

# LOYALTY AND ITS INFLUENCE ON COMPLAINING BEHAVIOR AND SERVICE RECOVERY SATISFACTION

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## ABSTRACT

Considerable research in the customer complaining behavior (CCB) literature has been focused on the effect of a successful recovery on customer loyalty and retention. However, comparatively less is known about how loyalty, as an antecedent, moderates customer responses to both a service failure and subsequent service recovery. Based on two studies conducted with non-student samples, we find that loyal customers are more likely to air their complaint directly to the firm and less likely to engage in negative word-of-mouth in response to a service failure. Also, loyal customers express greater satisfaction with service recovery efforts compared to less loyal customers when redress is offered. These results indicate that customers who complain may be among a firm's most loyal customers and such customers are potentially more responsive to service recovery efforts. However, not attending to their complaints could result in the loss of one's loyal (and best) customers. Hence, managers need to seriously consider complementing their existing loyalty programs with formal complaint management systems.

## INTRODUCTION AND LITERATURE REVIEW

Complaint management systems have been advanced as the best line of defense in retaining existing customers (Fornell and Wernerfelt 1987). The justification for investments in complaint management programs rests on findings that proper complaint management can result in improved

customer retention and loyalty, with consequent beneficial effect on the bottom line. While Reichheld and Sasser (1990) provide an economic rationale in terms of the disproportionate impact to the bottom line of increased retention rates, experimental research in the consumer complaint behavior (CCB) literature has suggested that service recoveries can sometimes result in the complainants becoming more loyal adherents of the firm than previously, as a consequence of their satisfaction with the complaint handling process (Smith and Bolton 1998). In a cross-sectional study of actual complaints across 110 firms in the service and manufacturing sectors, Homburg and Fürst (2007a) find strong evidence of complaint satisfaction driving customer loyalty. Other papers that explore the link between satisfaction with service recovery and increased patronage include Andreassen (1999), DeWitt, Nguyen, and Marshall (2008), Mattila (2001), Smith, Bolton, and Wagner (1998) and Maxham and Netemeyer (2002).

In contrast to the above, relatively fewer papers have examined how loyalty influences consumer responses to a firm's service recovery efforts, though researchers such as Tax, Brown, and Chandrasekharan (1998) and Hess, Ganesan, and Klein (2003) have examined how customers with prior experience view service recovery efforts. Tax, Brown, and Chandrasekharan (1998), for example, find that prior experience mitigates the effect of an improperly managed complaint on commitment but not on trust. Similarly, Hess, Ganesan and Klein (2003) find that the number of past encounters and quality of past service performances moderate customer satisfaction with service recovery.

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While prior experience can lead to customer loyalty, it is not necessary that a person with prior experience with the firm is loyal to the firm. Hence, a direct measure of loyalty is preferable, and in this manner, our paper extends the work done by Tax et al. (1998) and Hess et al. (2003). It is important to distinguish our use of the word loyalty from the manner in which the CCB literature has discussed loyalty within the Hirschman's Exit-Voice-Loyalty framework, namely, a state of doing nothing in the hope that things will improve on their own accord (Maute and Forrester 1993; Singh 1988, 1990). In our paper, when we refer to loyalty, we refer to attitudinal loyalty, which DeWitt et al. (2008, p. 271) paraphrase as, "a higher order commitment of a customer to the organization that cannot be inferred by simply measuring repeat purchase intention." Second, while Tax et al. (1998) and Hess et al. (2003) focus on how prior experience influences satisfaction with service *recovery* efforts, we expand the scope of our research to also examine how loyalty influences both the complaint response to the service failure and the service recovery effort.

We focus on the effect of loyalty on the propensity to voice complaints directly to the firm and engage in negative word of mouth, two of the five possible complaint responses of Hirschman's framework, the others being doing nothing, switching, and complaining to a third party. We focus on these two options for managerial reasons, besides the fact that these are the two most frequent complaint responses. By encouraging loyal customers to complain directly to the firm, the firm has the possibility of preventing the loss of the loyal customer through proper service recovery. At the same time, an understanding of the potential for negative word of mouth by loyal customers should help in awakening senior management to the importance of proper complaint management systems. As Homburg and Fürst (2007b) report, complaints still tend to be viewed as a "disappointing" indicator of performance for

frontline employees (Bell, Menguc and Stefani 2004), as opposed to valuable feedback that should be encouraged (Voorhees and Brady 2005).

However, if senior managers were to appreciate the fact that a firm's loyal (and best) customers are the ones who take the time and effort to complain and could engage in negative word of mouth, it could possibly engage their attention. Currently there is strong management support for loyalty programs on the one hand (Liu 2007), but lukewarm support for complaint management systems (Homburg and Fürst 2007b). If managers were to realize that more loyal customers could be among the complainants, it would help sharpen their focus on complaint management as an integral part of any effective loyalty program.

Accordingly, the rest of our paper is structured as follows: First, we develop our hypotheses about the effect of loyalty on consumer complaint behaviors. Next, we test these hypotheses in Study 1 in the context of movie rentals. We then retest these hypotheses in Study 2 using a different sample of respondents and a different service context, namely, auto repair. Finally, the theoretical and managerial implications of our findings are discussed.

## **DEVELOPMENT OF HYPOTHESES**

### **Attitudinal Loyalty and Voicing Complaints to the Firm**

In the marketing literature, loyalty is posited as either an attitudinal state of positive commitment towards the brand or service (Oliver 1999) or a behavioral state of repeat purchase (Kahn, Kalwani, and Morrison 1986; Jacoby and Chestnut 1978). The former is often referred to as attitudinal loyalty and the latter as behavioral loyalty (McMullan 2005). In this paper, we focus on attitudinal loyalty since we want to exclude instances of spurious loyalty where a customer is behaviorally loyal because of extrinsic con-

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straints such as contracts, lack of alternatives, etc., rather than because of intrinsic motivations (see Dick and Basu 1994 for further details).

We anticipate that attitudinal loyalty would influence a consumer's response to a service failure and consequent service recovery. Ping (1997) observes that voice is often used as a substitute for switching when the cost of exiting is high, which Hess, Ganesan, and Klein (2003) refer to as the "risk of switching." Accordingly, one could make the argument that attitudinal loyalty acts as an exit barrier since it involves giving up on a service that one has a positive attitude towards.

However, as Voorhees and Brady (2005) note, voicing a complaint to the company is effortful. In this context, social exchange theory provides a rationale for why loyal customers could undertake the effort to complain to the firm. Social exchange theory posits that individuals undertake the effort involved in a social exchange provided the rewards involved are commensurate with the effort (Homans 1961; Thibaut and Kelly 1959). Accordingly, it would appear that attitudinally loyal customers would be inclined to complain to the firm only if the rewards were to justify the effort. In the context of an attitudinally loyal customer, the rewards are potentially both economic and psychological. The economic benefit is the prospect of continuing with a service that one has liked in the past without necessarily investing time and effort in the search for a new service. The psychological benefit would be the feeling of having fulfilled one's obligation to the firm one is loyal to. Hirschman (1970) also notes that a customer will often seek ways to make themselves heard, in the interest of making a difference, if they feel an "irrational" attachment to an organization (p. 80).

Thus, more attitudinally loyal customers could be expected to complain directly to the firm to resolve the issue that might hinder them from continuing to

patronize the firm. By contrast, less attitudinally loyal customers may place a lower value on helping the firm improve because the firm's improvement is less likely to benefit them. This is possibly because they see less overall value in outcomes gained by complaining directly to the firm (Best and Andreasen 1977; Goodwin 1986). Accordingly, we offer the following research hypothesis:

**H1:** Attitudinal loyalty increases the relative likelihood of complaining to the company as a response to a service failure.

### **Attitudinal Loyalty and Negative Word of Mouth**

Negative word-of-mouth can be conceptualized as an alternate complaint response; a private complaint response to friends and family relative to a public complaint to the firm. Negative word of mouth presents a formidable challenge for companies because people trust information from friends and family more than information from advertising messages, particularly when they do not have prior experience with the service provider (Brown and Reingen 1987; Tax, Chandrashekar and Christiansen 1993). Negative word-of-mouth can be particularly detrimental in service industries, where the intangibility of the service makes it difficult to evaluate the service in advance and people rely more on the opinions of others (Clark, Kaminski, and Rink 1992).

We propose that loyalty will decrease negative word-of-mouth as a response to a service failure (cf. Maxham and Netemeyer 2002). This is because attitudinal loyalty entails a commitment to the service provider. The research literature on commitment shows that people who are committed to an object bear higher psychic costs in the disavowal of such an object (Nyer and Gopinath 2005). By contrast, less loyal customers with no stake in

the company would not bear these costs to the same extent and hence would be more willing to engage in negative word of mouth. Accordingly, the following research hypothesis is tendered:

- H2:** Attitudinal loyalty decreases the relative likelihood of negative word-of-mouth in response to a service failure.

### **Attitudinal Loyalty and Satisfaction with Service Recovery**

Just as loyalty influences responses to service failures, loyalty can be expected to influence how consumers respond to service recovery efforts following a service failure. We posit that a loyal customer would be more responsive to service recovery efforts following a service failure. Ringberg, Odekerken-Schröder, and Christensen (2007) have shown that many of the reactions of consumers to service failures can be better understood by accounting for the ‘cultural frame’ of the consumer to problem solving. Ringberg et al. (2007) refer to the cultural frame as the mental disposition or orientation of consumer to problems and identify two dominant cultural frames among consumers, e.g., relational cultural frame and oppositional cultural frame. In the relational cultural frame, consumers are more participative in problem resolution and open to accommodation. By contrast, individuals in the oppositional cultural frame tend to view the firm with suspicion and see the service failure as an ‘adversarial move’ and are accordingly less forgiving (Ringberg et al. 2007, p. 205).

Ringberg et al. (2007) note also that consumers with a vested interest in seeing their relationship with the service provider continue tend to adopt a relational cultural frame of mind. Since attitudinally loyal consumers are predisposed favorably to the service provider, we expect that attitudinally loyal to adopt a more accommodating stance more often than not when responding to the

service recovery efforts of the service provider.

Hess, Ganesan and Klein (2003) provide some additional support for the proposition that more loyal customers will respond favorably to a service recovery. In Hess et al. (2003), the authors found that contrary to their predictions, customers interested in relationship continuity (namely, a desire to see a relationship continue) tend to lower their service recovery expectations and are thus more satisfied with an adequate service recovery than are consumers with less interest in relationship continuity. Assuming that attitudinally loyal consumers would be more inclined to see their relationship with the firm continue, Hess et al.’s (2003) results would also suggest that more loyal consumers would be extremely responsive to an adequate service recovery. Accordingly, we hypothesize that:

- H3:** Attitudinal loyalty moderates the relationship between redress and customer satisfaction following service recovery, with loyal customers being more satisfied than less loyal customers when the firm offers redress.

### **STUDY 1: DOES ATTITUDINAL LOYALTY AFFECT RESPONSES TO A SERVICE FAILURE?**

To examine hypotheses 1-2, namely, whether loyalty (a) increases the relative likelihood of voice and (b) decreases the relative likelihood of negative word-of-mouth, an approach similar to that of Smith, Bolton, and Wagner (1999) was employed, given the difficulty of manipulating loyalty levels in a lab setting. Respondents were surveyed and their loyalty levels towards a particular service provider measured, after which they were presented with a failed service scenario to which they were asked to indicate their responses.

The context of movie rentals was chosen because it was expected to be a common service experience. Contact with the survey respondents was initiated by students of a marketing class at a large northeastern U.S. school. Each student had the responsibility of administering the survey to a minimum of four adult friends and family members, and each of the respondents was asked to respond to a hypothetical scenario involving a failed movie experience. Students participated in exchange for extra course credit, and received detailed instructions on how to administer the survey. Students were also instructed to record contact information for the respondents. 10% of the respondents were contacted by one of the authors to verify their responses. All of the respondents who were contacted were found to have participated in the study and validated their responses to selected questions.

Contacted respondents were asked about their usage and loyalty to the video rental store they selected. The questions about usage included how often they rented movies per month, how many movies they rented per month, whether they had other options, and how long they had been a customer of the movie rental service they selected. We measured loyalty using the items shown in Appendix A, which were adapted from Hozier and Stem (1985) so the wording and items fit the current service provider context.

Next, the scenario with the service failure was presented and the respondents' reactions were sought. The scenario used is reproduced in Appendix B and describes a situation where they rented a movie and the movie did not work. Scenarios have the advantage that they allow one to standardize the service failure and recovery situations across all respondents (DeWitt and Brady 2003) and avoid retrospective accounts that could confound the effects of service recovery efforts along with the effects of the service failure (Hess, Ganesan, and Klein 2003).

The respondents recorded on a 7-point item anchored by 'Extremely Satisfied (7)'

and 'Extremely Dissatisfied (1)' what their level of dissatisfaction would be if the service failure occurred. They then recorded how they would respond to the service failure in the scenario by allocating 100 points across five options: voice their complaint to the firm, tell friends and family members about the negative experience (NWOM), switch service providers, do nothing, or voice their complaint to a third party. The instruction read as follows: "Please allocate 100 points across the following five responses according to how likely you are to engage in each response to this scenario. The more likely you are to engage in the response, the more points you should allocate to the response. Please ensure that the points add up to 100."

The advantage of capturing multiple complaint responses using a constant sum allocation is that it indicates the relative likelihood with which the customer would engage in each action. However, as our hypotheses deal only with the propensity to complain directly to the firm and engage in negative word of mouth, our analysis in this article will be restricted to these two options.

Next, the respondents also completed measures regarding their attitude toward complaining and perceived likelihood of success. These covariates have been shown to influence complaint responses in the past and the measures for these covariates were adapted from Singh and Wilkes (1996), Voorhees and Brady (2005) and Singh (1990) by changing the wording to make it appropriate for the study context. Finally, the respondents were asked to identify their age, gender, ethnicity, and household income bracket.

## Results

A total of 303 people responded to the questionnaire. Of the respondents, 50.5% were male, 71.6% were over 25 years old, 86.8% were white (non-Hispanic), and 36% had household incomes of \$75,000 or higher. The loyalty scale was found to be uni-

dimensional and reliable ( $\alpha = .80$ ), so the loyalty items were averaged to give each respondent a loyalty score. The 'attitude toward complaining' ( $\alpha = .70$ ) and 'perceived likelihood of success' ( $\alpha = .69$ ) measures were also found to be uni-dimensional and reliable using confirmatory factor analysis. Hence, the items were averaged to give each respondent an attitude toward complaining score and a perceived likelihood of success score.

### Attitudinal Loyalty's Effect on Complaining Directly to the Firm and Negative Word of Mouth

Hypothesis 1 proposes that loyalty increases the relative likelihood that

customers will complain directly to the firm in response to a service failure. Hypothesis 2 proposes that loyalty decreases the relative likelihood that customers will engage in negative word of mouth in response to a service failure. To address these hypotheses, we regressed the points allocated to complain to the firm and engage in negative word of mouth on the continuous attitudinal loyalty individual scores and the covariates of level of dissatisfaction, attitude towards complaining, and perceived likelihood of success in separate regressions. Complete details of the effects of the covariates and the main effect of attitudinal loyalty on the dependent variables are shown in Table 1.

TABLE 1

### Study 1 Regression Results

<i>Dependent Variables</i>	Complain to Firm		Negative Word of Mouth	
<i>Independent Variable</i>	$\beta$	t	$\beta$	t
Attitudinal Loyalty	.17	2.79**	-.20	-3.24***
<i>Covariates</i>				
Dissatisfaction	-.10	-1.75	.003	.05
Attitude toward Complaining	.15	2.62**	-.07	-1.23
Perceived Likelihood of Success	.23	3.91***	-.13	-2.10*
$R^2$	.13		.08	

\*\*\*  $p < .001$

\*\*  $p < .01$

\*  $p < .05$

As expected, attitudinal loyalty significantly increases the relative likelihood of complaining to the firm ( $\beta = .17$ ,  $t=2.79$ ,  $p < .01$ ) and significantly decreases the relative likelihood of engaging in negative word of mouth ( $\beta = -.20$ ,  $t=-3.24$ ,  $p < .001$ ). Consistent with hypothesis 1, the more attitudinally loyal group was significantly more likely to complain directly to the firm following the

service failure than the less attitudinally loyal group. Consistent with hypothesis 2, the more attitudinally loyal group was significantly less likely to engage in negative word of mouth following the service failure than the less attitudinally loyal group. Among the covariates, perceived likelihood of success had a positive, significant effect on the relative likelihood of complaining to the firm

( $p < .001$ ) and engaging in negative word of mouth ( $p < .05$ ), while attitude toward complaining ( $p < .01$ ) had a significant, positive effect on complaining to the firm.

### **STUDY 2: DOES ATTITUDINAL LOYALTY AFFECT RESPONSES TO SERVICE RECOVERY?**

Study 2 replicates Study 1 in a different context, namely, auto repair and using a different sample (non-student sample recruited by mall intercept). Study 2 also extends Study 1 by including an assessment of how customers of varying loyalty assess service recovery efforts in the event of a service failure. Just as complaint responses to the service failure were expected to vary by loyalty, their responses to service recovery efforts are expected to vary by loyalty. Thus, in addition to testing Hypotheses 1-2 with a different service industry and a different sample, we use Study 2 to address hypothesis 3, which posits that loyalty moderates the satisfaction with service recovery efforts.

The participants for Study 2 were recruited at a Department of Motor Vehicle (DMV) location inside a mall as they waited to renew their driver's licenses and vehicle registration. The reason the DMV was chosen as a place for contacting respondents is because individuals from all walks of life come to renew/change/transfer their vehicle registration, and thus, one has access to a wide cross-section of the population. We anticipated that people who were waiting to renew their licenses and vehicle registrations were likely to have experience with auto repair providers. Permission to conduct our survey was granted by the mall.

Study 2 respondents were asked the same questions as in Study 1 about their loyalty to the auto repair provider they used. Next, they were presented with a scenario in which they were asked to imagine a service failure by the auto repair provider they used. The service failure described in the scenario involved the respondent's car not being ready

when it was supposed to be (see Appendix C). The respondents were asked to record their level of dissatisfaction on a 7-point scale anchored by Extremely Satisfied (1) and Extremely Dissatisfied (7) with the service failure. As in Study 1, respondents recorded how they would respond to the service failure in the scenario by allocating 100 points across five options: voice their complaint to the firm, tell friends and family members about the negative experience (NWOM), voice their complaint to a third party, switch auto repair providers, or do nothing. Respondents also completed the measures used in Study 1 regarding their attitude toward complaining and perceived likelihood of success.

After completing the measures, respondents were presented a follow up service recovery scenario to the service failure. Half the respondents were presented with a situation where they voiced their complaint to the firm and the firm had redressed their complaint and the other half were presented with a situation where they voiced their complaint to the firm and the firm had not redressed their complaint (see Appendix C). The scenarios were alternated (odd – no redress; even – redress) by one author who collected the data at the mall. The respondents were asked to record their level of satisfaction with the service recovery on a 7-point scale anchored by Extremely Dissatisfied (1) and Extremely Satisfied (7) with the service recovery response. The scenario manipulated redress (redress, no redress) by describing the presence of a polite, supportive manager who listens and provides financial compensation and a rental car to use until the car is fixed for the redress manipulation. In the no redress manipulation, the manager listens but does not apologize or provide any compensation for the service failure. This redress/no redress manipulation is similar to that used by Mattila (2001). The manipulation check included items about whether the response was fair, whether the company should have done more (reverse coded), whether the company listened and

understood, and whether the company did not care (reverse coded). These items were adapted from Yim, Gu, Chan and Tse (2003). Finally, as in Study 1, the respondents were asked to identify their age, gender, ethnicity, and household income bracket.

### Results

223 people responded to the questionnaire. Of the respondents, 40% were male, 72% were over 25 years old, 83.4% were white (non-Hispanic), and 36% had household incomes of \$75,000 or higher. To check whether the manipulation of redress/no redress was successful, a manipulation check was done and the manipulation was found to be successful. Respondents in the redress situation felt that the response was more fair (4.7 vs. 2.5), disagreed more with the statement that the company could have done

more (4.3 vs. 1.9), felt the company had listened and understood their situation (4.5 vs. 2.8), and disagreed more with the statement that the company did not care (4.5 vs. 2.7).

As in Study 1, the loyalty items were found to be uni-dimensional and reliable ( $\alpha = .88$ ). Hence, the loyalty items were averaged to give each respondent a loyalty score. The attitude toward complaining scale was found to be uni-dimensional and reliable ( $\alpha = .72$ ), as was the perceived likelihood of success scale ( $\alpha = .69$ ). While the reliability of the perceived likelihood of success is slightly less than the conventional norm of 0.7 (Nunnally 1978), we felt it was acceptable given that it was not the main design factor. Hence, we averaged the perceived likelihood of success items and attitude to complaining items to give each respondent a perceived likelihood of success score and an attitude to complaining score.

**TABLE 2**

#### Study 2 Regression Results

<i>Dependent Variables</i>	Complain to Firm		Negative Word of Mouth	
<i>Independent Variable</i>	$\beta$	t	$\beta$	t
Attitudinal Loyalty	.18	2.56*	-.29	-4.04***
<i>Covariates</i>				
Dissatisfaction	-.11	-1.77	-.12	-1.91
Attitude toward Complaining	.30	4.52***	-.14	-2.16*
Perceived Likelihood of Success	.03	0.33	-.10	-1.38
R <sup>2</sup>	.15		.16	

\*\*\*  $p < .001$

\*\*  $p < .01$

\*  $p < .05$

Hypothesis 1 proposes that loyalty increases the relative likelihood that customers will complain directly to the firm in response to a service failure. Hypothesis 2 proposes that loyalty decreases the relative likelihood a customer will engage in negative

word-of-mouth in response to a service failure. To address these hypotheses using Study 2 data, we regressed the points allocated to complain to the firm and engage in negative word of mouth on the continuous attitudinal loyalty score of the individuals and



the covariates of level of dissatisfaction, attitude towards complaining, and perceived likelihood of success in separate regressions. Complete details of the effects of the covariates and the main effect of attitudinal loyalty on the dependent variables are shown in Table 2.

As in Study 1, attitudinal loyalty significantly increases the relative likelihood of complaining to the firm ( $\beta = .18, t=2.56, p < .05$ ) and significantly decreases the relative likelihood of engaging in negative word of mouth ( $\beta = -.29, t=-4.04, p < .001$ ).

**Loyalty’s Effect on Satisfaction Following Redress**

Hypothesis 3 proposes that loyalty moderates respondents’ satisfaction with

service recovery. That is, more loyal customers will experience greater satisfaction than less loyal customers when redress is offered,. The dependent variable of satisfaction with recovery following the complaint response was regressed against the continuous attitudinal loyalty score, a dummy (deviation coding) variable for the presence or absence of redress, and the interaction term between the two independent variables. The regression results are reported in Table 3. As the regression results indicate, only the interaction term is significant ( $\beta = .43, p = .036$ ). This significant interaction supports our hypothesis (H3) that more loyal customers experience greater satisfaction with service recovery relative to less loyal customers when redress is offered.

**TABLE 3**

**Study 2 Regression Results with Service-Recovery Satisfaction as the Dependent Variable**

	Standardized $\beta$	t
Attitudinal Loyalty	-.53	-1.60
Redress (Yes/No)	.60	1.65
Loyalty x Redress	.43	2.10*
$R^2$	.33	

\*\*\* p < .001  
 \*\* p < .01  
 \* p < .05

**DISCUSSION OF STUDY 2 RESULTS**

Study 2 replicates the findings of Study 1, namely, loyalty increases the relative likelihood a customer will voice their complaint directly to the firm (hypothesis 1) and decreases the relative likelihood of negative word-of-mouth following a service failure (hypothesis 2). In addition Study 2 also shows that loyalty moderates the

relationship between redress and level of satisfaction following service recovery.

Compared to less loyal customers, more loyal customers are more satisfied when offered redress following a service failure complaint, but more dissatisfied when no redress is offered. This indicates that managers need to be particularly sensitive to how loyal customers’ complaints are handled.

## OVERALL DISCUSSION AND CONCLUSIONS

This article examines the effect of loyalty as an antecedent variable on customer responses to both a service failure and consequent service recovery. We find support for the argument that more loyal customers would be more interested in voicing their concerns directly to the firm when confronted with the service failure. Further, such customers are also less likely to engage in negative word of mouth as a response. With respect to service recovery, we find that more loyal customers express greater satisfaction with the service recovery than less loyal customers offered the same redress. This could be because loyal customers feel that they deserve appropriate service recovery because of their closeness to the firm, and thus they respond favorably when they feel that the firm recognizes this in the form of an appropriate service recovery.<sup>1</sup> Such an explanation is consistent with the tenets of equity theory (e.g., Huppertz, Arenson, Evans, 1978).

It is hoped that these twin findings, i.e., loyal customers have a greater propensity to voice to the firm and to be more satisfied if their complaints are redressed, will engage the attention of senior management who may not yet fully appreciate the strategic value of a properly organized complaint system. Clearly, firms need to pay more attention to customers who go to great lengths to let the firm know about the problem, since such customers may be among the firm's most loyal customers. This is all the more important given recent work by Homburg and Fürst (2007b, p. 524) who found evidence of 'defensive organizational behavior' such as "avoid[ing] contact with dissatisfied customers, dissemination of complaint-related information within the organization, and responsiveness to complaints." By demonstrating the link between loyalty and complaining behavior, it is hoped that senior managers realize that organized complaint management systems

cannot be divorced from serious loyalty programs.

Research in the area of complaints has shown that merely enabling dissatisfied customers the opportunity to voice by enabling and facilitating voice can confer considerable advantages. Voice has been shown to improve the satisfaction felt by the complainant (Sparks and McColl-Kennedy 2001) and perception of fairness of the complaint process (Goodwin and Ross 1992). Such attention would benefit firms, since our research shows that loyal customers are more responsive to service recovery efforts. Since loyal customers are more likely to advocate on behalf of the firm than other customers (Zeithaml, Parasuraman and Berry 1996), firms could design their complaint management systems to provide loyal customers with a good story to tell. By contrast, if the complaints of loyal customers are not redressed properly, it could result in the loss of the loyal customer and the loss of a key advocate for the firm. A sober statistic in this regard is provided by Hart, Heskett, and Sasser (1990) who note that nearly half of all customers involved in a service failure are dissatisfied with the service recovery process.

Clearly, complaint management systems can be improved (Tax, Brown, and Chandrashekar 1998). Homburg and Fürst (2007b), Maxham and Netemeyer (2002) and Ringberg et al. (2007) collectively provide several ideas as to how firms could improve their complaint management processes (e.g., instituting a culture change where complaints are construed not as criticisms but as feedback). In addition, firms could conceivably provide incentives for customers to provide voice feedback when things don't go as well as the customers expected. For example, firms could invite their customers to not only voice their dissatisfaction but also accompany that voice with suggested improvements. This could be formalized in an arrangement where each "winning" suggestion that makes the management list of feasible improvements or innovative ideas

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would get rewarded appropriately in cash or in kind. As Voorhees and Brady (2005) note, successful firms are not threatened by complaints and actively seek out voice feedback from their customers. Also, senior managers may consider regularly auditing the firm on its performance with respect to complaint generation and resolution.

### LIMITATIONS AND FUTURE RESEARCH

In our research, we focused on the effect of attitudinal loyalty on consumer response to service failure and consequent recovery efforts. While attitudinal loyalty can be expected to be correlated with behavioral loyalty, it is recommended that future research directly investigate the effect of behavioral loyalty on consumers' responses to service failure and service recovery and complement our current work.<sup>2</sup> Also, our findings are limited to the instance of a single service failure. It remains to be seen how well the effects we have found would hold up in the instance of repeated service failures (cf. Maxham and Netemeyer 2002). Another consideration could be the type of redress. In our experiment we were interested only in whether a proper service recovery was initiated or not, and did not specifically control for specific kinds of justice. It would be interesting to see if loyalty differentially influences responses to service recovery procedures that emphasize different kinds of justice, e.g., distributive justice, procedural justice, and interactional justice. Also, future studies should consider controlling for involvement when studying the effect of loyalty on consumer responses to service failures and service recovery.<sup>3</sup> In our study, while we did not explicitly control for involvement, the movie rental scenario was arguably low involvement and the auto repair scenario high involvement.

Finally, from a managerial perspective, there is a need to quantify the value of a complaint, possibly using the customer

equity approach of Rust, Lemon, and Zeithaml (2004). For example, the losses that are prevented by a successful complaint management (e.g. prevention of switching, negative word of mouth, etc.) and the gains realized (increased customer equity, lifetime value) could be compared to the cost of implementing and maintaining a complaint management system. This would help managers justify their investments in complaint management and answer the question of "what's a complaint worth?" In addition, such a system would allow managers to run fine analyses of the impact of various service recovery strategies on firm profitability.

### SUMMARY

We explore the link between loyalty and customer complaining behavior. We show that loyal customers are more likely to voice their complaints directly to the firm and less likely to engage in negative word-of-mouth than less loyal customers. We also find that loyal customers are much more satisfied with an adequate recovery compared to less loyal customers. Given the link between loyalty and complaining behavior, complaint management systems should be designed to complement effective loyalty programs.

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## APPENDIX A

## Scale Items

	Cronbach's $\alpha$	Factor Loadings Study One		
<i>Attitudinal Loyalty Items</i> (Hozier and Stem 1985)	.80			
I would like to continue to use my existing [movie rental provider] (auto repair provider) in the upcoming year.		.61		
I feel a strong bond to my [movie rental provider] (auto repair provider).		.86		
I feel a strong sense of loyalty to my [movie rental provider] (auto repair provider).		.69		
I will continue to use my [movie rental provider] (auto repair provider), even if a competitor offers lower fees.		.82		
<i>Attitude Toward Complaining Items</i> (Singh and Wilkes 1996)	.70			
I am not comfortable complaining (reverse coded)			.80	
People who complain are impolite (reverse coded)			.87	
Complaining helps the company improve			.61	
<i>Perceived Likelihood of Success</i> (Voorhees and Brady 2005; Singh 1990)	.69			
The company encourages feedback				.61
I do not think the company cares (reverse coded)				.80
The company is not responsive (reverse coded)				.81

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## APPENDIX B

### Scenario used in Study 1

#### Study 1 Service Failure

Video Rental: You have friends over to watch a movie you rented from your preferred movie rental provider. When you and your friends get to the middle of the movie, the movie stops playing. You can not get the movie to work again. You try another movie in your video player, and it works, so you conclude the problem is with the movie.

## APPENDIX C

### Service Failure Scenario

Imagine you bring your car in for a repair that is necessary for you to continue to operate your vehicle safely. When you drop off your car at your auto repair provider, the mechanic advises you that your car will be ready at 5:00PM. However, when you arrive, you learn from the mechanic that the car will not be ready until 4PM tomorrow. You were counting on your car for transportation the following day.

#### Service Recovery Scenario (No Redress)

You decide to complain to the mechanic about the service failure and explain that you need the car. The mechanic does not appear interested in listening. He calls the manager, who comes out immediately. The manager indicates that there is nothing that can be done at this time.

#### Service Recovery Scenario (Redress)

You decide to complain to the mechanic about the service failure and explain that you need the car. The mechanic listens patiently and says, "I'm very sorry for this serious inconvenience." He calls the manager, who comes out immediately. The manager apologizes for the delay. The manager offers you a complimentary rental car that you can use until your repairs are complete and a 10% discount on your repair bill.

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