

THE COMPLAINING CUSTOMER: A SERVICE PROVIDER'S BEST FRIEND?

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ABSTRACT

This research investigates how firms handle customers' complaints. We examine the fundamental question of how, or whether, firms respond to consumer complaints. Specifically, we examine services, as services present a unique challenge for marketers. The human element of service delivery creates many opportunities for failure. In this research we wanted to not only study complaint responses in the services industry, but also compare responses to published response rates to customer product complaints. Our examination, across a multitude of service industries, reveals response rates that are both low and slow. Our results are not encouraging. Service firms are clearly missing out on opportunities to repair problems and build relationships with their customers.

INTRODUCTION

There are many theoretical models that address consumer complaint behavior (Singh, 1988; Singh and Widing, 1991; Blodgett and Granbois, 1992; Boote, J. 1998). The ultimate goal of these models should be to benefit firms by providing knowledge about the attitudes and behaviors of current and future consumers. Firms who heed, and respond appropriately to, consumer complaints can increase satisfaction (Durvasula, Lyonski and Mehta 2001), ensure higher repurchase intentions (Halstead and Page, 1992) and prevent customers from switching (Fornell and Wernerfelt, 1987). A complaint provides the firm with the opportunity to change an annoyed customer into a loyal one (Hart, Heskett and Sasser 1990). Consumer complaints should be an invaluable source of information used to make strategic and tactical decisions (Kasouf et al., 1995) and develop a customer-focused culture (Plymire, 1991). While the aforementioned models provide a theoretical understanding of the consumer complaint behavior, the more

fundamental question of how, or whether, firms respond to consumer complaints has received less attention. Of particular interest, is how service complaints are handled.

BACKGROUND

Services present a unique challenge for marketers because the opportunities for failures are greater. The people element of service delivery allows less control of the production process. The elements that separate services from products all represent potential areas for failure. Heterogeneity means that the friendly helpful employee in one encounter could be a rude and unhelpful in another encounter. Within and across employees and customers, service experiences can differ. Perishability of services means the ruined nights' stay at a hotel due to noisy neighbors can't be returned. Joint production and consumption of services means the customer who is unhappy with the dressing on their salad but didn't tell the waiter to put it on the side, will have an impact on their own service experience and potentially the experience of others consuming the service at the same time. The intangible nature of services creates supply and demand issues. Showing up at Wally-World to find it closed for annual maintenance means the customer is very unhappy. They can't go down the street to find the 'product' elsewhere. Intangibility also creates potential miscommunication of what a service entails.

Given the increased pitfalls with services, marketers should be more interested in listening to the customer to ensure quality service delivery. To aid firms in developing methods to listen to customers, Berry and Parasuraman (1997) present a quality information system. The need to listen to customers is clearly established and the tools to aid firms in listening have been developed. Firms should be improving their handling of customer complaints because reasonable complaints from consumers should be highly valued. Instead it appears service providers are losing ground. Tax,

Brown and Chandrashekar (1998) found the majority of consumers were not always satisfied with the way their complaint was handled. They found customers could be unhappy with the outcome of the complaint, the procedure of the firm, or the interaction with the firm. More recently, Jane Spencer reports in the Wall Street Journal almost 30% of customers have experienced a serious problem that led to them feeling rage over the way their situation was handled. The study also reported 62% of respondents wanted to vent, but only 1% got the opportunity.

From those who reach the point of rage to those who are more reasonable, there are many types of complainers and complaints. Voicers, as defined by Singh (1990), complain to a firm but are still willing to continue patronage with the firm. They do not engage in negative word-of-mouth or seek third-party resolution; they believe in the system. Zeithaml and Bitner (2000) suggest voicers are a firm's best friends. They let the firm know when there is a service problem and are willing to give the firm a chance to fix the problem. Given the current perception of increased service failures this research was motivated by the desire to see just how much service firms value their 'best friends'. In sum, when they are faced with reasonable customers with reasonable complaints do they show that they care, and when do they care?

METHOD

Data Collection Overview

To examine the complaint handling behavior of service firms, data was garnered from a class project assigned to undergraduate and MBA Services Marketing students. Students were required to write a letter to a service provider with whom they had experienced a problem. Students without complaints were given an alternative assignment. The specific instructions were to write a letter to a service provider outlining a complaint or concern, request resolution and to make sure the letter was well written. Responses were tracked over the course of a semester.

Responses received after 13 weeks are neither known nor included in this study.

Letters were coded by industry, number of contact sources provided, response time, request type (apology/ explanation or remuneration), request size (< \$10, < \$100, < \$1000), contact from the firm (no contact, contact no resolution, contact with promise of future resolution, resolution upon contact). Those who were contacted were surveyed on their satisfaction with the outcome of the complaint.

Back to The Drawing Board

After two semesters it became apparent that there were problems with the project. The response rate was under 20 percent. Internet research revealed an article addressing firms' grievances with customers' complaints. Firms asserted they could not respond because information was often incomplete. The article stressed the firms didn't know how to resolve and/or didn't know how to contact customers. Specifically firms requested a clear description of the problem, a proposed remedy and clear, current and legible contact information.

Assignment requirements were revised. Instructions were that the service problem and resolution had to be clearly articulated and the students must be realistic with the resolution; students could not ask for free service for minor service problems. If monetary reimbursement was not appropriate, students were asked to request an apology, or seek a response to a question regarding the handling of a service problem. Multiple means of contact were required. Students were requested to provide an email, phone number and mailing address. The response rate was more than doubled with these changes.

Where There's a Will There's a Way

Overall, 49 out of 103 (48%) individuals received responses from their firms within 12 weeks of sending a letter of complaint. Interestingly, providing additional methods of contact didn't affect likelihood of contact (Table 1). Fifty three percent of individuals who

Table 1
Number of Contact Sources Provided by Contact

Sources of contact provided	Never Contacted	Contacted	Total	Percent contacted
1 source	7	8	15	53%
2 sources	1	12	13	92%
3 sources	54	29	75	39%
Total	54	49	103	Chi = 13.2 Sign. .002

provided only one means of contact, received a response from the firm. In contrast, only 39% of people who provided three means of contact received a response. The sample of individuals who provided only one or two means of contact, however, was a small proportion (27%) of the total sample. In sum it appears if there is a will there is a way. If the firm was interested in making contact, they did.

Contact By Industry

Whether consumers are satisfied or dissatisfied with how their complaints are handled varies significantly by service industry (Andreasen and Best 1977; Berry and Parasuraman 1991). Given these findings, we examined whether responsiveness by firms to customer complaints varied by service industry. There were significant differences by industry (See Table 2). Airlines, who are regulated, responded to 15 out of 16 complaints. In contrast, retailers responded to only 27% of letters (4 out of 15). Excluding airlines, the response rate was 39%. This result compares dismally to Martin and Smart (1988) who reported an 86% response rate to complaint letters to a product goods firms. Next we examined the timeliness of responses. Similarly, Clark, Kaminski and Rink (1992) report a 77% response rate for complaint letters about branded products.

Letters were mailed in a batch to have control over the send date. There were two incidents in which responses were received the day after the letters were sent. Both were sent to local fast food

restaurants. Overall, responses were not very timely. Response times ranged from one day to twelve weeks. (See Table 3). Fifty-nine percent of firms that responded, did so within three weeks. The mean response time was over 4 weeks. In comparison, Martin and Smart (1988) report a mean response time of 21 days for their study of product complaints. Our study differs, however, across several dimensions. First, our study utilized services. More failures should be expected because of the nature of services (heterogeneity, joint production/consumption, intangibility and perishability). Second, our complaints were about specific service incidents/failures that would need to be investigated by the firm. We requested a response that addressed the specific service incident. The additional time might be due for the need of the service provider to research the problem and provide a specific response.

As anticipated there were significant differences across service industry. Of the firms who responded, retailers responded in an average of 1.5 weeks. In contrast, automotive repair firms took an average of seven weeks (See Table 4). The complexities of the problems across industries account for some of this discrepancy. For example, complaining about a slow, or wrong, order at a fast food restaurant is easier to respond to than investigating whether auto repairs were necessary or done correctly.

Table 2
Contact by Industry

Industry	Never Contacted	Contacted	Total	Percent Contacted
Fast food	11	9	20	45%
Airlines	1	15	16	94% ¹
Restaurant	10	8	18	44%
Retailer	11	4	15	27%
Automotive	18	9	27	33%
Other: insurance, bars, car rentals	3	4	7	57%
Total	54	49	103	Chi = 18.84 Sign. .002

¹ Regulated industry

Table 3
Response Times

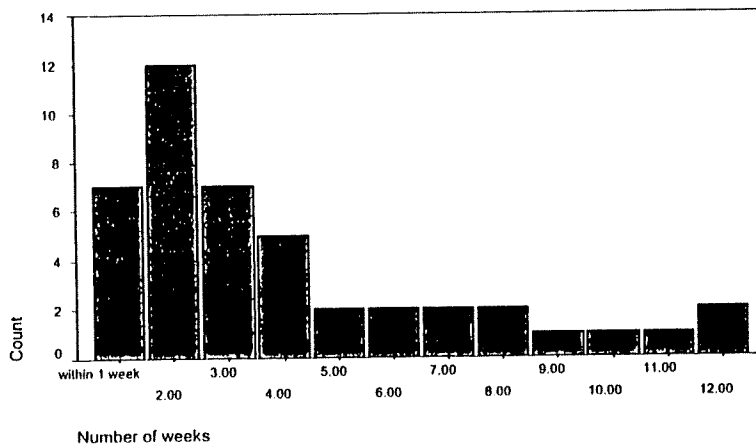


Table 4
Response Time by Service Industry

Service Industry	Weeks to Respond
Fast food	3 weeks
Airline	3.5 weeks
Restaurant	4 weeks
Retailer	1.5 weeks
Automotive	7 weeks
Other	4 weeks
F = 2.54, Sig. of F 0.044	

Table 5
Response by Industry

	Fast food	Airlines	Restaurant	Retailer	Automotive	Other	
No response	11	1	10	11	18	3	54
Insulted			1	1	1	1	4
Contact no resolution	2	3			4	1	10
Contact promised resolution	4	7	3			1	15
Contact with resolution	3	5	4	3	4	1	20

How They Responded (Promised) By Industry

Responses by the service firms were categorized by how the firm responded. Some firms contacted the customer prepared to resolve the problem. Other firms made contact promising they would get back to the customer to resolve the matter. Promising to investigate, and then get back to customers, was a common response for airlines. This is likely due to the regulation of the industry. Other firms made contact but did not offer a resolution to the issue at hand. For example, many customers received form letters that thanked them for communicating with the firm. The letter did not address the problem or offer any future contact.

Four responses were coded as 'insults'. These responses were so egregious that the customers experienced anger. Details of these complaint appear in the 'hall of shame' section. (See Table 5)

What Do They Want?

We can conclude from our study that lacking contact information did not contribute to firms' failure to respond to customer complaints. We also know that within our sample, clarity of the problem and/or resolution is not an issue. Only letters with clearly articulated problems were included in the study. Next, we turned to what our customers requested. Perhaps our low response rate was due to what customer wanted

from the firm. Seventy percent of the customers asked for an apology or answer to a question about service policy. For example, a customer outlined rude service he had received at a restaurant. He let the firm know he wanted them to be aware of the problem and asked for someone to apologize for the service failure. Other customers made firms aware of service problems and then asked for the firm to make contact to let the customer know about their service policies. For example, a customer had observed an employee reduce a deaf customer to tears with their obdurate behavior. The customer explained the situation to the firm and asked about the firm's policies in regard to handicapped customers. No remuneration was sought.

Thirteen percent sought monetary reimbursement for less than \$10; 12% sought under \$100. Six percent of customers sought up to \$1000 to correct service problems they had experienced. These included a customer who had improperly completed automotive work that created additional automotive problems. Another customer was given incorrect information about utilizing free airline tickets thus having to buy tickets at the airport on the day of the scheduled flight.

Sorry Seems to be the Hardest Word...

Contrary to expectations the response rate was lowest for those who asked for an apology, or explanation. Only 18% of those asking for an apology, or explanation, received a response. In

Table 6
Satisfaction of Customers who were Contacted

	Outcome Satisfaction	t / Sig.
Request resolved	1.604	12.26 / 0.00
Weeks to resolve	-.097	-2.15 / 0.00
Level of resolution	.414	2.47 / 0.00
R ² = .765		F = 47.74 / 0.00

contrast 31% of those asking for less than \$10, 25% of < \$100 and 33% of < \$1000 received a response. There was not a significant difference by amount sought. Fear might be driving the low response for the non-remuneration group. Firms might be afraid that if they admit to a problem, they will open themselves up to litigation.

Impact on Outcome Satisfaction

Not surprisingly, those who were offered resolution of their service problem reported higher outcome satisfaction than those who were contacted, but were not offered a resolution (4.2 vs. 1.98). We also examined whether outcome satisfaction is higher if the monetary remuneration is higher, and whether the time to respond to the complaint impacts satisfaction (See Table 6). As expected, the longer it took the firm to respond to the customer the lower the satisfaction. Level of response from the firm also had a significant impact on satisfaction. Those who resolved larger monetary problems were more satisfied.

The Hall of Shame

Responses from several firms need to be mentioned for responses that added insult to injury. Four situations were most notable. First, in 'what did you expect?' the complaint was about film processing done by a local discount store. There was damage to the roll of film that left a streak on all the pictures. The student wrote a letter to the retailer. The retailer forwarded the letter to the film development firm. The firm's response: What did you expect if you use a

discounter to process your film? Our response: What would the retailer do if they knew of this reaction from a firm to whom they are giving their business?

Second, in "You're trying to cheat us" a student wrote to a restaurant about a recent incident of bad service while dining with friends. The student had not made the reservation and had paid cash. Orders were mixed up and brought out at varying times. The party had brought up the problem to the server at the time. The server was rude and uninterested in addressing the complaint. A letter to the restaurant resulted in an accusation of lying. The restaurant responded that they had neither a reservation in the complainants name nor a credit card receipt. As such, they concluded she was lying to get free service.

Third, in 'we're never wrong', a student gave a credit card when reserving a rental car. When she turned in the car, she paid with cash. She received a receipt for her cash payment. When she received her next credit card statement, there was a full charge for the rental car. She wrote the rental car agency and enclosed a copy of the receipt for the cash payment. Their response was that they didn't make a mistake; they told her that her card was not charged (despite enclosing evidence to the contrary).

Fourth, "one size doesn't fit all" was all too common. Numerous students received a generic response letter that did not specifically address their concern. The letters tended to thank the person for writing and offer appreciation for future patronage. In one instant, the letter appeared to be a mimeograph. Of those students who knew what a mimeograph was, they were surprised to

discover that mimeographs were still in use in this century.

Actions Speak Louder Than Words...

Unfortunately, the sample included in this analysis was very small. Of the 104 customers who sent letters that met the criteria, 49 customers heard back from the firm. Of these 49 customers, 20 were offered resolution, 25 were contacted but no resolution was offered within the twelve-week period and four were insulted. Of the 20 customers who received a response specifically addressing their problem, 13 asked for an apology or explanation, four for less than \$10, one for less than \$100 and 2 for less than \$1000.

In our study customers were compelled by course credit to write a complaint. One is left to speculate the impact on satisfaction when the response is less than desired if the customer wrote a letter on his or her own initiative. Although many service firms promote an attitude of caring, their actions belie their words. When firms do not respond to complaining customers, they fail the customer twice: first by having the service failure; second by not responding, or responding inadequately, to the customer. Customers with unresolved issues are likely to use the firm's services less and will want to warn others (Fornell and Wernerfelt 1987). In contrast, if the complaint is handled satisfactorily repeat intentions are likely to be higher (Gilly and Gelb 1982).

Studies show that only 5% to 10% of unhappy customers complain (Dube and Maute, 1996) and that more than half of customers who complain feel worse about the company's service delivery after complaining (Hart, Heskett, and Sasser, 1990). Our results show firms are clearly missing out on opportunities to build relationships with their customers. If the 5% to 10% of complaining customers get similar responses to our customers, 1% to 2% (20% of the 5% to 10%) will have their problem resolved.

This research was motivated by the desire to see just how much firms value their 'best friends'. The original questions addressed were 'do firms care' and 'when do they care?' Our results do not

reflect that firms care. Too many firms did not respond at all, or responded in a manner viewed negatively by the customer. As to when they cared, firms were more willing to respond to customers' requests for monetary remuneration than to offer an explanation or apology.

Services are complex and subject to failures because of the human element. Also, good service delivery relies on both the firm and the customer. The added challenges of delivering quality service should motivate service firms to encourage complaints then respond and react to them. In our sample, too many firms did not take advantage of the opportunity to learn from customers' experiences. Overall, the results were discouraging, leaving us with the question '?'

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