

# THE EFFECTS OF ORGANIZATIONAL COMPLAINT RESPONSES ON CONSUMER SATISFACTION, WORD OF MOUTH ACTIVITY AND REPURCHASE INTENTIONS

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## ABSTRACT

This research investigates the link between organizational responses and post complaint consumer behavior, including satisfaction, word of mouth and intentions to repurchase. A conceptual model is introduced and empirically tested using structural equations modeling. The results are largely supportive of the hypothesized model. Satisfaction with the complaint response has a strong direct impact on word of mouth and intention to repurchase, however the relationship of word of mouth with intentions is not significant. The numbers of mail and telephone contacts made with the company to achieve problem resolution are negatively related to satisfaction, but not significantly related to subsequent word of mouth activity. Limitations of the study are discussed and directions for future research assessed.

## BACKGROUND

Consumer complaining behavior is a topic of interest in marketing (Andreasen 1988). Such behavior is associated with a number of factors, including the consumer's personality (Richins 1982), attributions of blame (Folkes 1984), significance of the consumption event (Day 1984), probability of complaint success (Richins 1983, Day 1984), environmental influences (Singh and Wilkes 1991), and product importance (Richins 1985). In that a dissatisfied consumer may cease purchasing from a company, some organizations have even started to practice defensive marketing in an attempt to retain complaining customers (Fornell and Wernerfelt 1987). Understanding consumer complaining is thus an important area of inquiry.

Often-overlooked aspects of consumer complaint behavior are the organizational response to the complaint and its impact on a consumer's satisfaction, intentions to repurchase and word of mouth communications with others. Indeed, it is difficult to separate the concept of consumer

dissatisfaction from the concept of organizational responses to consumer complaints (Gilly 1987; Garrett, Meyers and Camey 1991), and it is misleading to study such behavior in isolation. Relatively little research has investigated this relationship (Blodgett, Granbois and Walters 1993; Clark, Kaminski and Rink 1992; Conlon and Murray 1996; Gilly 1987), and even this research has focused more on satisfaction with the response than on its outcomes.

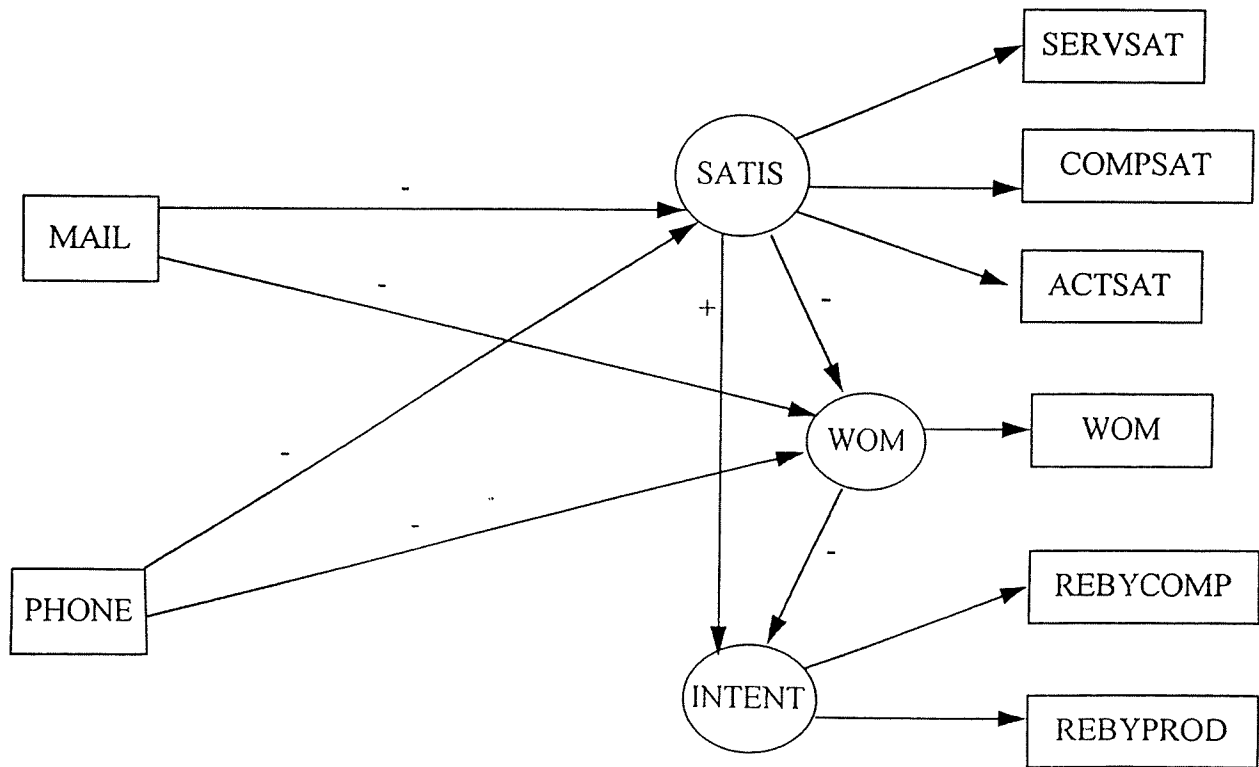
The dimensions of organizational response to complaints have received some conceptual attention (see Davidow 1995), however they await full empirical testing. Gilly (1987) focused on speed of the response and the compensation as driving the complainant's satisfaction, but she did not examine the effect of satisfaction with the company's response on word of mouth. However, Blodgett, Granbois and Walters (1993) did find in their investigation that perceived justice has a positive effect on repurchase intentions, and a negative one on word of mouth; satisfaction was not explicitly examined. Based on Goodwin and Ross (1989), compensation and the personal interaction or service have strong impacts on satisfaction and repurchase intentions.

Satisfaction with the complaint response does positively affect repurchase intentions (Kolodinsky 1992), but it does not appear to dominate the repurchase decision and cannot restore repurchase intentions to that of a satisfied non-complainer (Halstead and Page 1992). The actions taken by the company do have a positive effect on repurchase intentions and a negative effect on word of mouth (Morris 1988), but the interaction of the complainant and the company's complaint handling can either enhance or detract from their satisfaction (Garrett et al. 1991).

It seems clear that research is needed that examines complaint relationships in a comprehensive manner. We present results of such research, that also extends previous work by examining complaint behavior in Israel, which has not been the focus of investigation heretofore.

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Figure 1  
Hypothesized Model



Hypothesized directions are shown by +/-

### CONCEPTUAL FRAMEWORK AND HYPOTHESES

Our proposed model is displayed in Figure 1. It focuses on consumer satisfaction with complaint handling by an organization, word of mouth activities and repurchase intentions based on that satisfaction, and on the number of contacts a customer had with the company before a solution is achieved. Each construct and the linkages among the constructs are discussed below.

#### Conceptualization of Satisfaction

Satisfaction has been conceptualized several different ways in the literature, which may have had an effect on the results observed. Gilly (1987) conceptualizes satisfaction using an overall measure and a corresponding disconfirmation measure. Bearden and Teel (1983) consider disconfirmation an antecedent of satisfaction, and

measure satisfaction using four items adapted from Oliver (1980). Spreng et al. (1996) specify satisfaction as having two antecedents - - attribute and information satisfaction, and Tax and Chandrashekar (1992) use satisfaction with the product and with the service. Building on Gilly's (1987) perceptions of the organizational response to the complaint, Blodgett et al. (1993) focus instead on perceived justice as being an antecedent of repurchase intentions and word of mouth behavior. Oliver and Swan (1989) found that fairness is more important than is disconfirmation in producing satisfaction.

It is our belief that overall satisfaction is aggregative, based on Cadotte, Woodruff and Jenkins (1987) and Westbrook (1982), who argue that satisfaction is probably not a single emotion, but multidimensional. As such, we measure satisfaction as being manifested by the complainant's satisfaction with the service provided by the company's complaint department,

with the overall compensation, with the compensation amount, and with the actions taken.

How the complaint is handled is almost as important as the actual solution (Goodwin and Ross 1989, Lewis 1983). This view suggests that a consumer is dependent not only on the outcome, but also on the way that outcome is reached. The complaint communication process must be easy and clear for consumers, and the company representatives must be considerate and helpful. Garrett et al. (1991) found that this communication between the consumer and the organization is a key construct in most complaint management situations.

Consumer satisfaction with the overall compensation process rests on the company's ability to return the customer to the pre-complaint position. The compensation must take into account all of the consumer's financial and psychological costs (Andreasen 1988), including any losses incurred during the use of the product. Gilly (1987) found that repayment of any financial loss is positively related to consumer satisfaction. It seems reasonable then that a failure to be reimbursed for all costs or expenses related to the dissatisfaction will limit satisfaction recovery.

An organization's actions can also have an impact on a consumer's overall satisfaction with the complaint handling process. Consumers want a full explanation of why a problem occurred, and what actions will be taken by the organization to prevent a recurrence (Morris 1988). Lewis (1983) found that the actions taken to correct a problem are highly related to whether or not a consumer would repurchase. Consumers expect the company to provide a positive response, and will evaluate a company by its actions rather than its words alone.

### **Satisfaction and Word Of Mouth**

Satisfaction with the organizational response to a complaint tends to be negatively related to a subsequent consumer's word of mouth activity (Bearden and Oliver 1985; Oliver and Swan 1989; TARP 1986). Moreover, there is a negative link between the perceived justice or fairness of the organizational complaint response and the likelihood of engaging in negative word of mouth behavior (Blodgett et al. 1993; Oliver and Swan 1989). In a study conducted in the Netherlands,

Richins (1987) reports that one way to control negative word of mouth is to encourage consumers to seek redress when dissatisfied and then handle these complaints to the consumer's satisfaction. Based on these findings, the following hypothesis is proposed:

H1: The more satisfied a consumer is with the complaint handling, the less likely the consumer is to engage in word of mouth activity.

### **Satisfaction and Repurchase Intentions**

Consumer satisfaction is not an end in and of itself, but rather a means to the desired outcome of repurchase. If an organization does not give a consumer a good reason to come back, then that consumer will most likely transfer their allegiance to another brand. Complainants who perceive that justice has been served report higher repatronage intentions than those who perceive a lack of justice (Blodgett et al. 1993). There is a direct positive link between satisfaction and intentions to repurchase (Halstead and Page 1992; Kolodinsky 1992; TARP 1986). In light of these consistent findings, it is expected that:

H2: The more satisfied a consumer is with the organizational complaint handling, the higher the consumer's intention to repurchase the product.

### **Word Of Mouth and Intentions to Repurchase**

Tax and Chandrashekar (1992) found that negative word of mouth has a significant impact on repurchase intentions. Based on Self Perception Theory (Bem 1972), if the consumer were to still buy the product after engaging in negative word of mouth, there would be an inconsistency between their words and actions. Having engaged in negative word of mouth activity, the consumer may find it difficult psychologically to repurchase the product. According to equity theory, victims are not hesitant to get even with those who treat them unjustly by retaliating against them (Walster, Walster and Berscheid 1978). Negative word of mouth and personal boycott are possible forms of retaliation against a company. Therefore, the

more a person engages in negative word of mouth, the more likely they are to not repurchase from that company. Considering these positions, it is expected that:

H3: The more a consumer engages in word of mouth, the less likely the consumer is to repurchase the product.

#### **Antecedents to Satisfaction and Word of Mouth**

Consumers evaluate the costs and benefits of complaining (Andreasen 1988, Richins 1980), and anything that raises the cost of complaining is going to lower the overall utility or satisfaction from the complaint response, all else equal. The number of times a consumer has to contact the company by mail or by phone to solve the problem is indicative of the effort expended and would serve to reflect the cost to the consumer. Extra contacts could be the result of missed communications, complications in the recovery process, high expectations, or some other factor. It seems likely that the more consumers feel the process is dragging out, the more effort they will likely expend in writing or calling the company and the less satisfied they will be with whatever outcome they are able to obtain. Based on these ideas, it is expected that:

H4a: The more mail contact a consumer has with an organization to solve a problem, the less satisfied the consumer will be with the outcome.

H4b: The more phone contact a consumer has with an organization to solve a problem, the less satisfied the consumer will be with the outcome.

Consumer complaining behavior is a complex, dynamic process, where negative word of mouth is primarily dependent upon the consumers post-complaint perception of justice (Blodgett et al. 1993). Each time a consumer contacts the company by mail or phone their perceived overall cost of complaining increases, thus lowering their satisfaction level and perceived justice redress. Consumers who perceive little likelihood of successful redress are likely to engage in word of

mouth behavior (Blodgett et al. 1993). Therefore, the more times a consumer has to write or call the company to achieve resolution to their problem, the more likely is their propensity for engaging in word of mouth behavior with others. In light of these findings, it is expected that:

H5a: The more mail contact a consumer has with an organization to solve a problem, the more likely the consumer is to engage in word of mouth activity.

H5b: The more phone contact a consumer has with an organization to solve a problem, the more likely the consumer is to engage in word of mouth activity.

## **METHODOLOGY**

### **Sample**

Data were gathered in Israel from 775 respondents to a questionnaire on customer complaint handling satisfaction. A self-administered questionnaire and postage-paid return envelope were mailed by an Israeli consumer goods manufacturer to those customers who had voiced a complaint regarding an inexpensive (<\$5) product. Questionnaires were mailed approximately two months after the complaint was handled. No callbacks were made. The total mailing was 1,513, of which 23 were returned due to incorrect addresses, yielding an effective response rate of 52.0%. Due to partial missing data, 109 responses were not included in the analysis, leaving a total of 666 usable surveys, or 44% of the total number mailed.

### **Measures Used**

The selections of items for our measures are based on conceptual definitions. The operationalization of these variables is detailed in the Appendix.

**Satisfaction Construct.** Satisfaction is measured by four items: overall satisfaction with the service received from the complaint handling department (SERVSAT), satisfaction with the action taken by the company to resolve the

**Table 1**  
**Correlations and Variance/Covariance**

		1	2	3	4	5	6	7	8	9	Mean	S.D.
SERVSAT	[1]	1.10	<b>0.49</b>	<b>0.72</b>	<b>0.68</b>	<b>-0.14</b>	<b>0.33</b>	<b>0.36</b>	<b>-0.10</b>	<b>-0.21</b>	4.06	1.05
AMTSAT	[2]	0.32	0.38	<b>0.69</b>	<b>0.48</b>	<b>-0.14</b>	<b>0.22</b>	<b>0.28</b>	<b>-0.08</b>	<b>-0.15</b>	1.71	0.62
COMPSAT	[3]	0.91	0.51	1.45	<b>0.71</b>	<b>-0.09</b>	<b>0.31</b>	<b>0.36</b>	<b>-0.12</b>	<b>-0.21</b>	3.57	1.20
ACTSAT	[4]	0.63	0.26	0.75	0.77	<b>-0.10</b>	<b>0.31</b>	<b>0.39</b>	<b>-0.12</b>	<b>-0.23</b>	4.31	0.88
W O M	[5]	-0.18	-0.11	-0.13	-0.11	1.50	<b>-0.13</b>	<b>-0.09</b>	<b>0.09</b>	<b>-0.04</b>	2.06	1.22
REBYCOMP	[6]	0.20	0.08	0.21	0.15	-0.09	0.32	<b>0.40</b>	<b>-0.07</b>	<b>-0.07</b>	4.78	0.57
REBYPROD	[7]	0.42	0.19	0.48	0.38	-0.13	0.25	1.24	<b>0.00</b>	<b>-0.11</b>	4.16	1.11
MAIL	[8]	-0.05	-0.02	-0.08	-0.06	0.06	-0.02	0.00	0.27	<b>-0.32</b>	1.03	0.52
PHONE	[9]	-0.12	-0.05	-0.14	-0.11	-0.03	-0.02	-0.07	-0.09	0.29	0.24	0.54

Note: Correlations are in bold, above the diagonal  
 Variances are not bolded, on the diagonal  
 Covariances are not bolded, below the diagonal

complaint (ACTSAT), satisfaction with the compensation amount (AMTSAT), and satisfaction with the overall compensation (COMPSAT). Due to the high degree of intercorrelation between AMTSAT and COMPSAT, the satisfaction construct is represented two different ways by using one of these variables in the formulation. Using the AMTSAT item, the three satisfaction items have a coefficient alpha of .79, whereas using COMPSAT, the satisfaction items have a coefficient alpha of .88. Both construct operationalizations exhibit internal consistency (Nunnally and Bernstein 1994).

**Other Constructs.** Word of mouth is measured by a single-item scale. The Repurchase Intentions construct is represented by two items - intentions to repurchase from the company (REBYCOMP) and to repurchase the brand (REBYPROD). Coefficient alpha for the two intentions items is 0.56, which is somewhat low, but still acceptable (see Nunnally and Bernstein 1994). The two exogenous antecedents - the reported number of mail (MAIL) and phone (PHONE) contacts made by the customer - are measured as separate manifest variables.

## RESULTS

### Measurement Model Assessment

Evidence of convergent and discriminant

validity for the satisfaction and repurchase intentions constructs can be assessed by confirmatory factor analysis (Joreskog and Sorbom 1989). We used the measurement model to show that the two constructs are in fact separate. The correlations among the indicators and the variances and covariances are given in Table 1.

The two factor model using AMTSAT as one of the Satisfaction indicators fits the covariances closely ( $c^2=2.89$ ,  $df=4$ ,  $p=.58$ ), in spite of the somewhat low indicator reliabilities for AMTSAT (.35), REBYCOMP (.33), and REBYPROD (.47). The associated unidimensional model  $c^2$  value of 48.06 ( $df=5$ ,  $p=.00$ ) is significantly larger than the two-factor model ( $Dc^2=45.17$ ,  $df=1$ ,  $p=.00$ ), indicating that the Satisfaction and Repurchase Intentions constructs can be considered to be separate and distinct. Further evidence is provided by the 8.4% improvement in the total coefficient of determination (TCD) of .908, the 8.3% improvement in the Adjusted Goodness of Fit Index (AGFI) of .994, and the large reduction of 84.6% in the Root Mean Square Residual (RMSR) to .008 for the two-factor over the unidimensional construct model. The Phi coefficient of .67 ( $t=15.18$ ,  $p<.001$ ), indicates that the two constructs are related, but non-overlapping. For this analysis, significant ( $p<.05$ ) t-statistics were observed for all estimated parameters (all  $t's>9$ ), and the largest standardized residual of only 1.06 provides support for the model's adequacy, based on the guidelines offered by Bagozzi and Yi

(1988).

For the second confirmatory analysis in which COMPSAT was used in place of AMTSAT as a satisfaction indicator, a somewhat-larger  $c^2$  of 5.21 ( $df=4$ ,  $p=.266$ ) was observed, a smaller AGFI (.988), a larger RMSR (.011), but with a larger overall TCD (.935). As was true for the confirmatory analysis with AMTSAT as a satisfaction indicator, all estimated parameters are significant (all  $t$ -values  $> 9$ ), and the largest standardized residual of 1.8 provides support for the adequacy of the model. Compared to the unidimensional construct model, a reduction in  $c^2$  of 50.64 ( $df=1$ ,  $p=.000$ ), an improvement of 5.9% in TCD and of 9.3% in AGFI, and a reduction of 81.0% in RMSR provide further evidence that the satisfaction and repurchase intentions constructs are distinct. The Phi coefficient of the correlation among the two constructs is .645 ( $t=14.99$ ,  $p<.001$ ), indicating that the two constructs are related, but not overlapping.

An analysis of the parameter estimates for the construct indicators, the associated squared multiple correlations, and the average squared variance can provide indirect evidence of the convergent validity of the satisfaction and repurchase intentions constructs. With only two indicators of repurchase intentions and three of satisfaction, the ability to assess convergent validity is limited to an analysis of the descriptive characteristics of each construct. With the exception of AMTSAT, the squared multiple correlations (all above .675) and the factor loadings (.822 - .858) for the satisfaction construct indicators are indicative of indicator reliability and convergent validity of the construct, respectively (Bagozzi and Yi 1988). AMTSAT is somewhat low on indicator reliability (.35) and its loading of .592 on the latent construct is lower than the other construct indicators; rather than eliminating this variable from the set of satisfaction indicators, the decision was made to retain this somewhat-fallible measure and use it in structural analyses in place of COMPSAT as one of the indicators. For the analysis with AMTSAT, the average squared variance is .57, whereas it is .70 when COMPSAT is included. Based on these results, the satisfaction construct appears to demonstrate reasonable convergent validity.

In the case of repurchase intentions, the squared multiple correlations for the two indicators are somewhat low, ranging from .33 to .47, but the factor loadings are fairly reflective of convergence (.58 to .68), based on Bagozzi and Yi (1988). With an average squared variance of .40, which is below the recommended .50 given by Bagozzi and Yi, it must be concluded that there is only limited evidence of convergent validity for the Repurchase Intentions construct.

### Structural Model Testing Approach

The analysis procedure used to test the specified hypotheses is structural equations modeling with latent variables using the LISREL 7 program (Joreskog and Sorbom 1989). The covariance matrix used to analyze the data is reproduced in the lower diagonal of Table 1.

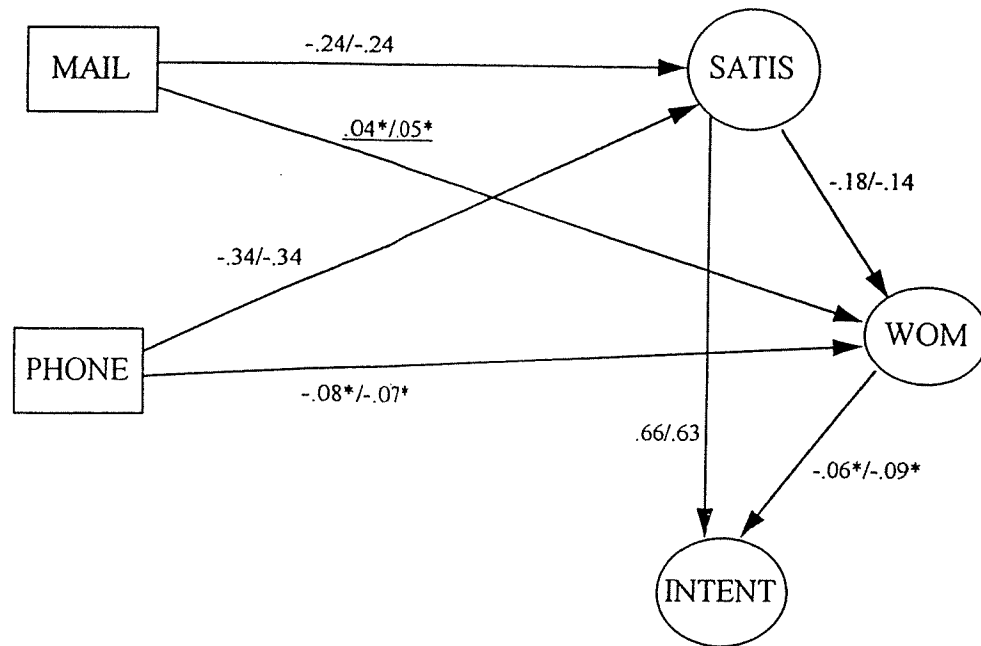
The Satisfaction and Repurchase Intentions endogenous constructs are specified as unobserved latent variables, with three and two indicators, respectively. In the case of Satisfaction, SERVSAT, ACTSAT, and either AMTSAT or COMPSAT form the indicator set. The SERVSAT parameter was used as the reference indicator to fix the scaling for the Satisfaction construct. REBYCOMP and REBYPROD are used to reflect the Repurchase Intentions construct, and the REBYCOMP parameter was fixed at 1.00 to set the scaling. Word of Mouth is represented by a single item, specified as measured without error. The two exogenous antecedents, MAIL and PHONE, are specified as directly-observed, fixed-X indicators, and assumed to be measured without error and uncorrelated with one another.

For corroborative purposes, a variable was also constructed as the sum of MAIL and PHONE, and specified as the only fixed-X antecedent. As the results were comparable to the others, attention will given here to the results of analyses based on MAIL and PHONE.

### Structural Model Analysis Results

**Preliminary Analyses.** As can be seen in Figure 1, the only relationships for which a priori hypotheses were not specified for testing involve the direct effects of the MAIL and PHONE antecedents on Repurchase Intentions. An initial

Figure 2  
Estimated Model with Standardized Path Coefficients



All Coefficients are standardized.

Asterisks indicate relationships hypothesized, but not significant at .05.

Model results are with the AMTSAT variable before the slash (/), and the COMPSAT variable after the slash. Underlined coefficients not only were not significant, but were not in the hypothesized direction.

set of analyses was completed that included these links as well as the ones hypothesized. Irrespective of whether AMTSAT or COMPSAT were used as one of the Satisfaction construct indicators, the inclusion of the two additional parameters did not significantly improve the fit over the *a priori* hypothesized model ( $Dc2=2.60$  and  $2.01$ , respectively,  $df=2$ ,  $p > .25$ ), and neither of the two parameter estimates were significant (both  $t$ 's  $< 1.5$ ). Based on these results, it can be concluded that key direct structural relationships were not omitted that would undermine the model estimation process.

**Analyses of Substantive Relationships.** The key results of the LISREL analyses of the predicted structural relations are depicted in Figure 2 for the models using either AMTSAT or COMPSAT as one of the respective Satisfaction construct indicators. This figure provides the

standardized structural relationships among the endogenous constructs and of the fixed-X antecedents with Satisfaction and Word of Mouth; more detailed information regarding specific construct and error parameter estimates as well as model diagnostic information are given in Table 2. Attention will first be given to discussing the fit results of the analyses before directing primary attention to assessing the extent to which results conform with the hypotheses framed.

As can be seen in Table 2, the  $c2$  for the model based on AMTSAT as a Satisfaction construct indicator is  $17.07$  ( $df=15$ ,  $p=0.315$ ), and for the one based on COMPSAT as an indicator is  $19.26$  ( $df=15$ ,  $p=.202$ ). The respective AGFI's are  $.985$  and  $.983$ , and the RMSR's are fairly low at  $.013$  and  $.014$ . The TCD's of  $.128$  and  $.126$ , respectively, are not very large, but the models do fit closely the observed covariances. The largest respective standardized

**Table 2**  
**Model Results**

	<u>Parameter</u> <u>Loadings</u>	<u>Standard</u> <u>Error</u>	<u>Error</u> <u>Terms</u>	<u>Standard</u> <u>Error</u>
<b>Measurement Model</b>				
<b>Satisfaction Construct</b>			.65/.67	.06/.05
SERVSAT	1.00*/1.00*	.00/.00	.36/.33	.04/.03
AMTSAT/COMPSAT	.43/1.18	.03/.05	.25/.38	.02/.04
ACTSAT	.85/.83	.04/.04	.24/.25	.03/.02
<b>Word Of Mouth Construct</b>			1.44/1.46	.08/.08
WORD OF MOUTH	1.00*/1.00*	.00/.00	.00/.00	.00/.00
<b>Repurchase Intentions Construct</b>			.06/.06	.01/.01
REBYCOMP	1.00*/1.00*	.00/.00	.21/.21	.02/.02
REBYPROD	2.28/2.24	.25/.25	.67/.68	.07/.07
<b>Structural Model</b>				
SatisfactionYWOM ( $\beta_{21}$ )	-.25/-.20	.07/.06		
SatisfactionYIntent ( $\beta_{31}$ )	.25/.24	.03/.03		
WOMYIntent ( $\beta_{32}$ )	-.02/-.02	.01/.01		
<b>Antecedents-Satisfaction</b>				
MailYSatisfaction ( $\gamma_{11}$ )	-.39/-.40	.07/.07		
PhoneYSatisfaction ( $\gamma_{12}$ )	-.54/-.54	.07/.07		
<b>Antecedents-WOM</b>				
MailYWOM ( $\gamma_{21}$ )	.09/.11	.10/.10		
PhoneYWOM ( $\gamma_{22}$ )	-.17/-.15	.10/.10		
<b>Summary Statistics</b>				
$\chi^2$	17.07/19.26			
Degrees of Freedom	15/15			
p	.315/.202			
AGFI	.985/.983			
RMSR	.013/.014			
TCD	.128/.126			

Note: Model results are with the AMTSAT variable before the slash (/) and the COMPSAT variable after the slash.

— = Underline denotes t-value not significant at  $p = .05$

\* = Fixed at 1.0 for scaling purposes

residuals are 1.85 and 2.00, and the Q-plots are linear, providing further evidence of a reasonable fit (Bagozzi and Yi 1988). In each model test, all parameter estimates were found to be statistically significant, except for the relationships of the MAIL and PHONE antecedents with Word of Mouth and the relationship of Word of Mouth with

Repurchase Intentions. With the exception of H5b, which predicted a positive relationship between the reported number of phone calls made to the company and word of mouth behavior, in every other instance for which an hypothesis were posited, the direction of the relationship is congruent with prediction.



In terms of substantive relationships, the standardized parameter estimates shown in Figure 2 provide a useful indication regarding their relative importance. This information will be used in conjunction with the parameter estimate results given in Table 2 and associated *t*-values to evaluate each hypothesis. As shown in Figure 2, the relationship of Satisfaction with Repurchase Intentions is positive and significant (.66 and .63, *t*'s=9.24 and 9.44), which provides strong support for H1. It is evident that the more satisfied a consumer is with the complaint handling received, the more likely is their repurchase intention. The relationship of Satisfaction with Word of Mouth (-.18 and -.14, *t*'s = -3.83 and -3.27) is negative and significant, providing support for H2. By satisfying the complainant, not only does the company have a good chance of retaining their business, but they also reduce the chance of negative word of mouth.

The relationship of Word of Mouth with Repurchase Intentions (-.06 and -.09, *t*'s = -1.38 and -1.85, respectively) is in the hypothesized direction, and approaches significance in the case of the second model which used COMPSAT as one of the Satisfaction construct indicators. However, neither of these coefficients for the two models indicate that the WOM-Intentions relationship is a strong one, providing very weak support for H3, at best. Nested model tests of the effect of the direct path between Word of Mouth and Repurchase Intentions indicate that the fit of the two models are not significantly different if AMTSAT is used as a Satisfaction construct indicator ( $Dc2=0.88$ ,  $df=1$ ,  $p>.25$ ), or if COMPSAT is used ( $Dc2=3.41$ ,  $df=1$ ,  $p>.05$ ). One possible reason for the nonsupport for H3 may be attributed to the manner by which word of mouth was measured; the valence of the word of mouth was not recorded, only the amount. In retrospect, valence should have been assessed as well. This was a methodological oversight which unfortunately was not corrected in time. Had it been possible to separate reports of positive and negative word of mouth, more specific directional hypotheses could possibly have been formulated, and the results might have revealed a Word of Mouth - Repurchase Intentions linkage.

Based on H4a and H4b, negative relationships are predicted regarding Satisfaction and the

number of times the customer had to contact the company by mail (MAIL) or by telephone (PHONE), respectively, to receive a response. The results are fully supportive of these hypotheses, with the results for MAIL (-.39 and -.40, *t*'s = -5.52 and -5.79) and PHONE (-.54 and -.54, *t*'s = -7.80 and -7.99), indicating that the greater the effort taken by a complaining customer to receive a response, the less satisfied is the customer with aspects surrounding the outcome.

In contrast, H5a and H5b predict a positive relationship between mail and phone contacts with a company and subsequent word of mouth activity. The results are not supportive of these hypotheses. In the case of the MAIL-Word of Mouth relationship, the relationship is positive as predicted, but non-significant (.09 and .11, *t*'s=0.94 and 1.10). However, in the case of PHONE -Word of Mouth, the relationship is negative and non-significant (-.17 and -.15, *t*'s = -1.76 and -1.51,  $p$ 's > .05). The underlying basis for this negative relationship is not clear. Additional research will be necessary to obtain a more complete understanding of the basis, magnitude and stability of this negative relationship. Nested model tests of the value of including MAIL- and PHONE-Word of Mouth relationships in the hypothesized model reveal that if AMTSAT is used as one of the Satisfaction construct indicators, there is value in including the linkages ( $Dc2=6.09$ ,  $df=2$ ,  $p<.05$ ), and if COMPSAT is instead used, the inclusion of the two parameters approaches significance ( $Dc2=5.50$ ,  $df=2$ ,  $p<.07$ ). These results are due in part to the strength of the negative PHONE-Word of Mouth relationships, but they are also partly due to the indirect effects of MAIL and PHONE on Repurchase Intentions that operated through Word of Mouth.

## DISCUSSION

Overall, the results provide much support for the hypothesized model, helping to clarify the relationships and showing the importance of complainant contacts with the organization to their satisfaction with the complaint handling. Specifically, satisfaction has strong direct impacts on word of mouth and intentions to repurchase, but the indirect effect of satisfaction on repurchase

intentions operating through word of mouth is weak, at best. The examined antecedents to satisfaction of the numbers of mail and phone contacts made by a complainant have strong direct relationships with satisfaction; the relationships of the antecedents with word of mouth and repurchase intentions are indirect, operating through satisfaction. This study replicates and extends previous consumer complaint research conducted in the United States by our performing this work in Israel, a Middle Eastern country recently upgraded from developing country to industrial country status, thus increasing the generalizability of these findings.

This study is not without limitations, which should be mentioned before addressing the managerial implications. The survey instrument included only one question that pertained to the complainer's reported word of mouth activity; additional questions regarding the nature and direction of the word of mouth are needed in future research to gain a more complete understanding of the model relationships. In this way, both the limitation of using a single item to reflect a behavioral domain and the limitation of not differentiating between positive and negative word of mouth would be addressed. Similarly, the antecedent measures of the number of mail and phone contacts made by the complainer are based on respondent self-reports, and are subject to the same errors and biases characteristic of self-report data.

There are several managerial implications that are indicated by our research. First, we have found a significant negative relationship between the number of contacts made by the consumer to the organization in the hopes of getting a suitable response, and their satisfaction with that response. This finding extends Gilly's (1987) finding that response speed is one of the factors driving consumer satisfaction with the recovery; not only is speed important, but also is the effort expended. The implication for the organization is to make their policies more customer friendly in order to minimize the number of contacts that need to be made. It would seem plausible that these results would hold true also in cases of face to face interactions between customers and complaint handlers, perhaps in a retail setting. This would be an interesting area for future research.

Second, satisfaction can lessen the amount of negative word of mouth. Given that negative word of mouth reaches twice as many people as positive word of mouth (TARP 1986), any method that can decrease the negative word of mouth is viable. In this case, increasing customer satisfaction with the complaint response will significantly decrease the negative word of mouth in the marketplace, emphasizing Richin's (1987) finding that one way to control negative word of mouth is to handle one's complaints effectively.

Third, satisfaction with the complaint response is shown here to have a very strong impact on the intention to repurchase, which replicates previous research (Blodgett, Granbois and Walters 1993; Goodwin and Ross 1989). In this respect, there appears to be no marked difference between consumers in the United States, the Netherlands and Israel, leading us to expect that the relationship is generalizable to other populations as well. It seems reasonable to conclude that proper complaint management can significantly add to a company's bottom line.

Finally, research generally has focused on how word of mouth affects other non-involved consumers and not on whether it impacts future purchase intentions of the person providing the word of mouth. The lack of a significant effect on repurchase intentions implies that it is not necessarily the case that word of mouth by a complainant impacts their intention to repurchase; however, the lack of a delineation between positive and negative word of mouth in our study precluded a more comprehensive examination of the relationship. Future research should definitely look at valance of the word of mouth as a possible link in the relationship. There are also other possible explanations for the lack of a significant result. Perhaps there is a moderating variable that we failed to capture, or perhaps there is an attribution issue (internal or external) at work. It is hoped that further research on this and other consumer complaint behavior relationships will continue in the future.

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experience? Coded 0, 1-3 = 1, 4-6 = 1, 7-10 = 3, 11+ = 4.

#### Repurchase Intentions

REBYPROD - Intention to repurchase this product, coded 1-5 anchored by definitely would repurchase (5), and definitely would not repurchase (1).

REBYCOMP - Intention to repurchase from this company, coded 1-5 anchored by definitely would repurchase (5), and definitely would not repurchase (1).

#### Antecedent Variables

MAIL - The number of times a customer contacted the company by mail.

PHONE - The number of times a customer contacted the company by phone.

Both variables coded 0, 1, 2+ = 2.

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## APPENDIX

### Variable Operationalization

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#### Satisfaction

SERVSAT - Overall satisfaction with the service received from the complaint department, coded on a scale of 5, anchored by very satisfied (5), and extremely dissatisfied (1).

ACTSAT - Satisfaction with the action taken by the company to resolve the complaint, coded 1-5 anchored by very satisfied (5), and extremely dissatisfied (1).

AMTSAT - Satisfaction with the compensation amount, coded 1-3 anchored by more than expected (3), and less than expected (1).

COMPSAT - Satisfaction with the overall compensation, coded 1-5 anchored by very satisfied (5), and extremely dissatisfied (1).

Word of Mouth - How many people did you tell about this

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