

THE EFFECTS OF PERCEIVED JUSTICE ON COMPLAINANTS' REPATRONAGE INTENTIONS AND NEGATIVE WORD-OF-MOUTH BEHAVIOR

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ABSTRACT

Previous research has found that dissatisfied consumers choose to seek redress, engage in negative word-of-mouth, and exit (i.e., vow never to patronize the retailer) based upon the perceived likelihood of successful redress, their attitude toward complaining, the level of product importance, and whether they perceive the problem to be stable or to have been controllable. The author extends previous research by hypothesizing that once a dissatisfied consumer seeks redress, negative word-of-mouth behavior and repatronage intentions are dependent upon the complainant's ensuing level of perceived justice (i.e., the complainant's level of satisfaction/dissatisfaction with the retailer's response to the complaint). As hypothesized, perceived justice was the main determinant of both negative word-of-mouth and repatronage intentions. The combination of perceived justice and product importance explained 31% of the variance of complainants' negative word-of-mouth behavior, while the combination of perceived justice and stability/controllability explained 56% of the variance of repatronage intentions. These findings point to the importance of customer service/customer satisfaction, especially the cost of keeping a current customer satisfied is much less than the cost of attracting a new customer.

INTRODUCTION

The basic premise of the marketing concept is that marketers should strive to create customer satisfaction. Full implementation of this concept requires that marketers should also strive to remedy customer *dissatisfaction*. While satisfaction is assumed to lead to brand loyalty, goodwill, and repeat sales, dissatisfaction with products oftentimes leads to requests for refunds and exchanges (i.e., *redress seeking behavior*). When a dissatisfied consumer seeks redress the retailer is given the opportunity to remedy the situation. Complainants who feel that justice has

been served are likely to repatronize that retailer, and hence may become more loyal customers, while complainants who perceive a lack of justice are likely to engage in *negative word-of-mouth behavior* (i.e., complain about the retailer to family and friends) and to vow never to shop at that retail store again (i.e., *exit*). In fact, one study found that dissatisfied consumers, on average, told nine others about their negative experience, and that some businesses may lose 10-15 percent of their annual volume each year because of poor service (Technical Assistance Research Programs, or TARP 1981). Considering that it costs five times as much to attract a new customer as it does to retain an old one (Desatnick 1988) it only makes sense to pay attention to, and resolve, customer complaints.

The study of consumer complaining behavior has progressed steadily throughout the years (see Day and Landon 1976; Day and Bodur 1978; Day and Ash 1979; Day, Grabicke, Schaetzle and Staubach 1981; Gilly and Gelb 1982; Bearden and Teel 1983; Richins 1983a, 1983b, 1985, 1987; Bearden and Mason 1984; Folkes 1984; Singh 1990). The focus of recent research has been to explain which particular type of complaint behavior -- redress seeking, negative word-of-mouth, or exit -- a dissatisfied consumer might choose (Singh 1990). Briefly, researchers have found that dissatisfied consumers choose to seek redress, engage in negative word-of-mouth behavior, or exit based upon the perceived *likelihood of successful redress* (Singh 1990; Richins 1987, 1985, 1983a; Granbois, Summers, and Frazier 1977; Day and Landon 1976), their *attitude toward complaining* (Richins 1980, 1982, 1983b, 1987; Bearden and Mason 1984), the level of *product importance* (Richins 1985), and whether they perceive the problem to be *stable* or to have been *controllable* (Folkes 1984). Consumers who perceive a high likelihood of success, who have a favorable attitude toward complaining, or who are dissatisfied with a product that they feel is important (or *worthwhile*, see Singh 1990) are more likely to seek redress, while those

dissatisfied consumers who perceive little likelihood of success, who are not predisposed toward seeking redress, or who perceive the problem to be stable or to have been controllable are more likely to engage in negative word-of-mouth behavior and to exit.

Although much progress has been made in our understanding of consumer complaining behavior current models are limited in that they treat complaining behavior as a static phenomenon (Blodgett and Granbois 1992). These models do not explicitly recognize that consumer complaining behavior is actually a dynamic process, and that *once a consumer seeks redress* other complaining behaviors (e.g., negative word-of-mouth and exit) are primarily dependent upon the consumer's level of satisfaction/dissatisfaction with the retailer's response to the complaint, i.e., the consumer's level of *perceived justice*. Though several authors have recognized the important role perceived justice plays in the complaining process (see Singh 1990; Richins 1987; Day et al. 1981; Day and Landon 1976; Hirschman 1970), little research to date has examined the impact of perceived justice on complaining behaviors such as negative word-of-mouth and exit. Research which has been conducted suggests that perceived justice is indeed a major determinant of complainants' repatronage intentions and negative word-of-mouth behavior (Tax and Chandrashekar 1992; Goodwin and Ross 1989; Gilly 1987; Gilly and Gelb 1982; TARP 1981).

The primary purpose of this study is to examine the impact of perceived justice on complainants' repatronage intentions and negative word-of-mouth behavior. More specifically, the purpose is to assess the effects of perceived justice on complainants' repatronage intentions and negative word-of-mouth behavior in relation to other possible determinants, such as the perceived likelihood of success, attitude toward complaining, product importance, and stability and controllability attributions. This study has important implications for researchers studying consumer complaint behavior. By assessing the relative magnitude of the effects of each of these variables on complainants' repatronage intentions and negative word-of-mouth behavior greater insights into *why* and *when* consumers engage in different complaining behaviors is gained. The

focus on perceived justice creates a stronger conceptual framework than that found in previous studies, which should enhance the model building efforts of marketing scholars working in the areas of complaining behavior and retail management.

This study also has managerial value. By linking perceived justice to complainants' subsequent repatronage intentions and to their negative word-of-mouth behavior managers may be better able to measure the effectiveness of their complaint handling procedures and policies in terms of retail sales and profits. Remedying consumer complaints can then be looked upon as a key marketing variable, with an expected return, just like advertising and promotion. An understanding of the benefits (or opportunity costs) of this key marketing variable could motivate retail managers to develop better complaint handling policies and procedures to build customer satisfaction.

THEORETICAL DEVELOPMENT AND HYPOTHESES

The next section will briefly discuss the theoretical background giving rise to the following determinants of complaining behavior: the perceived likelihood of success, attitude toward complaining, product importance, stability and controllability attributions, and perceived justice. Empirical findings and hypotheses concerning the effects of these variables on complainants' repatronage intentions and negative word-of-mouth behavior will then be presented.

Theoretical Development

Hirschman's (1970) theory of exit, voice, and loyalty provides the framework for this study. Hirschman posits that consumer complaining behavior is contingent upon the "value of voicing the complaint" (i.e., product importance), the "probability that the complaint will be successful" (i.e., likelihood of success), and on the "ability and willingness of consumers to take up the voice option" (i.e., attitude toward complaining), and that exit is often a last resort after voice has failed. Consumers who are dissatisfied with a product of high value, who perceive that their complaint will be successful, and who exhibit a general

willingness to complain are likely to voice their complaints. If voice (i.e., redress seeking) is not successful, and consequently the consumer perceives a lack of justice, other types of complaining behaviors (i.e., negative word-of-mouth and exit) are likely to follow. Because subsequent authors have indeed shown these variables to be important determinants of complaining behavior (Singh 1990; Richins 1987, 1985, 1983a, 1982; Bearden and Mason 1984), likelihood of success, attitude toward complaining, and product importance are included in the present study. It should be noted that Hirschman's theory also provides the conceptual foundation for the inclusion of perceived justice in the study of complaining behavior.

Because Folkes has shown attribution theory to be useful in explaining what types of redress (e.g., a refund, exchange, apology, etc.) dissatisfied customers prefer, stability and controllability attributions are also included in the present study. In a larger context, attribution theory suggests that consumers who perceive the problem to be stable (i.e., similar problems are expected to occur in the future) or controllable (i.e., the consumer believes that the retailer could have prevented the problem) are more likely to exit and to engage in negative word-of-mouth behavior.

Equity theory (Adams 1965) also has important implications for complaining behavior. Building on the foundations of equity theory, the literature in social psychology and organizational behavior suggests that individuals' perceptions of justice are based on several criteria: the perceived fairness of the tangible outcome (i.e., distributive justice; Homans 1961), the perceived fairness of the procedures used in arriving at that outcome (i.e., procedural justice; Thibaut and Walker 1975; Lind and Tyler 1988), and their satisfaction/dissatisfaction with the manner in which they were treated throughout the conflict resolution process (i.e., interactional justice; Bies and Moag 1986; Bies and Shapiro 1987). Research in the context of wage disputes, hiring and promotion decisions, labor relation disputes (Greenberg 1982), and in legal settings (Thibaut and Walker 1975) has shown that even if concerned parties do not receive the outcome desired they may still be satisfied *if* they perceive that the procedures used in arriving at that outcome were fair (also see

Greenberg and Folger 1983), and if the interaction was positive (Bies and Moag 1986; Bies and Shapiro 1987). In the context of complaining behavior, the distributive component refers to the perceived fairness of the remedy offered by the retailer (i.e., the amount of refund, whether an exchange was offered, free repair, etc.), the procedural component refers to the perceived fairness of the retailer's return and exchange policies, while the interactional component encompasses the manner in which the retailer responded to the consumer's complaint (i.e., whether the retailer responded in a timely and courteous manner, whether the consumer was given a chance to explain the circumstances, etc.).

Hypotheses

Likelihood of Success. Likelihood of success refers to the consumer's perception of the retailer's willingness to remedy the problem (e.g., grant a refund, offer an exchange, repair the product, etc.), without a hassle (Hirschman 1970). Some retailers have a reputation for remedying any and all customer complaints, while others are perceived as being less willing to provide redress. Researchers have consistently found that dissatisfied consumers who perceive a high likelihood of success are apt to seek redress (Singh 1990; Richins 1987, 1985, 1983a; Granbois et al. 1977; Day and Landon 1976) and that dissatisfied consumers who perceive little likelihood of success are likely to exit and to engage in negative word-of-mouth behavior (Singh 1990), possibly as an attempt to "get even" with the offending retailer. Thus, it is hypothesized that:

H1a: Likelihood of success will have a negative effect on complainants' negative word-of-mouth behavior.

H1b: Likelihood of success will have a positive effect on complainants' repatronage intentions.

Attitude Toward Complaining. Attitude toward complaining refers to an individual's predisposition toward seeking redress (Richins 1980, 1982, 1983b, 1987; Bearden and Mason 1984). Some people are assertive and will seek

redress whenever they are dissatisfied with a product, while others are reluctant to seek redress even when highly dissatisfied. Day and his colleagues (Day and Ash 1979; Day and Bodur 1978; Day and Landon 1976) have shown that consumers who are reluctant to seek redress are more likely instead to engage in negative word-of-mouth behavior and to exit. In order to "get even" with the retailer these consumers tell their friends and relatives about their dissatisfying experience, and vow never to repatronize the offending retailer. Based on previous research it is hypothesized that:

H2a: Attitude toward complaining will have a negative effect on complainants' negative word-of-mouth behavior.

H2b: Attitude toward complaining will have a positive effect on complainants' repatronage intentions.

Product Importance. The concept of product importance recognizes that consumers attach more "worth" to some products than to others (see Bloch and Richins 1983; Laurent and Kapferer 1985; McQuarrie and Munson 1987). Consumers who are dissatisfied with products they feel are important (or *worthwhile*, see Singh 1990) are likely to experience higher levels of stress and anger than consumers who are dissatisfied with products of lesser importance. Because of their anger, consumers who are dissatisfied with an "important" product are likely to want to "hurt" the offending retailer (Folkes 1984), possibly by engaging in negative word-of-mouth behavior and by vowing never to repatronize the retailer (Singh 1990). Therefore, it is hypothesized that:

H3a: Product importance will have a positive effect on complainants' negative word-of-mouth behavior.

H3b: Product importance will have a negative effect on complainants' repatronage intentions.

Stability and Controllability. Several authors have suggested an attributional approach to complaining behavior, most notably Folkes (1984), who stated that "the perceived reason for a

product's failure influences how a consumer responds" (1984, p. 398). Given dissatisfaction with a product, Folkes (1984) posits that consumers will then ask themselves whether the retailer could have foreseen and thus prevented the problem (i.e., controllability) and whether similar types of problems are likely to occur in the future (i.e., stability). Consumers who feel that the retailer could have prevented the problem will be angry, and consequently may seek to inflict damage on the offending retailer by vowing never to shop there again, and by warning friends and family not to patronize the retailer. Likewise, consumers who perceive that similar problems will occur in the future are likely to avoid that retailer in the future (i.e., exit), and to warn friends and family about the retailer.

Rather than focusing on the main effects of stability and controllability, it is argued that it is the interaction of these two attributions that determines whether a dissatisfied consumer will engage in negative word-of-mouth or exit. That is, a dissatisfied consumer will most likely exit or engage in negative word-of-mouth when the underlying cause is perceived to be stable *and* controllable. When the product failure is perceived to be controllable, but not stable (or stable, but not controllable), negative word-of-mouth and exit are less likely. Finally, when the cause is perceived as neither stable nor controllable the consumer is not likely to exit or to complain to friends; in this latter situation the consumer should be willing to give the retailer another chance. Based on these arguments, it is hypothesized that:

H4a: The interaction of stability and controllability will have a positive effect on complainants' negative word-of-mouth behavior.

H4b: The interaction of stability and controllability will have a negative effect on complainants' repatronage intentions.

Perceived Justice. This study is based on the premise that *once a dissatisfied consumer seeks redress*, that person's repatronage intentions and negative word-of-mouth behavior are dependent upon their subsequent level of satisfaction/

dissatisfaction with the retailer's response to their complaint (i.e., their level of perceived justice). Complainants who subsequently perceive a lack of justice will react by engaging in negative word-of-mouth behavior and by vowing never to repatronize the offending retailer. These arguments are supported by research which shows that consumers who were dissatisfied with the retailer's response engaged in twice as much negative word-of-mouth behavior than did consumers who were satisfied with the retailer's response (TARP 1981), and by Gilly and Gelb (1982), who found that complainants' levels of satisfaction/dissatisfaction with the retailer's response had a significant impact on their repatronage intentions. Support also comes from Tax and Chandrashekar (1992), who found that consumers who felt that their complaint was handled poorly reported high negative word-of-mouth intentions and low repatronage intentions, and from Goodwin and Ross (1989), who found that complainants were willing to repatronize the offending service provider *if* they perceived the complaint procedure to be fair and the interaction to be positive. Based on this literature, and on conventional wisdom, we argue that perceived justice is the critical factor that determines whether a complainant will subsequently exit or engage in negative word-of-mouth behavior.

H5a: Perceived justice will have a negative effect on complainants' negative word-of-mouth behavior.

H5b: Perceived justice will have a positive effect on complainants' repatronage intentions.

RESEARCH METHODOLOGY

Method and Unit of Analysis

Since the primary purpose of this study was to examine the effect of perceived justice on complainants' negative word-of-mouth behavior and repatronage intentions *this study included only those dissatisfied consumers who sought redress from the retailer*. Respondents were asked to report on their most recent dissatisfying experience (that occurred within the last twelve months) regarding a product purchased at a retail store.

The instance of dissatisfaction was to be one in which the consumer was truly dissatisfied with the product (i.e., because the product did not perform to expectations) rather than an instance in which the consumer returned a product because it was the wrong size, color, etc. A total of 149 useable surveys were collected. The data were collected via a self-report questionnaire administered to staff employees at a large midwestern university. Respondents were paid \$3 for their participation.

Descriptive Statistics

Respondent Demographics. Of the 149 respondents, 90% were female and 10% were male. Ninety-three percent were Caucasian and seven percent were African-American, Asian, or Native American. Approximately 12% were between the ages of 18-24, 30% were between the ages of 25-34, 35% were in the 35-44 age group, 22% were in the 45-65 age group, and 1% were age 65 or older. Fifty-two percent reported earning household income between \$15,000 and \$34,999, 26% earned between \$35,000 and \$44,999, 18% earned between \$45,000 and \$64,999, and 4% earned in excess of \$65,000. Approximately 28% reported that their highest educational level was high school graduate, while 42% had attended some college, 22% were college graduates, and 7% had done graduate work. Approximately 4% held professional and 9% held white collar jobs, while 86% worked in clerical positions, and 2% worked in skilled, blue collar, or other occupations. Ninety-one percent of all respondents reported buying the product for themselves or their family, while 9% purchased the product as a gift.

Types of Products and Prior Purchases. A wide cross-section of retailers were represented in the study, including mass merchants, department stores, discount stores, specialty stores, variety stores, and superstores. Complaints arose over a variety of products, including clothing, small appliances, shoes, and electronic items, etc.; see Table 1. The average cost of the focal product was \$93.17 (s.d.=\$166.48). Approximately 94% of the respondents had made a purchase at the focal retail store prior to their dissatisfying purchase experience, while 6% were first-time

customers. Respondents, on average, purchased \$270.99 (s.d. = \$369.50) worth of merchandise at the focal store within the last six months. This figure is in line with research by Sears, which found that its credit card holders spent, on average, \$500 per year at its stores (DeMott and Nash, 1984).

Table 1
Types of Products and Number of Complaints

<u>Type of product</u>	<u>Number of complaints</u>
Clothing (sweaters, dresses, jackets, suits)	56
Small appliances (tape decks, answering machines, irons, ceiling fans, humidifiers)	30
Shoes (tennis, walking, jogging, and basketball shoes, boots)	10
Jewelry (watches and rings)	10
Electronic items (VCR, camcorder, television set, vacuum cleaner, cameras)	7
Miscellaneous (purses, playpens, blankets, toys, socket set, hamper set, Nintendo set)	36
Average cost of focal item	\$93.17

Negative Word-of-Mouth Behavior. Approximately 75% of all respondents reported that they engaged in negative word-of-mouth behavior. Respondents, on average, told 5.41 (s.d. = 6.55) people about their dissatisfying experience. This figure is in line with previous research by Richins (1983c, 1987), who found that dissatisfied consumers, on average, told approximately five other people about their dissatisfaction.

Measures

Scale Development. Generally accepted, valid measurement scales did not exist for a majority of the constructs. Therefore, multiple item scales were developed, based on exploratory interviews and on the relevant literature, as recommended by Churchill (1979), Schwab (1986), and Nunnally (1978). A formal pretest of the questionnaire was conducted using a sample of 29 consumers who had experienced some dissatisfaction with a product purchased in the recent past. Based on statistical examination (including analyses of means and standard deviations, item correlations, factor analysis, and Cronbach's alpha) of these data, several of the items were modified. The questionnaire was then submitted to five "expert judges," as recommended by Churchill (1979) and Schwab (1986), who were asked to comment on the validity of the items, and the readability of the questionnaire. Based upon their recommendations additional modifications were made. Once the final set of data were collected similar analyses were again performed, with factor analysis being performed to assess the convergent and discriminant properties of the constructs.

The independent variables were measured using interval scales; most of the items were measured with Likert scales; a few items were measured with scales anchored by appropriate descriptors. Several of the items were negatively worded in order to "minimize 'halo' effects and other response biases" (Sekaran 1984, p. 149). In order to further reduce response bias the independent measures were placed before the dependent measures, as suggested by Salancik and Pfeffer (1977).

Likelihood of Successful Redress. Interviews with retail managers and with consumers indicated that consumers' perceptions as to the likelihood of success are influenced the retailer's stated return policy, the overall quality of its service, the friendliness of its employees, and its general reputation. Based on these interviews three items were designed to measure likelihood of success. In order to assess internal consistency Cronbach's alpha was computed, equaling .75. (See Table 2 for construct means and standard deviations, and

a listing of the final set of items.)

Attitude Toward Complaining. There was no generally accepted scale purporting to measure attitude toward complaining; therefore, items were adapted from Day's (1984) attitude scale and from Richins (1983b) scale measuring consumer assertiveness (see Table 2). In accordance with Fishbein and Ajzen (1975), all five items were designed to tap into one's learned predisposition to consistently seek (or not seek) redress when dissatisfied with a product. Cronbach's alpha equaled .72.

Product Importance. Based on a conceptualization by Bloch and Richins (1983) a global measure of product importance was developed, encompassing both "enduring importance" (or ego involvement) and "instrumental (or functional) importance." Four items were taken from scales developed by Zaichkowsky (1985), Laurent and Kapferer (1985), and McQuarrie and Munson (1987). This construct exhibited high reliability, with Cronbach's alpha equaling .81.

Stability/Controllability. No published scale was found measuring these two attributions; hence, two items were developed to measure controllability, and two items were developed to measure stability (see Table 2). The controllability items reflected the consumer's opinion as to whether the retailer could have prevented the problem, whereas the stability items reflected the consumer's opinion as to how often this type of problem occurs at this retail store (Folkes 1984). Each controllability item was then multiplied by one of the stability items; the square root of their products were then summed to create the stability/controllability interaction term. Cronbach's alpha for stability/controllability equaled .72.

Perceived Justice. Perceived justice is a multidimensional construct. Interviews with both consumers and store managers indicated that complainants' feelings of perceived justice are determined largely by whether they were given the refund or exchange they desired, whether their complaint was resolved in a timely manner, and

whether they were treated with courtesy and respect. The complex nature of perceived justice is illustrated by a study by Goodwin and Ross (1989), who found that dissatisfied consumers were willing to repatronize the offending service provider when only a token remedy was received *if* they perceived the complaint procedure to be fair and the interaction to be positive. Based upon exploratory interviews, and on the relevant literature (Greenberg 1982; Goodwin and Ross 1989), five items were created to tap into perceived justice (see Table 2). The resulting scale is a global measure, reflecting the distributive, procedural, and interactional dimensions of perceived justice. Internal consistency was quite high, with Cronbach's alpha equaling .92.

Repatronage Intentions. This construct reflects the consumer's willingness to shop at the offending retail store in the future. During pilot-testing some respondents stated that they definitely would not repatronize the offending retailer for *any* type of item, while others remarked that they would still shop at the offending retail store for basic items but would go elsewhere to purchase more "important" items. Some respondents stated that they definitely would shop at that retail store in the future. In order to capture the varying degrees of repatronage intentions three 7-point Likert type items were developed (see Table 2). Cronbach's alpha for this scale equaled .91.

Negative Word-of-Mouth. Consistent with previous studies, negative word-of-mouth was defined as telling friends or relatives (that is, relatives not living in the consumer's home) about the dissatisfying experience. Negative word-of-mouth has been operationalized both as a dichotomous variable (i.e., engaged in negative word-of-mouth/did not engage in negative word-of-mouth; see Richins 1983a, 1987; Singh 1990) and a ratio-scaled variable (Richins 1987). In one study, Richins (1987) measured negative word-of-mouth using both types of scales and reported no differences in the results. In the present study negative word-of-mouth was operationalized using a single item, seven category ordinal scale.

Table 2
List of Items Means, Standard Deviations, and Cronbach's Alphas and List of
Items for Each Construct

		<u>Mean</u>	<u>S.D.</u>	<u>Alpha</u>
Likelihood of Success:		5.30	1.30	.75
Los1:	This store encourages its customers to return items they are not satisfied with.			
Los2:	When I bought this product, this store had a reputation for "Satisfaction guaranteed, or your money back!"			
Los3:	When this problem first occurred, I was confident that the store would let me exchange the product, give me a refund, or would repair the product.			
Attitude Toward Complaining:		4.73	1.35	.72
Att1:	If a defective product is inexpensive, I usually keep it rather than ask the retailer for a refund, or an exchange.			
Att2:	I am usually reluctant to complain to a store regardless of how bad a product is.			
Att3:	In general, I am <i>more</i> likely to return an unsatisfactory product than most people I know.			
Att4:	I feel uncomfortable when I have to return defective product to a store.			
Att5:	I would attempt to notify store management if I thought service in a store was particularly bad.			
Product Importance:		4.77	1.47	.81
Imp1:	This product was <i>not</i> very important to me.			
Imp2:	I depend upon this product a great deal.			
Imp3:	This product means a lot to me.			
Imp4:	Compared to most products I buy this was a fairly important product.			
Stability/Controllability¹:		3.39	1.23	.72
S1:	This type of thing probably happens all the time at this store.			
S2:	This store hardly ever makes mistakes.			
C1:	The retailer could have taken steps to prevent this problem from occurring.			
C2:	If the retailer had just paid more attention to what it was doing the problem never would have happened in the first place.			
Perceived Justice:		4.72	2.02	.92
Just1:	I was very <i>dissatisfied</i> with the store's response to my complaint!			
Just2:	When I complained to the store the employees were very courteous and helpful.			
Just3:	The store handled my complaint in a timely manner.			
Just4:	Overall, I think that the store treated me fairly regarding my complaint.			
Just5:	When I complained to the retailer about this product I got pretty much what I asked for (regarding a refund or exchange, etc.).			
Repatronage Intentions:		4.76	1.94	.91
Rpat1:	Knowing what I do now, if I had it to do it all over again, I would not shop at this store -- for <i>this</i> type of product.			
Rpat2:	Because of what happened, I will never shop at this store again -- for <i>any</i> kind of product.			
Rpat3:	I would recommend to a friend that he/she shop at this store.			
Negative Word-of-Mouth²:		4.88	6.11	---
Nwom:	How many friends or relatives (relatives not living at home) did you tell?			

¹ the stability/controllability interaction term is the sum score of S1 x C2, and S2 x C1. The resulting score is on a 1 - 7 scale.

² this is the actual number of friends and relatives. Negative word-of-mouth was subsequently rescaled on a 7-category, ordinal scale, with a mean of 3.42 and standard deviation of 1.92

Factor Analysis. In order to assess the discriminant and convergent properties of the independent variables factor analysis was performed, as recommended by Churchill (1979) and Schwab (1986). Results show that the items load highly on those factor they were intended to measure, and do not load on factors they were not intended to measure (no cross-loadings were greater than .375), thus providing strong evidence of discriminant and convergent validity. See Table 3 for the factor loadings, and Table 4 for the correlations between the constructs. Since all of the correlations among the independent variables are less than .30 multicollinearity does not appear to be a problem.

Table 3
Factor Analysis of Independent Variables

	<u>F1</u>	<u>F2</u>	<u>F3</u>	<u>F4</u>	<u>F5</u>
Just4	.915				
Just1	.851				
Just5	.854				
Just2	.837				
Just3	.810				
Imp3		.851			
Imp4		.818			
Imp2		.758			
Imp1		.643			
Att2			.769		
Att4			.716		
Att3			.658		
Att1			.652		
Att5			.587		
Los2				.867	
Los3				.771	
Los1				.750	
S/C1					.867
S/C2					.760
Eigenvalues					
	4.98	2.91	2.30	1.67	1.44

Factors were derived using principle components, varimax rotation

Table 4
Correlations Among the Independent and Dependent Variables

	<u>Just</u>	<u>Imp</u>	<u>Att</u>	<u>LOS</u>	<u>S/C</u>	<u>Repat</u>	<u>Nwom</u>
Justice	1.000						
Prod Imp	-.261*	1.000					
Attitude	.198*	.152	1.000				
L-O-S	.161*	-.030	-.043	1.000			
S/C	-.238*	.075	.037	-.267*	1.000		
Repat	.704*	-.139	.199*	.215*	-.420*	1.000	
NWOM	-.512*	.340*	-.062	-.193*	.099	-.525*	1.000

* these correlations are significant beyond the $p = .05$ level

RESULTS

Stepwise multiple regression was used to test the effects of likelihood of success, attitude toward complaining, product importance, stability/controllability, and perceived justice on complainants' repatronage intentions and negative word-of-mouth behavior. According to Stevens (1986) stepwise regression results in the best regression equation.

Negative Word-of-Mouth

The results show that perceived justice and product importance are the two main determinants of complainants' negative word-of-mouth behavior. As hypothesized (H5a), perceived justice had a large, negative effect (-.455), and product importance (H3a) had a positive effect (.221) on complainants' negative word-of-mouth behavior. Complainants who perceived a lack of justice, or who were dissatisfied with an important product, were more likely to engage in negative word-of-mouth behavior. Together, perceived justice and product importance explained 31% of the variance in complainants' negative word-of-mouth behavior. Contrary to hypotheses H1a, H2a, and H4a neither likelihood of success, attitude toward complaining, nor stability/controllability had a significant effect on complainants' repatronage intentions. See Table 5 for a summary of the standardized beta

coefficients.

Repatronage Intentions

The results show that perceived justice and stability/controllability are the main determinants of complainants' repatronage intentions. As hypothesized (H4b), perceived justice had large, positive effect (.640), and stability/controllability (H4b) had a negative effect (-.267) on complainants' repatronage intentions. Complainants' who perceived a lack of justice, or who perceived the underlying cause of the problem to be stable or controllable, reported less favorable repatronage intentions. Together, perceived justice and stability/controllability explained 56% of the variance of complainants' repatronage intentions. Contrary to hypotheses H1b, H2b, and H3b neither likelihood of success, attitude toward complaining, nor product importance had a significant effect on complainants' repatronage intentions. See Table 5.

Table 5
Standardized Regression (Beta) Coefficients
(t-values in parentheses)

Dependent Variable	LOS	ATT	IMP	S/C	JUST	R ²
Negative Word-of-Mouth						
	-.116 (1.67)	-.006 (0.08)	.288* (3.10)	-.028 (0.39)	-.455* (6.38)	30.82%
Repatronage Intentions						
	.043 (0.76)	.085 (1.53)	.052 (0.91)	-.267* (4.75)	.640* (11.38)	56.35%

* these coefficients are significant at the $p = .05$ level

DISCUSSION AND CONCLUSIONS

Previous research in the consumer complaining behavior area has modeled complaining behavior as a static phenomenon, without taking into account the outcome of the redress seeking episode. The results of this study show that consumer complaining behavior is actually a dynamic process, and that *once a consumer seeks redress* negative word-of-mouth behavior and repatronage intentions are dependent primarily upon the complainant's subsequent level of

perceived justice. The significant role that perceived justice plays in consumer complaining behavior suggests that dissatisfied consumers are quite willing to give the retailer another chance, *if* the retailer stands behind the product and guarantees customer satisfaction, and treats the complainant with courtesy and respect. Complainants who perceive that justice has been served are not likely to engage in negative word-of-mouth behavior or exit; rather, many of these complainants may actually become more loyal customers! However, if the retailer does not stand behind the product and ensure customer satisfaction complainants are likely to react by telling several friends about their dissatisfying experience and by vowing never to repatronize the offending retailer.

Another key finding is that consumers who were dissatisfied with products they felt were important were more likely to engage in negative word-of-mouth behavior. These consumers probably were very frustrated and felt a need to "get it off their chest" by telling friends and relatives. This finding illustrates the importance of the customer service/customer satisfaction concept. Firms that adopt this philosophy and communicate it to their customers are less likely to be the subject of negative word-of-mouth communications when problems do occur because their customers are more confident that their problems will be resolved satisfactorily. Dissatisfied customers who perceive that their problems are equally as important to the retailer will first seek redress, and will be less likely to engage in negative word-of-mouth behavior unless they are subsequently dissatisfied with the retailer's response to their complaint.

Another important finding is that consumers who perceived the problem to be stable or controllable were less likely to repatronize the offending retailer. Consumers who perceived the problem to be stable probably wished to avoid that retailer in the future, while consumers who perceived that the retailer could have prevented the problem probably were angry and may have vowed to "get even" by never shopping there again. This finding should be of particular concern to retailers. In order to retain these customers' business it is important that the retailer apologize (Bies and Shapiro 1987) and take responsibility for any

problems that may have occurred. The retailer should also thank the customer for bringing the problem to the retailer's attention, and should make a commitment to the customer to do better in the future. Complainants who perceive that the retailer is sincerely concerned, and is genuinely committed to improvement, may be more likely to give the retailer another chance.

Several hypotheses were not supported. Most notably, likelihood of success and attitude toward complaining had no significant effect on complainants' negative word-of-mouth behavior or their repatronage intentions. These findings may be attributable to the fact that this study included only those dissatisfied consumers who sought redress from the retailer. Previous research (Singh 1990; Richins 1987, 1985, 1983a; Bearden and Teel 1984) has shown that likelihood of success and attitude toward complaining play a critical role in determining whether a dissatisfied consumer will seek redress. Some dissatisfied consumers may choose *not* to seek redress because their attitude is such that they are not predisposed towards complaining, or because they are skeptical about the retailer's willingness to remedy the problem. Rather than seek redress, many of these consumers will instead engage in negative word-of-mouth behavior and silently exit, vowing never to repatronize the offending retailer (Singh 1990). For this group of dissatisfied consumers, previous research suggests that likelihood of success and attitude toward complaining *are* the major determinants of negative word-of-mouth and repatronage intentions. Had our study included both groups of dissatisfied consumers (i.e., those who sought redress and those who did not seek redress) hypotheses H1a, H1b, H2a, and H2b might have been confirmed.

Perceived Justice: A Key Marketing Variable. Because of its effect on complainants' repatronage intentions, perceived justice directly impacts upon store profits. To illustrate the effect of perceived justice on retail sales and profits descriptive data from the present study were used. The data show that respondents spent, on average, \$542 at the focal retail store in the past year, and that the average cost of the focal product was approximately \$93.15. Assuming a 35% gross margin, the focal product cost the retailer \$60.55,

while generating \$32.60 in gross margin. On average, when a complainant was granted an exchange the retailer incurred out-of-pocket expenses of \$27.95 (the cost of the new item, \$60.55, minus the \$32.60 gross margin previously earned on the original item). Assuming that the complainant was satisfied with the retailer's response and remains a loyal customer, this \$27.95 "investment" generates an expected return of \$190 in the first year alone (\$542 yearly purchases multiplied by 35% gross margin equals \$190); a phenomenal return by any standards! Conversely, if the retailer refused to grant the refund, and the complainant vowed never to shop there again, the retailer would lose out on the \$190 in gross margin over the next year -- and every year thereafter. In addition, complainants who perceive a lack of justice are also likely to engage in negative word-of-mouth behavior, possibly convincing other consumers not to patronize the offending retailer.

Because of the impact that perceived justice has on retail profits, remedying consumer complaints should be thought of as a key marketing variable. It is much easier to keep current customers satisfied than it is to attract new customers, especially given slow growth in retail sales. A widely promoted, and successfully executed policy of "satisfaction guaranteed" gives customers greater confidence that any problems they might encounter will be remedied in a timely and courteous manner. Because of this confidence, dissatisfied consumers are more likely to first seek redress, thus giving the retailer a chance to remedy the problem. As a result of the retailer standing behind the product and ensuring customer satisfaction, many complainants will henceforth become loyal customers, and will spend an even greater percentage of their sales dollars at that particular retailer.

LIMITATIONS AND RESEARCH IMPLICATIONS

This study is subject to several limitations. First of all, this study included only dissatisfied consumers who complained to the retailer (i.e., sought redress); dissatisfied consumers who did not seek redress were excluded from this study. As a result, this study does not provide a complete

picture of the complaining behavior process. In order to better understand the roles that likelihood of success, attitude toward complaining, product importance, and stability/controllability play in determining whether dissatisfied consumers will seek redress, engage in negative word-of-mouth, or repatronize the retailer (i.e., exit) an interesting project would be to compare data from both those dissatisfied consumers who sought redress and those dissatisfied consumer who did not seek redress. Secondly, because the current sample was comprised of residents of one medium-sized university town, and was limited to products purchased at retail stores, the generalizability (Cook and Campbell 1979) of our findings is somewhat limited. In order to increase the generalizability of our findings studies should be conducted using data from a broader mix of respondents (e.g., different ethnic groups, such as Hispanics, Asians, etc.) and purchase settings (e.g., automobiles, major appliances, direct mail purchases, and services industries such as banking, airlines, and hotels, etc.). Finally, it appears that key explanatory variables were not included in the model. Although we were able to explain 56% of the variance of repatronage intentions, we were able to explain only 31% of the variance of negative word-of-mouth. Clearly, other variables, such as *negative affect* (or emotion, Westbrook 1987), are missing from the model. Future research should investigate the effects of other possible determinants of complaining behavior.

Given the crucial role that perceived justice plays in the complaining behavior process additional research is needed to better understand the distributive, procedural, and interactional components of this variable. A global measure was used in this study which encompassed all three elements of justice. We recommend that future research be done to specifically address the effects of each of these three components of perceived justice on complainants' negative word-of-mouth behavior and repatronage intentions.

Future research should also examine the nature of negative word-of-mouth behavior. This study found that very few people engaged in "negative word-of-mouth" specifically intending to convince the other party *not* to shop at a particular store or *not* to buy a particular product. When asked why they engaged in negative word-of-mouth behavior,

62% of those respondents who engaged in negative word-of-mouth replied that they "told these people just to 'get it off their chest,'" 23% replied that they "told these people in order to warn them not to buy this particular product," while only 15% replied that they "told these people in order to warn them not to shop at this particular store." These findings call for a more precise measure of negative word-of-mouth, one that takes into account the severity, or valence, of the communication, and identifies the target of the communication (i.e., the product or the retailer).

Rather than concentrating on repurchase intentions, future research should focus on actual patronage behavior. When asked to describe their repatronage intentions, only 12% of complainants reported that they "definitely would *not* shop at this store in the future, for *any* kind of product!," 44% reported that they "would buy some items at this store in the future, but would not buy the same type of item (i.e., that caused the dissatisfaction) at this store," while 44% reported that they "would definitely shop at this store in the future, and would not hesitate to buy the same type of item (i.e., as the one that caused the dissatisfaction) at this store." A longitudinal study is needed to more accurately assess the impact of perceived justice (or a lack thereof) on complainants' subsequent patronage behavior, and hence store profits.

SUMMARY

In summary, future researchers should model complaining behavior as a dynamic process, specifically recognizing the critical role that perceived justice plays in determining complainants' repatronage intentions and their word-of-mouth behavior. Retail managers should place special emphasis on their complaint handling policies and procedures, and should instill in their employees the customer satisfaction/customer service concept.

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