

## CONSUMER SATISFACTION/DISSATISFACTION WITH RAINCHECKS

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### ABSTRACT

How satisfied are consumers with rainchecks? Rainchecks are the industry solution to out-of-stocks on advertised items. The FTC recently approved rainchecks as a substitute for having advertised items in stock. This research shows that experienced raincheck users accept rainchecks if offered and ask for them if not offered. The easier it is to get the raincheck the more fair the consumers think it is. Consumer raincheck behavior was compared to exit (leaving the store), voice (complaining) and negative word of mouth.

### INTRODUCTION

One aspect of our retail distribution system is that only seldom can the retailer perfectly estimate demand for any individual item in the store let alone for all individual items in the store. If the retailer overestimates demand for an individual item some of the units ordered will not be sold within the expected time frame. If the retailer underestimates demand some customers will not be able to buy the item at that store within the expected time frame. Overestimating demand costs the retailer inventory and markdown costs which costs are passed on to the consumer. Underestimating demand costs the retailer lost sales and the consumer the extra cost of having to go to another retail outlet for the item. This double-edged problem will always be a part of retailing where buyer and seller meet to exchange goods or services for money.

The specific case where the retailer lures the consumer to the store by the promise of a reduced price but with inadequate stock on hand to satisfy the retailer-created demand raises the public policy question of whether such retail practices should be lawful or unlawful. The question is whether the retailer is out-of-stock more frequently for price-reduced advertised specials than for other items in the store. The retailer's defense argument is that no one can guess demand perfectly, especially demand created by reduced-price advertising. The consumer advocate's response is that reduced-price advertising specifically designed to lure consumers to the store to buy items at the reduced price carries with it a higher responsibility for adequate stock on hand than does the case of unadvertised regular priced items. This is an old and ongoing issue which promises to continue into the foreseeable future.

Several solutions to the problem have been proposed. The retailer argues that its just part of business and to leave him alone. Besides, if the consumer gets mad enough about the out-of-stocks on reduced-price advertised specials the consumer will stop responding to the ads and may even stop shopping at the store, so there is already a built in penalty if consumers really don't like it. Consumers argue that the retailer's actions are deceptive if not false, that such behavior violates the social standards of our culture, and that the retailer should not be allowed to continue to reap the rewards of such a practice.

In a February 13, 1989 article in *Marketing News* James D. Hess and Eitan Gerstner explained that "A 1971 ruling of the Federal Trade Commission made it illegal for stores to advertise sale items not available in sufficient quantities. Though illegal since that year, this practice has been common in retailing." "In a study of general merchandise stores, we found that stock-outs are common for leader products; they occur up to six times more frequently for advertised 'sale' brands. It is hard to explain these results as inventory misjudgments: Why should errors be more frequent for featured items?" "However, the FTC recently voted 3-2 to repeal this rule and permit grocery stores to offer a raincheck as substitute for stock on hand." Hess and Gerstner went on to point out several reasons which they thought showed the recent FTC decision to be in error.

Taking a different approach from Hess and Gerstner, we wanted to find out how satisfied consumers are, generally, with rainchecks as substitutes for out-of-stock items. To what extent do consumers consider rainchecks to be an adequate or fair substitute for an out-of-stock reduced-price item?

### METHODOLOGY

Through the Skaggs Institute of Retail Management at Brigham Young University and the K mart Chair at Wayne State University we made contact with 4 leading discount retailers, explained our interest in rainchecks, and obtained their assistance by providing us with the names and addresses of their customers who had recently turned in rainchecks to them. We mailed a questionnaire to these customers dealing solely with rainchecks and how these customers felt about them. We mailed 3000 questionnaires and postage-paid return envelopes of which 734 usable questionnaires were returned for a response rate of 24%. It is important to remember through the presentation of the data that all the survey participants had recently turned in a raincheck so these people all had some experience with rainchecks and may not reflect how the general public feels about rainchecks.

### FINDINGS

We first confirmed that all our participants had raincheck experience. As you see in Table 1, these are definitely experienced raincheck users.

We then assessed these experienced consumers' satisfaction with rainchecks by asking (1) when you visit a store to buy an advertised item and that product is out-of-stock what do you do, listing several alternatives, and (2) how fair do you consider different retailer responses to be. The consumer actions reported in Table 2 show a wide range of responses to an out-of-stock condition when you have gone to the store to buy the out-of-stock item. Item 2-a is the classic exit response and item 2-i is the more permanent exit response, leaving the store on that visit or leaving the store permanently. 2-b is the classic

Table 1

Question: During the past 12 months, about how many rainchecks have you requested from all stores at which you shop?

3.3%	none
34.7%	1-3
36.5%	4-8
12.4%	9-12
13.0%	More than 12

Table 2

Question: When you visit a store to buy an advertised item and that product is out-of-stock, indicate how likely or unlikely you are to do each of the following. (Please mark an answer for each item a - j.)

	% Very What Likely	% Some Un- Likely	% Neither	% Very What Likely	% Some Un- Likely
Leave the store without buying anything:	29.7	32.5	12.7	14.1	11.0
Complain to a store employee:	18.1	26.4	9.0	16.3	30.2
Accept a raincheck if one is offered:	72.7	21.2	2.2	1.7	2.2
Ask for a raincheck:	57.1	28.4	5.0	5.0	4.4
Ask for a substitute item:	12.3	16.9	14.0	20.4	36.4
Check back with the same store to see if the item is now in stock:	26.8	29.0	7.6	13.7	22.9
Buy a comparable item in the same store at the regular price:	3.3	6.1	5.8	17.5	67.3
Go to another store to buy the same item at the regular price:	9.6	12.8	12.8	20.6	44.2
Shop elsewhere in the future	13.7	26.1	27.5	16.3	16.3
Make negative comments to friends about the store	26.6	29.6	16.9	11.2	15.6

voice response, complaining to the store. 2-c is an overture from the store, freely offered. 2-d and 2-e require that the consumer take the initiative to ask for the raincheck or substitute item. 2-f requires the consumer to make substantial effort to return to the store. 2-g requires

that the consumer give up the sale price. 2-h requires that the consumer both give up the sale price and go to another store. 2-j is the classic negative word of mouth response usually intended to be punitive toward the store and/or to warn other consumers.

Each response was presented as a separate question to try to maintain as much independence between the responses as possible. The question was not "which of these are you most likely to do?" but, for each response, "how likely are you to do this particular response."

When experienced raincheck users encounter an out-of-stock condition on an advertised item they are very likely (72.7%) to accept a raincheck if one is offered and likely to ask for a raincheck (57.1% very likely). Combining the very likely and somewhat likely responses 93.9% are likely to accept a raincheck if one is offered and 85.5% are likely to ask for a raincheck.

These high percentages clearly indicate that experienced raincheck users have no hesitancy to accept or ask for rainchecks if advertised items are out of stock. Remember, however, that our survey participants were all experienced raincheck users (Table 1). Because of the specific focus of this research project we do not know what the percentages would be for less experienced or inexperienced raincheck users, but common sense indicates they would be much lower.

Also, given the cost of additional trips to the store, the frustration of finding the desired item out-of-stock after making a trip to the store to buy it, and the fact that many raincheck items never do come back in stock, these high percentages show only what they purport to show, that experienced raincheck users have no hesitancy to accept or ask for a raincheck on an out-of-stock item. The high percentages imply some degree of satisfaction with rainchecks. (Remember that the respondents are all recent raincheck users.) They do not imply a satisfaction with the whole scenario of making the trip to the store to buy the advertised item, finding it out-of-stock, accepting or asking for a raincheck, waiting to hear if the item ever comes back in stock, and, if it does, making another trip to the store to redeem the raincheck for the desired item.

We infer from their raincheck usage that these are at least somewhat experienced consumers. It is interesting to note their other responses to an out-of-stock condition.

(1) Only about half complain to a store employee, again verifying that many dissatisfied consumers do not complain. (2) 62.2% are very or somewhat likely to leave the store without buying anything, which has to be of concern to store managers. (3) Very few ask for a substitute item. (4) Surprising to us, 55.8% would check back with the same store to see if the item had come in, indicating, in our interpretation, the consumers' beliefs that the out-of-stock was not the fault of the store but of some external effects. (5) Very few of these experienced consumers would buy a comparable item in the same store at the regular price, instead going to another store to buy the same item at the regular price. (6) Almost 40% said they would shop elsewhere in the future, continuing this pattern until, we supposed, they find a set of stores who have few out-of-stocks on advertised specials. (7) Over 50% reported they were very or somewhat likely to make negative comments to friends about the store. So, in addition to the specific raincheck responses, we see a

picture of experienced consumers taking a series of actions, most being negative toward the store and none being positive toward the store. While the FTC may have given its regulatory blessing to rainchecks as a solution to the out-of-stock on advertised items problem, that FTC blessing did not include changing consumers to have positive reaction to out-of-stock situations. The cost to the store in negative consumer reaction appears to continue to be a serious problem.

We were also concerned about the perceived fairness or unfairness of retailer responses. We asked our survey participants to indicate how fair they thought different retailer actions were. In Table 3 we report two unfair actions, two fair actions, and position the raincheck actions between those two.

Table 3

**Question: When you visit a store to buy an advertised item and find it out-of-stock, the store may respond in a number of different ways. Some responses from the store may seem to be very unfair to you as a customer, others fair to you, others more than fair to you if the store did more than they needed to do to be fair. (Please mark an answer for each item a-g.)**

	% Very Unfair/	% Fair	% Very Fair/ More Than Fair
a. Say they're sorry to be out of stock but take no other action	90.7	7.1	2.2
b. Suggest you check back next time you are in the store	68.2	27.8	4.0
c. Give a raincheck only if you ask for one	59.2	33.1	7.7
d. Offer a raincheck at a service counter staffed by store employees	14.7	62.5	22.9
e. Offer a raincheck at the shelf location where the item is out of stock	4.7	48.1	47.3
f. Offer to get the item for you from one of their other stores	5.2	15.9	78.9
g. Give a substitute of the same brand in a larger size for the same sale price	3.8	15.9	80.2

Table 3 clearly shows that it is not just the offering of a raincheck that affects satisfaction but the way in which the raincheck is offered. (1) Giving a raincheck

only if the customer asks for one was perceived as unfair by 60% of respondents, yet this is a common raincheck policy. (2) Offering a raincheck at a service counter staffed by store employees was considered fair, very fair or more than fair by 85% of the respondents. (3) Offering a raincheck at the shelf location where the item is out of stock was even better, being considered fair, very fair, or more than fair by 95% of the respondents, with 47% judging it to be more than fair. The few stores who use the shelf location raincheck policy report that it is very successful and that consumers like it, corroborating our survey findings. These responses make it clear that it is not just the offering of rainchecks but the way in which they are offered that affects consumers' senses of fairness.

## DISCUSSION

Whether or not rainchecks are a fair economic/legal solution to the out-of-stock on advertised items problem, consumers' satisfaction with them is mixed. When rainchecks are easily available and openly offered, consumers consider them fair to more than fair. When rainchecks have to be asked for, they are considered unfair. Store policies which require consumer initiative, additional actions, or which avoid the problem are considered unfair. Store policies which try to solve the problem for the consumer with no additional consumer effort are considered fair to more than fair.

Additional raincheck research needs to probe more into the emotional state of the average person upon finding the out-of-stock condition and how that emotional state dissipates.

Additional research also needs to probe into why consumers keep going back to stores for advertised specials when the consumer's experience with that store should have taught them it is likely the store will be out-of-stock. Is it a matter of consumer resignation, a recognition that this is the system and can't be changed? For those familiar with the "Peanuts" cartoon, are some consumers like Charlie Brown who can't resist kicking at the football Lucy is holding even though she pulls it away from him time and time again. Is it a recognition that most stores have out-of-stock problems? This line of inquiry would take us back into the mainline consumer satisfaction/dissatisfaction research of the late 1970's when we were paying more attention to why consumers reported satisfaction for experiences which appeared to be unsatisfactory.

## REFERENCES

- Hess, James D. and Eitan Gerstner, "FTC Should Reconsider Its Raincheck Decision," *Marketing News*, February 13, 1989, pp 4-5.