniform Commercial Code issues

‡‡ Includes complaints where restitution is made to consumer or where institution was found in violation of regulations or laws, implying that restitution is made.

women were in the sample, and the men were more likely to respond, although the difference is not statistically significant.

These differences may introduce some bias into the data. However, it is also the case that the number of respondents and the nature of the data will not support rigorous multivariate analysis. Thus, because this study is primarily descriptive in nature, these biases are unlikely to influence any of the analytical results.

No differences exist between the respondents and non-respondents with respect to the educational level of the census tract in which they lived, although respondents seemed to live in areas with higher levels of education. Given that approximately 23 percent of the U.S. population have bachelor's degrees, the education levels represented in the data seem a bit low. In part, this may be a vestige of comparing individual level data to household level data.

Also it is important to note that this sample has a substantially higher mean and median income than the U.S. population. This is not unexpected given that the focus is on the financial sector of the marketplace and the fact that census-tract income is being used as a proxy for household income. Many of the products prompting the complaints (credit cards, real estate loans, other loans, stocks, bonds, securities) are associated with households with higher levels of disposable income.

Nearly two-fifths (37 percent) of the respondents were satisfied with the final outcomes of their complaints (see Table 2). This compares favorably with Best & Andreasen's finding that 27 percent were satisfied with the results of complaint handling by third parties. Another one-fifth (23 percent) indicated they were "not completely" satisfied. In part, this may reflect the complex nature of some complaints or the complex laws and regulations to which these complaints relate. Seven out of ten respondents' complaints in the study were about practices that are not regulated. These cases often involve "judgment calls" by the financial institutions, and we know from Best & Andreasen's work that these types of complaints are often not resolved to the consumer's satisfaction.

Table 2
Consumer Satisfaction with Aspects of the Complaint Process

	<u>Yes</u>	<u>Not Completely</u>	<u>No</u>
Satisfied with final outcome	36.9%	22.8%	40.3%
Satisfied with time to handle	55.0	21.6	23.4
Complaint handled thoroughly	45.7	22.1	32.1
Consumer treated courteously	89.0	1.1	10.0
Response was clear, understandable and adequate	54.1	19.1	26.9
Would contact again with another problem	73.5		26.1

Over half of respondents were satisfied with the time frame in which their complaints were resolved; about one third reported their complaints were resolved in less than four weeks and another third indicated their complaints were handled in four to eight weeks. One-sixth reported their complaints were resolved in eight to twelve weeks and another sixth indicated their complaints took longer than twelve weeks to handle. Nearly half (46 percent) indicated their complaints were dealt with thoroughly, and nearly nine out of ten (89 percent) felt they were treated courteously.

Over half (54 percent) indicated that the responses they received were clear, understandable, and adequate. This question may combine too many characteristics (clarity and understandability of the response may be perceived as different from the adequacy of the response) to give a valid measure of the consumers' understanding of the question. Nearly three-fourths (73 percent) of respondents would contact the Federal Reserve again if they experienced other problems.

Table 3
Satisfaction with Final Outcome of Complaint
by Demographic Characteristics, Type of
Complaint, and Time and Type of Resolution
(in percentages; rows sum to 100%)

	Satisfied with Final Outcome?		
	Yes	Not Completely	No
Region			
Eastern US	32.6%	21.9%	46.8%
Western US	44.7	21.1	34.2
General US	41.4	24.3	34.2
Gender			
Male	33.1	25.4	41.4
Female	44.1	19.6	36.3
Income (Census Tract)			
Lowest Quartile	45.3	15.1	39.6*
Second Quartile	25.5	20.0	54.6
Third Quartile	45.0	28.3	26.7
Highest Quartile	41.1	26.8	32.1
Mean	\$47,651	\$50,927	\$43,801
Median	\$44,773	\$45,746	\$39,415
Education (% of households with Bachelor's degree in Census Tract)			
Mean	18.5%	17.8%	15.7
Median	19.3	18.4	12.9
Complaint about			
Credit cards	48.5	18.6	33.0
Real estate loans	33.3	19.1	47.6
Other loans	29.7	37.8	32.4
Stocks, bonds, securities	29.0	22.6	48.4
Checking account	36.1	20.8	43.1
Deposit/savings account	25.0	18.7	56.3
Other	18.2	18.2	63.4
Time needed to resolve complaint			
Less than 4 weeks	58.1	20.4	21.5**
4 - 8 weeks	34.8	23.6	41.5
8 - 12 weeks	26.1	28.3	45.6
More than 12 weeks	20.0	22.0	58.0
Complaint resolved in consumer's favor	54.5	23.8	21.8**
Complaint not resolved in consumer's favor	27.5	22.2	50.3
Would contact again with another problem	49.8	24.6	25.6**

* Chi Square significant at .05

** Chi Square significant at .01 or better

Bi-variate Results

Satisfaction with the resolution of a complaint may be associated with a number of factors. As seen in Table 3, persons in the eastern U.S. seemed least likely to be satisfied with the final outcome of their complaints, although the regional differences were not statistically significant.

Women seemed more likely than men to be satisfied with the resolution of their complaints, although, again, these differences were not statistically significant. Given the higher response rate of men in the sample (see Table 1), we might expect these differences to become significant if the respondents were representative of the sample. Satisfaction levels were positively associated with income. In the sample, higher incomes were associated with higher levels of education (Pearson R of .73, significant at .01), and better educated consumers may be more able to articulate their complaints, thus leading to satisfactory outcomes. It is also probable that higher income consumers are more financially sophisticated and are unwilling to take "no" for an answer; consequently, they continue to work toward more satisfactory outcomes.

A higher proportion of persons who complained about credit cards were satisfied with the final outcome of their complaints, while persons with complaints about real estate loans, securities, and other areas were most likely to be dissatisfied with the final outcomes, although the association is not statistically significant ($p = .17$). It may very well be that simpler products, such as credit cards, present more objective complaints (e.g. billing errors) that can be more easily resolved, while complex financial products, such as securities, present more complex problems that are less easy to resolve in the consumer's favor. As expected, satisfaction was inversely associated with the time needed to resolve the complaint. Nearly three-fifths (58 percent) of consumers with complaints resolved in less than four weeks were satisfied compared to one-fifth (20 percent) of those with complaints that took more than twelve weeks to resolve. Complaints that are resolved quickly are probably simpler and more objective in nature, thus more likely to be resolved in the consumer's favor; complaints that take longer to resolve may involve factual disputes that are less

likely to be resolved to the consumer's satisfaction.

Not surprisingly, satisfaction was associated with having the complaint resolved in the consumer's favor. Over half (54 percent) of consumers whose complaints were resolved in their favor were satisfied with the outcome compared to one-fourth (27 percent) whose complaints were not resolved in their favor.

Nearly all (98 percent) of those who had satisfactory outcomes and 78 percent of those who had partially satisfactory outcomes indicated they would contact the Federal Reserve again with another problem. Over two-fifths (47 percent) of those who were dissatisfied with the final outcome of their complaints indicated that they would contact the Federal Reserve again. It is possible that a human capital effect is at work here; once a consumer has learned how the process functions, a willingness exists to use these skills again.

SUMMARY AND CONCLUSIONS

Complaints About Financial Services to Third Parties

Contrary to other studies (see, for example, Best & Andreasen, 1977), this study shows that about two-fifths of consumers who complained about financial services to a third party were satisfied with the final outcome of their complaint resolution, and another one-fifth were partially satisfied. The data indicate that income and the time it takes to resolve a complaint are associated with the level of consumer satisfaction with a complaint's resolution. Partial support also exists in this study's findings that more objective complaints are more likely to be resolved to the consumer's satisfaction than complaints that are more judgmental in nature.

The literature contains little about subsequent use of third party redress (i.e., does satisfaction with third party redress lead to additional use of third party mechanisms), although several studies look at re-purchase behaviors after a complaint (another way of studying subsequent use of a product/service). Nearly three-fourths of the respondents in this study indicated they would contact the Federal Reserve again if they should have another problem, ranging from nearly all of consumers who were satisfied to two-fifths of

those who were dissatisfied.

Limitations

While this study provides a valuable first glance into third party complaints related to financial services, substantial biases exist in these data. First, the data set needs to be expanded to all regions, which may give a very different perspective on the nature of complaints and consumer satisfaction. Second, the questionnaire, as presently written, may not capture what is really needed to be known about the Federal Reserve's complaint resolution process. Both of these factors are constrained somewhat by considerations of not overburdening survey respondents.

Third, while census-tract data are the best data available for this study, no real substitute exists for household level information. Some key effects of income and education may be missing because of this lack of household level data.

Finally, the results of this study apply only to the financial sector and cannot be generalized to the service sector. Perhaps even more narrowly, these results may be relevant only to the banking industry within the financial sector and only to federal level third party complaint processes.

Future Work

From an agency perspective, it would be helpful to know a multiplier that could indicate the number of consumers' problems that each complaint represents. As the data are used to identify trends and issues, the following question should be asked: how many complaints is significant? In this study, for example, 173 persons in our sample of 540 had complaints about credit cards; given the number of credit cards in circulation in the U.S., 173 does not seem significant--but is it?

The literature in the consumer dissatisfaction and complaining behavior field reveals a wide disparity in complaining rates. A 1986 study by TARP estimates that complaining rates range between two to 60 percent (Goodman et al, 1986). This wide range is a function of the type and severity of the problem as well as with whom the complaint is lodged; that is, if a problem is serious to the consumer or if the consumer can complain

at the point of purchase, the probability of complaining is higher.

Other studies (Warland et al, 1975; Best & Andreasen, 1977) consistently show that only about one-third of consumers bother to complain when they have a problem. Of those who complain about services, the vast majority (88 to 90 percent) complain to sellers or other "front line" contacts; only 10 to 12 percent complain about services to third parties (Better Business Bureau, government agency, television station or newspapers).

Thus, even though the volume of complaints received by the Federal Reserve System seems low, it is likely that many consumers who are dissatisfied are not complaining; and among those who do complain, it is likely that a substantial number of complaints are lodged with financial institutions. The research community could contribute greatly to the Federal Reserve's consumer protection efforts by helping to determine a fair and accurate complaint multiplier to estimate the "real" magnitude of the complaints received.

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Send Correspondence regarding this article to:
Jeanne M. Hogarth
Maureen English
Division of Consumer and Community Affairs
Mail Stop 801
Board of Governors of the Federal Reserve System
Washington, DC 20551 USA
