A DOZEN PROBLEMS WITH APPLIED CUSTOMER MEASUREMENT

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ABSTRACT

Most organizations today understand the importance of satisfying customers. Many have formal processes in place for survey-based customer satisfaction measurement. While right in intent, a large number of these programs have not kept pace with evolving ways of viewing, measuring, and managing customer relationships. Twelve common problems are described, characterizing specific ways in which applied customer measurement approaches fall short. Discussion of each problem helps to raise improvement possibilities for applied corporate researchers, and, offers fertile topical areas for academically-oriented researchers. Addressing the set of twelve issues in total also can be viewed as prescriptive for a progressive, up-to-date program of applied customer measurement.

INTRODUCTION

This paper will be unusual for what might typically be seen in the Journal of Customer Satisfaction, Dissatisfaction and Complaining Behavior. A main differentiator is the greater degree of applied/practitioner emphasis. The content is largely experiential rather than theoretical or empirical. Twelve issues are described that emanate from my work with major national and international organizations in the realm of customer satisfaction and customer loyalty measurement and management. Further, I do not claim to be the originating source of all of these ideas. Many of the individual issues have been discussed to varying extents from academic and/or practitioner perspectives across a variety of authors and outlets. So then, what is the unique value of a paper like this for the usual CS/D readership? At least a few important elements are especially relevant.

First, to my knowledge, the *compilation* of this set of issues, in a condensed simultaneous treatment, is unique. Considering the set of issues together in this way affords researchers in the CS/D area a fresh opportunity to "zoom out" from their specialized research foci and recapture a more comprehensive view of customers and their behavior. That is not trivial, particularly given the emphasis on customer relationships in recent years. Relationships are complex, with many facets and stages, and we would do well as researchers to consider them more holistically from start to finish. From a consumer behavior perspective, that means considering elements of other stages of typical CB models in their bearing on CS/D issues, not focusing exclusively on post-purchase evaluation processes.

Second, each of the twelve issues represents a fertile substantive area, within which are encompassed a variety of important sub questions for further research attention. In that sense, the paper sketches a broad set of important related lines of potential research activity.

Third, for the academic researcher interested in studying problems with applied relevance, the set of twelve issues represents a menu of current "hot buttons" for some of today's best companies. Thus academic research advancements within the set of twelve issues can offer great potential value to organizations.

Taken together, my hope is that thoughtful practitioners and academicians alike will consider these dozen issues and undertake activities aimed at addressing them. By doing so, I believe we can enhance the state of our field, both in terms of academic research and in terms of applied practice. An overview listing of the dozen issues is provided in Table 1. The rest of the paper contains a more detailed discussion of each issue in turn.

PROBLEM ONE. FAILURE TO CONNECT CUSTOMER MEASUREMENTS TO FINANCIALS

Managers today are very concerned about return on investment (ROI). With tighter and tighter scrutiny around expenses, an eye toward cost reduction, and organization-wide constraints on spending, inevitably the value of customer measurement programs is questioned. "It is costing us a million dollars a year to track customer satisfaction! What's the payoff?"

Table 1
A Dozen Problems with Applied Customer Measurement

1. Failure to connect measurements to financials
2. The assumption that all customer loss is bad
3. Viewing satisfaction in absolute terms
4. Believing that measuring is doing
5. Assuming staying or leaving hinges solely on satisfaction
6. Ignoring behavioral moderators
7. Stopping short at the outcome of retention
8. Studying current customers to understand defection
9. Ignoring customer acquisition dynamics
10. Neglecting contact employees as a critical controllable
11. Missing integrative opportunities
12. Failing to leverage available technologies

Somehow, companies need to demonstrate that customer measurement not only pays for itself, but also produces a return. While there are available lenses through which to view the question (e.g., cost of customer defections, return on quality, customer equity, customer life time value analysis, etc.), in practice, organizational departments responsible for customer satisfaction measurement often fail to take *any* steps to link their survey measures to financial data. Amazingly, financial data often are readily available which would allow for the testing/demonstration of such linkages.

More than ever before, companies are able to manage customer relationships at the individual customer/account level, and companies often have behavioral data at that level on things like types of purchases, amounts of purchases, frequencies of purchases, and so on. Further, those kinds of behavioral measures often are tracked over time. If we also are collecting customer survey measurements at the individual customer/account level over time, there is a clear opportunity to connect these streams of data quantitatively. Even in many B2C settings where large numbers of customers are involved, there still may be survey and financial metrics available at the individual level, at least for samples of the customer base. And, even if individual level data do not exist in some mass-market B2C situations, often linkable customer and financial data exist at some higher-level aggregated unit of analysis (e.g., segment, store, region, period, etc.).

Certainly there are some very elegant financial approaches that have been proposed, but, some very basic explorations can be sufficient in demonstrating to senior management the linkage between customer measurements and financial performance. For example, in my work at Walker Information, we typically use customer measurements to classify respondents into one of four loyalty segments. Whenever a client of ours provides customer-level spending metrics, we can connect our categorical classification to financial metrics by matching on a common customer identifier. We then examine whether ensuing customer behaviors show important variations as a function of the loyalty segmentation.

Do highly loyal customers tend to increase their total purchases and spending by greater relative amounts than less loyal customers? It is a testable question. We can do something as simple as using behaviors 12 months prior to the survey as a baseline, then expressing the 12 months after the survey as a percentage of that baseline. It is a powerful way to show a company, with their own data, that earning higher levels of customer loyalty pays off in specifically quantifiable ways. That kind of financial linkage information can be especially powerful when companies also have statistical models of how best to influence customers' loyalty levels. Then companies can construct simple "what if" scenarios showing how much total revenues might be expected to increase if the proportion of customers in the most loyal segment were to increase by some specified amount due to projected changes in levels of selected model components.

The specific mechanics are not my point here. Theorists and modelers can invent any number of sophisticated and reasonable approaches. My point here is to note the typical *absence* of such a financial linkage effort in many companies. Far too many organizations fail to link customer metrics to financial metrics. Sadly, the required ingredients often are already at hand, at least for some basic initial analysis. The very premise upon which the measurement program probably came into being –

financial payoff – remains unproven. Managerial attention and action surely will suffer whenever a compelling, company-specific, empirically-grounded financial case has not been built.

PROBLEM TWO. THE ASSUMPTION THAT ALL CUSTOMER LOSS IS BAD

It is accepted by many managers that all customers are not equal – some are more desirable than others. That kind of thinking is resident in deeply engrained organizational ideas like "the 80/20 rule." It also is inherently present when companies strategically focus on certain target markets and segments regarding customer *acquisition*. Interestingly, however, this way of thinking often has *not* been applied to the existing customer base.

Consider by way of parallel how organizations manage their employee base. Some employees are top performers. Others are "helped to seek better-fitting opportunities elsewhere." Why shouldn't the same case be made for customers? Some customers are served in the context of excellent win-win relationships. Others might be better served elsewhere. We may not necessarily "fire" them, but we might allow our level of business to dissipate. Certainly, we want to be ethical in providing everything a customer is buying. But, in terms of time, effort, additional resources, why would we exert extraordinary energy to retain customers that are a net drain on our performance?

Some customers are highly desirable. Perhaps their volumes are substantial. Perhaps they produce high levels of profit. Perhaps they have the potential for great future growth. Perhaps it is easy to do business with them. Perhaps they fit some desirable profile. We can focus our best resources on these best customers. Other customers who actually hinder our performance in financial or other ways, we might simply "let go" over time.

For too long we've mindlessly chanted the mantra that it is better to keep a customer than to have to replace one. That simply is not unconditionally true. Some customers cost companies money even in the long term. They may be producing essentially negative revenues. Wouldn't it be a good thing to "lose" a customer like that? Certainly we need to be careful about potential negative repercussions like negative word-of-mouth. If in the process of shedding undesirable customers we engender a negativity that seeps into the market, it could cause this kind of strategy to backfire. However, in some situations it can be accomplished quite easily. For example, in B2B settings where periodic requests for proposals or bids are standard, a company might simply choose not to re-bid on business for an undesirable customer.

Intelligent use of customer data can help to define which customers we might want to keep and which customers we might not want to keep. For example, is there a "kind" of customer that experiences our products and services in highly favorable ways? What kind of customer tends to come into the relationship and stay in the relationship, all else equal? What kind of customer tends to grow across time? What kind requires little in terms of technical or other support? These questions beg for segmentation and profiling, and not necessarily along traditional lines of region, product, or other demographic/firmographic characteristics.

We must develop a deeper understanding of our existing customer base. Customers fitting highly desirable profiles might be the ones to get "platinum" levels of service and sales efforts. Customers not fitting the profile might be good candidates for more of a maintenance strategy. And, we might want to lose undesirable customers from our customer base entirely, at least if the situation cannot be improved. While it may seem like customer satisfaction blasphemy, a leaner meaner customer base could be more profitable and better for the business in the long run, than a bigger customer base with many undesirables. An added benefit is that in creating the desirable profile, a company also has written an excellent set of specifications for new customer acquisition (more on that topic under the discussion of Problem Nine).

PROBLEM THREE. VIEWING SATISFACTION IN ABSOLUTE TERMS

Many organizations view customer measurements in absolute terms. For example, let's say Company Z uses a survey process to measure customer satisfaction on a 10-point scale. Let's say Z reports the mean across customers as a key corporate performance metric. For sake of argument, assume the mean value is 7.8 in some given measurement period. Is that good? Is that bad? If 10 is "very satisfied" and 1 is "very dissatisfied," at least we have some reference for interpreting the 7.8 number. However, the number in the absolute alone can be quite misleading. If for example we have a single primary competitor who achieves a rating of 9.5, will we still pat ourselves on the back for our 7.8? Not likely. This "high absolute but low relative" scenario makes it clear that there is danger in viewing satisfaction in absolute terms alone.

The interpretation of performance should hinge jointly on at least two dimensions: absolute level of performance, and performance relative to competition. For simplicity in our discussion here, let's consider an example of satisfaction with product quality. Assume this has been measured in both absolute and relative terms. Further, let's consider each performance dimension dichotomously. Obviously in practice there are more gradations than that, but this simplified view will allow me to make my point. In this dichotomized world, a focus on absolute performance would result only in two types of conclusions. Either we are doing well on product quality, or we are not doing well. However, when we also consider performance relative to the competition, there are four, not two, possible conclusions. These are shown in Figure 1.

The off-diagonal cells reveal the importance of this joint absolute and relative view. First, consider the Low Absolute-High Relative cell. Had we considered absolute performance only, we might have concluded product quality was an area of weakness for the company. Likely, we would not have tried to communicate our capabilities as a strength to the market in our marketing communications. However, now knowing that our performance relative to competition is fairly strong, we might have quite a different take on the absolute figure. Certainly, it is a point for improvement. However, it also is a point of positive competitive differentiation. Strategically, we might want to broaden our lead while simultaneously beginning to leverage the existing gap through marketing communications.

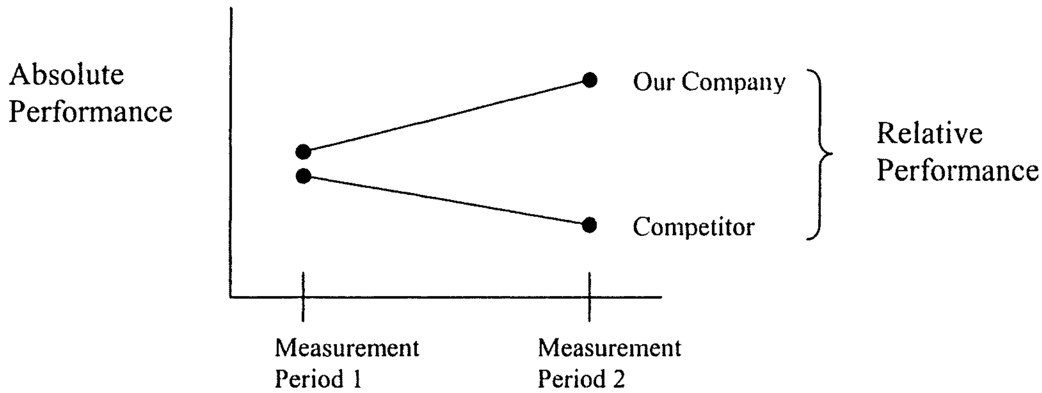
Figure 1
Joint Consideration of Absolute and Relative Performance

		Absolute Performance	
		Low	High
Performance Relative to Competitors	High	Grow Point of Difference	Market Strength
	Low	Market Weakness	Dangerous Delusion

Even more important is the other off diagonal cell – the High Absolute, Low Relative cell. What a dangerous delusion it is for a company to believe that they are performing above board simply because their absolute scores are high. Relative to competition, they are faring poorly. Again, consider the product quality example. The absolute scores might lead the company to feel they are doing very well. Meanwhile, competition is severely beating them on that dimension. And while the company might be tempted to tout product quality in marketing communications as a corporate strength, that tactic would likely erode market credibility. If customers know other companies are far better, while the company is extolling its virtues the likely consequence is to seriously erode brand credibility, and perhaps erode any image of integrity. From a CS/D perspective, marketing communications like that also would be setting an expectation for high levels of performance, which, when the experience is considered relative to competition, ends up negatively disconfirming expectations, thus producing dissatisfaction.

A third dimension could be considered here as well. It is the dimension of time. It too involves a relative perspective. Specifically, how are performance levels improving or declining in comparison to the prior measurement period? The original mean of 7.8 implies one thing if we were at

Figure 2
Absolute, Relative, and Time-Related Performance



9.2 the measurement period before. We've significantly declined – obviously a bad thing. If however we previously were at 6.5, we might be quite thrilled with the 7.8 performance, particularly if competitors' scores had declined across the same time period. Figure 2 shows one possible graphic display that incorporates absolute levels of performance, performance relative to competition, and performance relative to some prior period, all in a single display. Clearly it is not an "absolute only" proposition. Joint consideration of all information in the display will determine how we interpret our current performance.

The main point here is simple: consideration of absolute measures in isolation, without considering relative competitive and perhaps time-based performance, can be quite misleading and problematic.

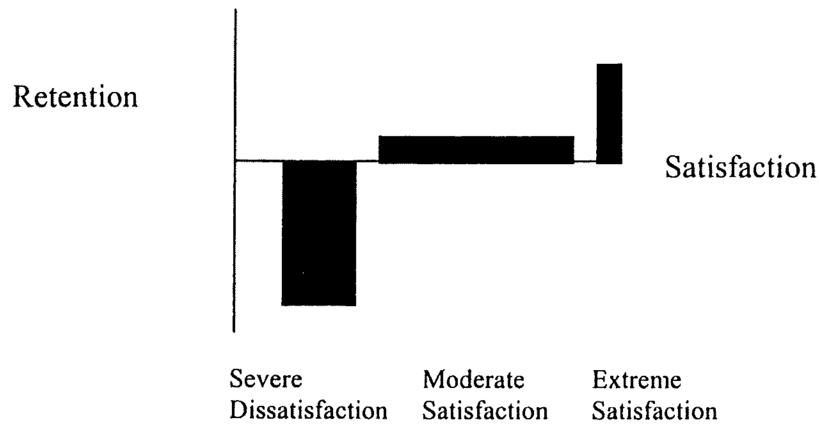
PROBLEM FOUR. BELIEVING THAT MEASURING IS DOING

Another mantra that needs revisiting is as follows: "What gets measured gets done." While the quote may be pervasive, it also is fallacious. Often, what gets measured does not get done. Some companies seem to believe that *measurement* of customer opinion is the main thing that is required. However, that in itself has little to do with proactive *management* of customer experiences and customer relationships. There is a difference between measurement and management. Management implies that action is being taken in response to what was discovered through measurement.

I once heard a client state it cleverly. He said measurement alone is a bit like someone repeatedly stepping on the scale expecting to see weight loss. Certainly the scale can be helpful as a gage on how well the objective of weight loss is or isn't progressing. However, it simply would be wishful thinking to expect the measurement itself to magically make the change objective materialize.

Too many companies implement customer measurement initiatives believing they are doing something to improve relationships with customers. But companies that stop at the measurement phase will be severely disappointed with the outcomes. "Why are we paying all this money to measure customer satisfaction? Our scores have stayed flat for the past five periods." Hello! What improvement initiatives have you put into place to make change happen? If the answer is none, don't expect your scores to go up. Measuring is not doing. In reality, customer data must become actionable business intelligence that sparks organizational assignment of responsibility to make changes happen, with some associated system of accountability in place to ensure that it does.

Figure 3
One Example Pattern of Satisfaction-Retention Relationship



PROBLEM FIVE. ASSUMING STAYING OR LEAVING HINGES SOLELY ON SATISFACTION

It is well known now that the customer satisfaction perspective, by itself, is not comprehensive enough to use as the ultimate construct in managing customer retention. Many have built the case that satisfaction does not map directly to retention. In fact it can precede defection. Likewise, a dissatisfied customer may continue with a business (e.g., customers of a utility, customers with large investments in equipment, customers in contractual agreements, etc.).

Several problems exist in assuming a linear, symmetric, uni-causal relationship between satisfaction and retention. First, a number of possible asymmetric non-linear patterns of relationship have been proposed and observed, sometimes modified by industry sector. For an example, consider the depiction in Figure 3.

In Figure 3., severe dissatisfaction leads directly to customer loss. Then, there is a zone in which moderate levels of satisfaction contribute modestly to retention. Within that zone, little is gained for incremental gradations of "moderate satisfaction." Finally, only at the most extreme level of satisfaction (delight?), do we start to see increased association with retention. This is just one example of how the satisfaction-retention connection can work. Sometimes it does not work at all. Sometimes other patterns emerge. The point here is that the oft-assumed satisfaction-retention relationship is not axiomatic. The relationship is not necessarily (a) present, (b) symmetric, or (c) linear.

The satisfaction-retention relationship also is not uni-causal. Other factors beyond satisfaction surely influence retention. Significant work in the services area has demonstrated that a variety of other constructs play a role in the likelihood to continue doing business with a company – things like value, quality, price, market orientation, service quality, corporate image factors, and so on. Where are these other known drivers of behavior in applied customer satisfaction frameworks? Too often they are missing. What is called for then is a more comprehensive set of constructs in more comprehensive models. Models emphasizing satisfaction alone, quite simply, are misspecified. Other drivers of staying and leaving clearly are missing. Consideration of additional factors influencing customer behavior leads nicely into problem six.

PROBLEM SIX. IGNORING BEHAVIORAL MODERATORS

The general notion of moderation is that the nature of the relationship between two variables depends on the specific level of some third variable.

Making that concrete for the current discussion, it means that the nature of the relationship between satisfaction and staying/leaving behavior will hinge on the level of some other variable(s). For example, consider a dichotomous variable in the cellular phone category: "presence or absence of a multi-year contractual agreement." The level of this variable can seriously impact the relationship between satisfaction and continuation. In the absence of a contract, we might expect dissatisfaction to result in defection, and high levels of satisfaction to correlate at least somewhat with continuation. However, in the presence of a contract, dissatisfaction may not lead to defection. Most customers are unwilling to incur the stiff penalties of cancellation. The contractual agreement and the presence of switching costs moderate the relationship between satisfaction and continuation behavior.

Many companies fail to consider the important role of such potential moderators, while at the same time many potential moderators exist and plausibly do influence customer behaviors. So what moderating forces should companies consider? What might be influencing the degree to which levels of satisfaction (and other factors) do or don't translate into subsequent behaviors? A series of key questions can help to start identifying potential moderators for any given situation.

Are there any barriers to switching that restrict customers' freedom to leave at will? Are there costs to customers if they do choose to switch? Have investments been made that would be lost if a customer decided to switch? Is the general level of customer involvement low in the presence of effectively interchangeable suppliers/ products/ services, thereby making switching or not switching something that doesn't matter much? Is there a proliferation of competitive options making switching easy and even desirable? Are there frequent promotions offered by competitors that woo customers away from existing suppliers? Is the nature of the interaction with customers primarily transactional, or is there a relationship element that adds to the degree of bond established between the company and customer? These are just a few considerations that can modify the satisfaction retention relationship.

Thinking through questions like those can help companies identify and take into account specific factors that may be in operation in their particular business contexts. The main point for the problem described here is that companies often blindly believe in a kind of axiomatic 1-to-1 mapping of customer measures to behavior. The failure to consider relevant moderating forces can be a prescription for misleading estimated degrees of relationship between customer measures like satisfaction, and customer behaviors like continued purchase. Depending on the specific moderating forces at work, *not* taking them into account can lead to understated or overstated degrees of relationship.

PROBLEM SEVEN. STOPPING SHORT AT THE OUTCOME OF RETENTION

As mentioned earlier, one of the now-worn-out mantras of customer satisfaction measurement has been the notion that it costs more to get a new customer than it does to keep one you already have. This makes it sound as if the main goal is simply to maintain the existing customer base. Sometimes, customers are retained, but that maintenance really is not good for business. Consider the example of credit card owners who never use the card. They are retained, but for all practical purposes, inactive. Certainly retention in general is a vital focus for companies (qualified of course by Problem Two as described earlier). However, most companies don't merely want to avoid having to replace their customer base. Most companies are striving for something much more challenging and forward-looking – growth. This calls for an expanded view of the behavioral outcomes we study – specifically ones surrounding certain mechanisms of growth.

There are several means by which existing customers/accounts can grow. In multi-source situations, they can assign more of their business to a given supplier. Leveraging of customer-based competitive intelligence and the strategic management of satisfaction, product quality, service quality, quality of total experience, value for the money, loyalty etc., all can and should lead to greater shares of wallet.

In sole source situations and multi-source situations, growth also might involve simple increases in volume of a given customer's/account's purchasing. Here, a few other mechanisms come into play. First is the notion of "cross-selling." Many companies offer a portfolio of products and services. It makes sense that customers' current satisfaction, loyalty, perceived quality and value, etc., can contribute to a customer's willingness to use the given supplier/vendor for additional products and services. For example, if I'm pleased about the total experience I have with my car insurance company, it may cause me to use them for my home and life insurance as well.

A second growth dynamic is the notion of "up selling." Say for example I have a "gold" level credit card for a fifty dollar per year fee. I've been a good customer and have used many of the benefits that come with the card. Now the company offers to upgrade me to a "platinum" card, with more benefits, more prestige, and of course, a higher yearly fee. No doubt there are other considerations in deciding to accept the offer or not, but again, the quality of experiences I've had with the company is likely to influence the probability of me accepting the upgrade.

A third growth dynamic is a pure volume effect. Perhaps the connection here is less direct, yet in concept it certainly is plausible, particularly in certain B2B situations. For example, if I provide a product or service to a company, and do so in a way that helps to make *their* business more successful, it may lead to higher volumes of purchase for me. Say I manufacture and supply computer chips to PC OEMs, who rate me highly on quality, service, value, satisfaction, and loyalty. Now, I invent a computer chip that is far superior to chips that exist today. OEMs that buy and use this chip sell more computers and thus continue to increase their orders with me. The loyalty I've earned preserves the increased volume I'm enjoying based on increased derived demand ultimately tracing back to my R&D innovation.

Note that none of the growth dynamics discussed so far has dealt with new customer acquisition. I will get to that in the section on problem nine. For now I've been talking about things to consider beyond mere retention in the typical, and limited, satisfaction-retention mindset still so prevalent in many companies today. Growth dynamics are a vital area of additional study.

Note too that a set of related topics emerge from this focus on within-customer/account growth. For example, segmentation of the customer base can be especially powerful here. Are there certain customers with a greater propensity to grow their business? What do those customers look like? How can they be reached? What offers will capitalize on their propensities to expand? Are there pockets of the customer base having certain unmet wants or needs? Perhaps existing or new products and services would be lucrative pursuits with those segments. Also relevant is the notion of product/service "affinities." Perhaps by analysis of our customer data, we discover that customers who purchase product A are highly likely also to purchase service K. We might therefore target the subset of "A only" purchasers with similar characteristics and attitudes as those currently buying A and K together. We might strategically market K to that subgroup.

In summary, too many companies are content to believe that they should measure satisfaction because it will help them keep their customer base. As important as that piece may be, clearly there is so much more that should be considered. Too many companies are missing opportunities to study the kinds of growth processes I've outlined. Movement in that direction could be accomplished easily as a natural extension of their current customer measurement efforts. For example, a simple step could be to add a handful of questions to assess customer propensities toward the different kinds of growth described here. Steps like that should be taken to move past the "retention only" mindset.

PROBLEM EIGHT. STUDYING CURRENT CUSTOMERS TO UNDERSTAND DEFECTION

Consider the prevalent logic: measure and manage customer satisfaction to keep customers. Stated differently, measure and manage customer satisfaction to make sure we do not lose customers. These statements appear on the surface to say the same thing. But it does beg a question about keeping vs. losing customers. If we identify the set of factors on which strong performance helps us keep existing customers, have we by definition identified the set of factors on which poor performance leads to losing customers? I think an important distinction makes the answer no. I believe there is a fundamental flaw in the logic of studying current customers to understand customer defection. For one thing, sampling from the current customer base will provide no information from actual defectors.

A simple example may be helpful here. Consider a company that implements a substantial rate hike. Assume that their customer base is a finite mixture of two underlying segments – a highly price sensitive segment, and a quality-oriented segment. The rate hike is timed to occur a few months before the next wave of customer satisfaction measurement as an intentional attempt to create a kind of quasi-experimental design: measure, intervene, re-measure (a one-group pretest-posttest design). The data reveal that price ratings actually *improve* from the pretest to the posttest. Management pats itself on the back for a job well done: "we've raised rates and it did not affect customer satisfaction negatively. In fact, our scores on price improved!" Not so fast. Let's consider the role of defection.

Just for sake of example here, assume all of the customers in the underlying price sensitive segment terminated the business relationship immediately after the rate hike went into effect. Having exited the customer base, they were no longer active/valid when sample was drawn for the posttest survey. That means in the posttest survey, we were only surveying the quality-oriented sub segment. Where the pretest was a mixture of latent classes, the posttest was essentially only one of those classes – the one with more favorable ratings of price. The price sensitive segment is gone. Presuming the price sensitive segment was less positive in ratings of price from the start, we've removed a group of people who tended to score lower, thus leaving a group of people who tend to score higher. This accounts for the increase in price scores from pretest to posttest, and reveals why measurement of the current customer base alone can be misleading, at least with respect to issues that cause defection. Defection should be studied as its own subtopic. Churn/defection rates should be known and monitored. Lost customer research should be conducted to uncover systemic controllable root causes of loss.

For companies interested in deeply understanding the customer experience across the entire customer lifecycle, it is a mistake to focus only on current customers if we want to understand customer defection processes. Logically, how can customers who haven't defected be good informants about defection processes? To understand why customers leave, we must treat lost customers as a separate sample frame. Only by talking to lost customers can we begin to tease out underlying root causes. Did a customer leave because of something the company did to drive them away, because of something a competitor did to pull them away, or something essentially uncontrollable from a marketing standpoint (e.g., homeowners insurance cancelled when someone moved into assisted living)?

One final caveat on this section. It may be possible within the current customer base to identify customers *at risk for defection*. In fact, early identification might allow for intervention. While this approach can be highly valuable (e.g., rescuing perishing accounts), by itself, it cannot offer a comprehensive picture of defection processes for all the reasons previously described. But, the identification of current at risk customers can be aided by the use of customer defection data when done in combination.

If in studying lost customers, we discover segments or types with particular profiles or particular experiences, we might use that as a pattern against which to screen existing customers. Almost like scoring higher probability prospects in direct marketing, now we are trying to score the existing customer base regarding probability of defection.

A second use for such profiling regards new customer acquisition. If certain kinds of customers, with identifiable characteristics, tend to come into the fold, feel their needs are not being met, and thus ultimately defect, it might be much better to try to screen out these kinds of customers before they ever enter the system! Rather than creating the profile of a target segment to acquire, here we are creating an anti-target profile – the kind of prospect we *don't* want to acquire. Thus, lost customer research can have bearing on how we deal with existing at-risk customers, and how we think about certain elements of the customer acquisition process. It is an important, but often neglected area of study.

PROBLEM NINE. IGNORING CUSTOMER ACQUISITION DYNAMICS

The points raised so far touch upon at least three broad groups of critical interest: prospective customers, current customers, and former customers. For simplicity, let's refer to them respectively as pre-customers, customers, and post-customers. Those categories also allow us to shift from a "between groups" perspective, to a "within subjects" perspective. Rather than thinking in terms of separate groups, any given individual customer is somewhere in the process of moving through those three broad stages. Someone first is a pre-customer, then becomes a customer, then eventually may become a post-customer. When considered that way, we have a three-stage simplification of a topic discussed frequently in CRM and other marketing circles, namely the notion of the "customer lifecycle." A lot of recent talk in both academic and practitioner circles has centered on understanding the lifetime value of customers across the customer lifecycle.

The lifecycle perspective can be very valuable in its implications for customer acquisition efforts. If we clearly identify the subset of most profitable long-term current customers in our customer data base, we can create a profile characterizing those "most desirable" customers. Now we can use that profile to target pre-customers with similar profiles. Thus by studying current customers from a lifecycle perspective, we can extract information that helps guide the way we approach very targeted acquisition of pre-customers.

In fact, this profile also can help us study why we sometimes are unsuccessful at customer acquisitions. There may be many pre-customers with characteristics like those of our best customers, who for whatever reasons do not choose to become our customers. They may choose a competitive alternative for example. Wouldn't we want to understand the choice dynamics and competitive considerations taking place in that segment of pre-customers too? Again the lifecycle-based desirable profile helps us target who to study in this kind of "lost prospect" research.

Note that this line of thinking is different from traditional generic acquisition-related marketing research. Often, market research may seek to understand stages of standard consumer behavior models (awareness, consideration, choice, etc.) to find ways to acquire customers – period. The lifecycle approach offers a sharper focus. It helps not to win just any customers, but to win the kind we can keep and grow across time.

Consider for example the long distance telecom sector in the 90's. Offers and checks were flying left and right causing people to switch providers. But did the switchers stay? Were acquisition costs ever recovered to the point where profitable revenue was earned for sustained periods of time? In fact, promotions brought in the wrong kind of new customer - people who had just demonstrated their willingness to switch for a sweet enough deal! What if the telecoms instead had tried to understand the "type" of customer that comes in stays in for the long haul? What if they had then studied the choice processes and dynamics of that particular type of pre-customer? Wouldn't that have been a far better target group to go after?

Again the focus is much sharper when we use current customer intelligence to help fuel the acquisition process. It is not about acquisition in general. It is not even about going after those with the highest probability of signing up. It is about going after those who will sign up, stay in, and be excellent profitable customers across long lifecycles.

Simple tactics can help move companies in this direction. If we stratify the current customer base according to customer tenure, then try to select newer customers who fit the profile of our best longer term customers, we can intentionally over sample that particular subset, and in our customer measurement processes begin to ask some critical questions about their choice processes. What other companies were they aware of? Did they shop? Who else did they consider? What inputs were used in the final decision? What had the most impact on that decision? Did discounts, promotions, convenience, and other factors play a role? This will at least be a start to help fuel smarter acquisition efforts.

Also, there are those pre-customers with the desirable target profile that did not choose us. Presuming we can identify those "lost prospects," we can build a sample frame and survey them with the same kinds of questions described earlier. What other companies were they aware of? Did they shop? Who else did they consider? What inputs were used in the final decision? What had the most impact on that decision? This kind of information can be extremely important in driving more successful acquisition of more ideal new customers.

It also is informative to note that this focus on pre-customer acquisition really is a mirror image of what was done with post-customer defection. In the latter, we wanted to know who left and why. If some were the kinds of customers we would like to have kept, we needed to learn the root causes that made that subset leave, and to respond to those issues to save any desirable current customers who might be at-risk. And, we wanted to avoid acquiring undesirable customers who might come into the fold only to leave. Now, regarding acquisition, we want to understand customers who stay and are profitable for the long haul. Those are the kinds of customers we do want to acquire. We want to understand why pre-customers of that description do or don't choose to do business with us. Then we can begin to manage the acquisition process strategically in an attempt to acquire desirable, profitable, long term customers.

PROBLEM TEN. NEGLECTING CONTACT EMPLOYEES AS A CRITICAL CONTROLLABLE

Many companies fail to leverage the power of one of their most valuable assets – the employee base. Theorizing and empirical evidence in recent years points to one of the most logical connections imaginable. Namely, employees of an organization affect customer experiences and thus subsequent customer evaluations and behavioral responses. Customer perceptions certainly will be influenced by the quality of service received in any business transaction involving contact employees. Yet many companies that measure and attempt to manage customer satisfaction seem to completely ignore the potential power in managing the quality of inputs and outputs of customer contact employees. Companies would do well to study the critical organizational processes and influences that help to produce better employee outputs. It is a grave oversight given that the outputs of these employees become direct inputs to customers' experiences.

To be fair, the quality of employee outputs is an area of study for most large organizations. However, there are several reasons why those activities do not adequately address the issue at hand. Often the activities reside only in human resource related silos, typically far away organizationally from the department(s) responsible for customer measurements. Often they are internally focused, e.g., on productivity. Many times those responsible for employee measurement and management are not even at the same table with those responsible for measuring and managing customers. Further, those responsible for employee measurement and subsequent improvement actions view employees in broad structural organizational categories (e.g., marketing, finance, operations) rather than through the lens of the customer. Not surprisingly, many of the organizational improvement recommendations from employee research are posed at an overall organizational level or by functional silos. A better, more customer-focused classification framework might first segment employees on something as simple as "has direct contact with customers" versus "does not have direct customer contact." Then research would aim at finding out the issues that enable or inhibit excellence in contact employee outputs – the outputs that subsequently become customer inputs.

The management of employee issues often is not viewed or taken up explicitly as a *means* of influencing customer experiences. That clearly is a missed opportunity. Those responsible for *customer* measurement and management would do well to proactively seek intra-organizational connection and influence with the departments and individuals responsible for *employee* measurement and management. Owners of the customer processes can then influence what gets measured on the employee side, and how those measurements are analyzed. They also can become advocates and drivers of lines of action aimed at improving customer experiences. Particularly when analysis of customer data uncovers service failures and problems traceable squarely back into certain pockets of customer contact employees, employee data in those pockets should be used to help understand and fix the internal issues affecting the quality of outputs to customers.

Those are just a few possibilities. The point here is to note that many companies do not dig into one of the most logical controllable causes of customer experience – namely the internal dynamics of customer-facing employees. Those employees help produce points of contact with customers. We must strategically manage those particular employee contexts so as to help causally drive enhanced customer experiences.

PROBLEM ELEVEN. MISSING INTEGRATIVE OPPORTUNITIES

Many organizations have seen a proliferation of available data and metrics in recent years. Largely enabled by technology, the availability of information has helped to establish more metrically-oriented managerial perspectives – e.g., balanced scorecards, Key Performance Indicators (KPIs) and so on. In fact the confluence of sophisticated software and hardware solutions allows massive numbers of metrics to be measured, organized, stored and accessed, many in real-time (more about this in Problem Twelve). Perhaps the abundance of data at least helps to explain the existence of this eleventh problem. As challenging as it may seem to know where to start in bringing big-picture order and integration to this proliferation of metrics, there is no doubt that many companies are missing yet another opportunity. That is particularly true when it comes to integrating customer-related metrics.

Here again, the notion of customer lifecycle offers a very helpful organizing lever. Consider the collection of events that take place across the customer lifecycle. Data systems typically exist at all the major mile markers. There may be a marketing communication contact system, a sales/prospect management system, a project tracking system for sold products/jobs, any number of transactional survey metrics measured across key stages of customer experience (e.g., delivery, installation, technical support, etc.), overall relationship assessments typically gathered through customer satisfaction survey processes, financial systems tracking purchase data, problem and complaint tracking systems, inbound contact tracking systems, and more. How is all this customer-centered data being coordinated, merged, analyzed, and leveraged to strengthen customer relationships? Often it simply is not.

Many companies have very disparate systems in place with no coordinated common customer identifier present through out all the systems. In fact, the quality of information housed in some of these systems is severely lacking. It is amazing to see how many companies have shortcomings in organizing available information on their own customers. This is a problem, again, of missed opportunity.

Imagine the data mining possibilities if all customer data streams were linkable by a common customer identifier. Imagine what could be done if all available data were organized temporally, from initial prospect contacts through the entire event history of the customer lifecycle. Imagine if survey data and event metrics were coordinated, tracking not just *that* an experience took place, but also connecting the experience with explicit *evaluation* of the experience through survey processes. The power of that kind of integration, particularly when event data is linked with perceptual data and financial data, is largely untapped. The unrealized possibilities are enough to thrill any data miner.

This kind of integration should not be considered only in terms of aggregate-level analyses. A very powerful aspect of this kind of integration is the promise that it offers in managing customer relationships intelligently at the individual customer or account level. Any marketing action, any sales or service contact, any outbound activity at all could be so much better focused for any given individual customer when equipped with the stockpile of all available customer data for that particular customer/account. The potential is great, but largely unrealized in many organizations. Steps must be taken to unify all customer data streams. The technological tools exist to help do so. It is a matter of seeing the bigger-picture integration possibilities, then leveraging available technologies to help make them happen.

PROBLEM TWELVE. FAILING TO LEVERAGE AVAILABLE TECHNOLOGY

It is hard to emphasize enough the high value of organizational customer data use as enabled by advanced technological systems. While CRM systems have taken a beating in trade publications for their apparent failures in producing returns on massive investments, some companies are having great success leveraging technological tools in their customer measurement and management processes. Perhaps some of this is less an issue of ineffectiveness and more an issue of diffusion of innovation. Some companies may have been early adopters of customer information systems, seeing the potential promise and power in CRM, yet struggled practically thereafter to extract all the potential value inherent in the tools. But when it comes to the use of technology as an accelerator in the effective use of customer measurements, some companies have ramped up quickly and are realizing tremendous customer-level gains because of this technological enablement.

Consider how some of the best companies in the world are now collecting, analyzing, distributing, and providing access to feedback from customers at the individual customer/account level. Customer contact information, including e-mail addresses, resides in a system. Companies choose periodic or event-based triggers to launch web-based surveys to individual customers. Customers in effect enter their own data, such that it becomes immediately available to the organization. An option is given asking customers whether or not they approve of having their name associated with the responses they just provided. Whenever the answer is yes, account managers can immediately see a spectrum of relevant ratings from that particular customer. The data are accessible online, from anywhere at any time.

If there are low ratings, or problems, the system can automatically alert the customer/account manager. Discovery of negative open-ended comments might also call for individual customer follow up. A customer/account manager also can devise a more elaborate plan for repair, recovery, or remediation. In fact the plan can be entered into the system, with specific action steps, dates, names etc., built in. Then the tool is serving not only the customer information purpose, but also acts as a "close-the-loop" enabler and a customer-driven project/task management system. Further, the system is accessible by supervisors who can ensure accountability in executing customer/account specific plans.

Basic descriptive analytic capabilities also exist in many of these systems so that data across customers can be analyzed at almost any level, by segment, by region, based on responses or response patterns, and so on. Qualitative open-ended data exists as text, entered by the respondent in the online survey process, and searchable across customers by keywords, or patterns of text association. Graphs and other reporting tools are built into the systems such that a person mining the data can post or "push" particular reports to other intra-organizational contacts (a directory of whom also can be housed within the system for extremely easy creation of custom distribution lists).

Far beyond the historic practices of customer measurement programs – e.g., paper surveys, manual data entry, long data processing times, reams of cross-tabulations, thick binder reports, lack of actionability and accountability, lack of flexibility for information users to analyze data, and many other aspects of traditional program execution – technological advancements have taken customer measurement to another level. And these are not pie-in-the-sky ideas. Systems with the capabilities described do exist and are being effectively used by companies even as I write this paper. Clearly technological advances are taking the state of practice in customer measurement and management in powerful, highly effective directions.

Available technological systems also help to solve problem eleven as outlined previously. As customer measurement processes become more automated and advanced, the ability increases to get systems to talk to other systems, to exchange data across platforms, and to warehouse massive amounts of customer data in common locations. As that kind of desired data sharing becomes more and more possible through technological means, the ability to integrate data streams as described earlier becomes an especially pragmatic reality.

Unlike some of the other problems mentioned, this twelfth area is indeed already in play at a number of major companies. Customer data in systems like the one described also offers access to a much broader set of organizational players than ever before. Many people are getting access to, and use of, distributed voice-of-customer data from locations around the globe, 24 hours a day seven days a week.

This issue in particular is largely one of speed of technological adoption. Early on as we are, many organizations still have not put into place, or realized the power of, the kind of technological systems I've described. But for those early adopters who have put such systems into place, the results are impressive. Because of the power of these technological tools, some companies are gathering, accessing, analyzing, distributing and using customer information in ways not imagined even a handful of years ago.

CONCLUDING THOUGHTS

In the late eighties and early nineties, many companies were herding to get on the customer satisfaction bandwagon. They had become convinced that customer measurement was important to future business success. It was almost revelatory that customers themselves should be the ones to provide data on customer expectations, customer experiences, perceived service quality, perceived value, intentions to continue and intentions to give positive word of mouth recommendations. Today, most of the core ideas are well ingrained at most major corporations.

Customer measurement today may exist in any number of varied organizational functions or departments, under any number of varied names, under a variety of levels of organizational leadership. In terms of presence or absence, most large companies at least have *something* in place. The depth and breadth of that something, however, varies considerably. Certainly there are companies whose efforts and activities include state-of-the-art best practices. I have been fortunate enough to work with a number of companies possessing that kind of vision, passion, and commitment to customer measurement and management. But even among advanced forward-thinking companies, and certainly among other companies, there still are significant gaps with respect to comprehensive best-practice designs and execution. For many, there are significant missing pieces of a very important full customer measurement picture.

In this paper, I've outlined twelve specific gaps I've seen with some frequent level of recurrence. In practice, there are additional gaps from best practice that also are observed. Twelve is admittedly an arbitrarily chosen number. However the specific twelve discussed, much like a factor analytic model, capture a large proportion of the variance in that broader set of observed gaps.

Twelve problems are plenty for most organizations to consider, and fortunately it is likely that not all of the problems will be present for any given organization. That is, their customer measurement programs may already address some or even most of the issues I've raised here. But for most organizations, there also is likely to be a smaller subset of at least a few from the list, where activity is not taking place, where improvement efforts should be implemented, and where the issues described register with a certain "voltage" when considered against the organization's strategic objectives. In that sense, my hope is that this paper has outlined some broad initial directions for remedial action.

For academically-oriented researchers, my hope is that the discussion of these twelve issues will impact existing and future research agendas. Not only does consideration of the issues have the potential to make many programs of research more relevant for businesses, but also, the possibilities for hypothesis generation should be substantial. My hope would be that new lines of research activity, or new trajectories of current research activity, are sparked by the discussion of these twelve issues.

Ultimately, regardless of a given reader's sphere of practice, consideration of the twelve issues here should help to advance current practices in customer measurement, management and research. We've got to get beyond the one "kind" of measurement and research that likely comes to mind when the term "customer satisfaction" is mentioned. The set of issues here imply a far broader integrated system of many "kinds" of customer information, and many specific lines of action regarding measurement, management, and scientific investigation. And while the depth and breadth inherent in this set of issues really does constitute something well beyond the current status quo for many companies, the dominant overriding objective has never changed. At the highest level, our goal in applied customer measurement is to use customer intelligence to facilitate profitable growth. Addressing these dozen common problems will help to further catalyze that ultimate aim.

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PATIENT AS A SOURCE OF RECOMMENDATION AND ITS INFLUENCE ON ANOTHER PATIENT'S LOYALTY TO THE PHYSICIAN: AN EXPLORATORY EMPIRICAL STUDY

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ABSTRACT

In an ever growing competitive business world, every entrepreneur needs to worry about his client's loyalty as they contribute directly to the profitability of the business. The present study is carried on to address mainly two issues. One, to find out whether the friends, relatives and colleagues who recommend a patient to take treatment from a particular physician, have themselves experienced the service of that physician. The findings report that about 55.16% of the recommending patients had experience with the service of the physician. The second issue addressed by this study is to know whether a patient as a source of recommendation has any influence on the loyalty of the other patient to the physician. The study confirms this aspect and it is concluded that a patient who avails the services of a physician as a result of recommendation by another patient is more loyal than one who comes through other sources. This study supports the "Tie-Strength Relationship Model" of Brown and Reingen (1987), and provides a theoretical extension to this model, that strong tie sources besides influencing the choice of a physician also influence the patient's loyalty to the physician. Implications for the physicians are that they should maintain and make more loyal their present patients in order to get new loyal patients. Probable extension of this research is also discussed later in the paper.

INTRODUCTION

Keeping a customer and ensuring satisfaction is crucial for all service firms no matter what is the size of the firm. The key to success for many of the businesses lies in their ability to maintain a base of loyal customers. Dissatisfied customers don't come back and when they go to the competitor they take their friends with them. It is therefore of utmost importance for those in the business of "service production and delivery" to build and maintain a strong base line of strongly loyal customers.

It is evident from the existing literature that customer satisfaction leads to customer loyalty (Heskett, Jones, Loveman, Sasser and Schlesinger, 1994), and customer loyalty in turn leads to increased profits. A reduction in customers' defections of 5% can boost profit by 25% to 85% in various organizations (Reicheld and Sasser, 1990).

Loyalty is thus important and generates profitability over time as it reduces operating cost per customer, leads to more spending by the customers over time, and provides free advertising from loyal customers by way of positive word of mouth.

In healthcare, patient loyalty to the physician can be traced back to ages where the family physician was considered as the healer of the family and the whole family depended on the physician for their health needs and at times as regards other family matters. The physician-patient relationship has evolved over time and has more so, adopted a business outlook making the physician and the patient amenable to business like transactions where loyalty of the patient (Customer) to the physician (Service Provider) becomes a deciding factor for the success and growth of the physician's practice.

Patients choose the best physician available and affordable according to them to take treatment for their ailment based on the information they get from various sources. Similarly a patient may be recommended by others like family members, relatives, friends and colleagues to take treatment from a particular physician or a physician may recommend the patient to another physician who is an expert. Past research has reported recommendations from friends and relatives as a major factor affecting the patient's decision making in selection of a physician. (Hoerger and Howard, 1995, Lupton, Donaldson and Lloyd, 1997). However, whether source of recommendation is an important determinant of patient satisfaction and loyalty to a physician remains unanswered.

RESEARCH PROBLEM

In a high involvement and credence type service like the health care service, where the patient does not have the technical ability to judge what exactly is being received from the physician, the patient relies heavily on other cues and the process dimension of the service delivery to evaluate and form his opinion about the service. Source of recommendation is one such cue which gives the first hand information to the patient based on which the patient makes his choice of the physician to take treatment. Further, the patients are more likely to rely on personal sources than impersonal sources to form their opinion.

In a separate research involving personal interviews with patients it was observed that most of the patients consulted a particular physician because some of their friends, relatives or colleagues had recommended that they consult that particular physician. Some patients also stated that they would continue to consult the same doctor as long as their friend/relative/colleague continues to consult that physician. The influence of friend/relative/colleague in selection of a physician is thus evident. However whether this friend, relative and/or colleague who recommend were the patients of the same physician or not is a question which subsequently cropped up. Similarly whether the patients showed any loyalty to the physician because of the influence of recommendation from friends, relatives or colleagues is not known.

A review of the existing literature suggests that the personal recommendation is an important source in selection of a service provider. Recommendation was the method for selecting a new service supplier in about 50% of the cases studied (Keaveney 1995). Studies specific to health care services suggest it is similar in selection of a physician. Personal recommendations (family and friends) are the source most frequently used in the selection of a dentist. (Barnes and Mowatt, 1986). Reports by Cody (2000), state that 46% of dental patients attributed their selection of the dentist to recommendation. Patients rely heavily on recommendations from family and friends while choosing a doctor (Hoerger and Howard, 1995, Lupton, Donaldson and Lloyd, 1997). Similarly, the most frequently used cue by the majority of patients in selecting Doctors and Dentists was "Personal Referral" (F. G. Crane and J. E. Lynch, 1988).

The "Tie-Strength Relationship Model" of Brown and Reingen (1987), categorises the 'word of mouth' (WOM) recommendation sources according to the closeness of the relationship between the decision maker and the recommendation source, or the tie strength. Tie strength relationship is defined as "strong" if the source is someone who knows the decision-maker personally. Whereas the tie strength is defined as "weak" if the source is merely an acquaintance or one who does not know the decision-maker at all.

As per the "Tie-Strength Relationship Model", weak-tie sources which are more likely to have greater expertise, appear to be conducive to the flow of information, whereas strong-tie sources, which have a personal relationship with the decision maker, are more conducive to the flow of influence.

This model puts forth that strong-tie sources influence the initial choice of the service provider. However, whether the strong-tie sources will influence or not, the satisfaction and loyalty of the customer to the service provider is not understood. More specifically, whether these strong-tie sources will have any influence on the patient loyalty to the physician in health care services is not understood.

All the above studies suggest that personal recommendation from friends, relatives and colleagues play an important role in the initial selection of the physician. However none of these studies have addressed these two important questions; (1) whether the people (friends and relatives) who recommend, have experienced the services of the physician whom they are recommending? And, (2) whether the source of recommendation will have any influence on a patient's satisfaction and loyalty to the physician? These questions are an important gap in the existing literature.

This paper therefore proposes the following hypotheses and tests the same empirically in order to understand whether source of recommendation has any influence on the patient's loyalty.

Hypothesis 1

- A patient, receives recommendations about a doctor more from friends and relatives who are the patients of that physician than from other sources.

Hypothesis 2

• A patient, who avails the services of a physician as a result of recommendation by another patient, is more loyal than one who comes through other sources.

LOYALTY CONSTRUCT

Consumers become loyal in four phases: in the cognitive sense first (Cognitive loyalty), then later in affective sense (affective loyalty), still later in a conative manner (conative loyalty) and finally in a behavioral manner, which is described as action loyalty (Oliver 1997). Various definitions for loyalty in the literature address one or more of these phases. Brand Loyalty is defined as a positively biased emotive, evaluative and/or behavioral response tendency toward a branded, labelled or graded alternative or choice by an individual in his capacity as the user, the choice maker, and/or the purchasing agent (Sheth and Park, 1994). Customer loyalty is the feeling of attachment to or affection for a company's people, products, or services (Jones and Sasser, Jr., 1995). Loyalty is defined as repeat purchasing frequency or relative volume of same-brand purchasing (Tellis 1988). Loyal customers are those who rebought a brand, considered only that brand, and did no brand-related information seeking (Newman and Werbel, 1973). Loyalty is defined as a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand- set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior (Oliver, 1997). Loyalty is conceptualized as the relationship between the relative attitude toward an entity (brand / service / store / vendor) and repeat patronage (Dick and Basu 1994). Loyalty to the service provider is conceptualized in terms of repeat patronage, switching behavior, word-of-mouth recommendations and complaints. i.e. A loyal customer is one who will repatronize a service, will recommend the provider to others, will not switch to another provider, and will not complain (Shamdasani and Balakrishnan , 2000).

MEASURE FOR LOYALTY CONSTRUCT AND VALIDATION

For this research the measure for the Loyalty construct and its operationalisation has been borrowed from Shamdasani and Balakrishnan (2000). The construct of Loyalty is operationalised by multi-item measure using 5-point Likert scales ranging from 1=strongly disagree to 5=strongly agree. The loyalty scale consisted of 4 items operationalised from definitions of consumer loyalty and service loyalty found in research by Bitner (1990) and Dick and Basu (1994) and the unidimensionality and internal consistency of this measure was assessed using single factor analysis with Principle components and Cronbach's alpha. (Cronbach's alpha = 0.83).

The four items included were;

I will continue to consult my present doctor in future.

I will switch to another doctor in future. (Reverse scored)

I will recommend my doctor to my friends and family members.

I will complain about my doctor to others. (Reverse scored)

RESEARCH METHOD

Qualitative Research

The study is taken up in two phases consisting of qualitative research and quantitative research. The first phase of the research (which formed part of a bigger research) was an exploratory qualitative study involving data collection from the patients in personal interviews. In all, personal interviews with 55 patients were conducted with the objective to find out how patients choose a physician. The list of patients for personal interviews was prepared by randomly taking names and addresses of patients from the physician's appointment diary, which almost all the physicians maintain. The respondent sample of patients consisted of those patients who came to take treatment for any of the chronic ailments like cardiac problems, asthma cases, diabetes, etc.

The personal interviews were conducted with the patient respondents at their residence or at the place of work as per their convenience. Meeting the patients at the physician's clinic was deliberately avoided. This was necessary to avoid any bias in response that could have cropped up in the mind of the respondents, had the interviews been taken at the clinics.

Quantitative Research

Development of the Survey Instrument. The observations and findings from the personal interviews served as input for designing a structured questionnaire, which was administered to test the hypotheses generated. A multiple-choice question giving the probable sources of information through which a patient might have learned about the physician was employed. Those respondents who gave the answer as recommendation by a friend, relative or colleagues were also asked whether these friends, relatives and colleagues are the patients of the same physician.

This questionnaire was discussed among academicians for their opinion and suggestions, and the suggested changes were incorporated and the questionnaire refined accordingly.

Pre-test of the Questionnaire. The questionnaire developed was pre-tested with a few patients mainly to ascertain whether the words and phrases used in the questionnaire convey the same meaning as the researcher wanted to convey and also to check whether there was a smooth flow of questions. There were no major difficulties encountered by the respondents and only minor changes of some words were incorporated and the corrected questionnaire was implemented.

Sample Selection and Data Collection. The study is restricted to patient respondents taking treatment for chronic ailments such as cardiac problems, asthma, and diabetes from physicians having private practice only. These are ailments which cannot be treated completely but can be only managed/controlled through rest of the life of patient and for this reason the patient has to repeatedly consult a physician for regular check up and proper management of the ailment. People in general do not like repeat medical services as no one wants to be sick again. The chances of a patient being loyal to a physician, or that of switching physicians to take treatment from, are much more in this type of chronic segment. It was therefore felt appropriate to choose the chronic ailment segment (cardiac, asthma, and diabetes) for the study.

The questionnaire was administered to a sample of 194 such patient respondents who were selected by taking their names and addresses from the appointment diary of the physicians having a very good practice. It was initially decided to take an average of 10 patients per physician from about 25 physicians, which would make about 250 patient respondents. This was proposed in order to get a fair representation of the population. However some physicians refused to give the appointment diary and disclose the names of their patients and as such the researcher had to depend on whatever names and addresses could be obtained from 19 physicians.

In all the questionnaire was administered to 194 patients by meeting them personally at their residence or place of work as per the convenience of the respondents and the questionnaires got filled in.

Data Analysis and Interpretations

The data from the 194 filled in questionnaires was tabulated and analysed by using SPSS10.0 version. The main analysis done is the chi-squared test of significance and symmetric measures phi value. Cramer's V and contingency coefficients are calculated to assess the relative strength of association between source of recommendation and patient loyalty.

Recommendations by Friends, Relatives and Colleagues who have Experience. Table 1 gives the breakup of patients who have availed the services of a physician on recommendation by another patient and of those who have chosen the

Table 1
Recommendations by Friends, Relatives and Colleagues who have Experience and the Patient Loyalty

HIGHLOYL * PATRECCO Crosstabulation
Count

		PATRECCO		Total
		patrecco	Nonpat	
HIGHLOYL	highloyl	99	49	148
	lowloyl	8	38	46
Total		107	87	194

Where: HIGHLOYAL = high loyalty, PATRECCO = patient recommendation, Nonpat = Non patient recommendation.

physician through other sources. It may be seen that 55.16% of the patients have availed the services of a physician on recommendation of friends, relatives and colleagues who are the patients of the same physician. Whereas a lesser number i.e. 44.84% of the patients have availed the services of a physician based on other sources.

It is thus concluded that a majority of recommendations a patient receives about a physician are from friends, relatives and colleagues and these friends, relatives and colleagues are those who have experienced the services of that physician. It is quite natural for a patient to rely more on the advice and recommendation of an experienced person rather than the advice of a person who has no experience.

Test of Significance. Test of significance between patient loyalty and the source of recommendation was done by using the chi-squared test. The hypotheses that is tested is "A patient, who avails the services of a physician as a result of recommendation by another patient, is more loyal than one who comes through other sources".

Table 2 gives the results of the chi-square test. As may be seen from the table that the Pearson chi-squared value is 34.765 which is much above the table value of chi-square for 1 degree of freedom and the significance level of 0.05 which indicates that the source of recommendation is very much significant in determining patient loyalty. As such it may be concluded that a patient who avails the services of a physician as a result of a recommendation by another patient is more loyal than one who comes through other sources.

To assess the relative strength of association between patient loyalty and source of recommendation we calculated the Phi value (0.423), the Cramer's V (0.423) and the contingency coefficient (0.390) at the significance value of 0.05, which indicates a strong relationship between the patient loyalty and the source of recommendation (Table 3).

It is thus concluded that the source of recommendation plays a significant role in deciding patient loyalty and there is a strong association between patient recommendation as a source of recommendation and patient loyalty. The second hypothesis "A patient, who avails the services of a doctor as a result of recommendation, by another patient, is more loyal than one who comes through other sources" is thus supported and therefore accepted.

These findings above support the "Tie-Strength Relationship Model" of Brown and Reingen (1987), and also provide a theoretical extension to this model, that strong-tie sources besides influencing the choice of a physician, also influence the patient's loyalty to the physician. Patients tend to rely on trusted and experienced people rather than mere acquaintances and non-experienced people, not only in initial choice but also in continue patronizing the

Table 2
Chi-Square Test of Loyalty and Patient Recommendation

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	34.765	1	.000		
Continuity Correction	32.792	1	.000		
Likelihood Ratio	36.425	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	34.586	1	.000		
N of Valid Cases	194				

a. Computed only for a 2x2 table
b. 0 cells (.0%) have expected count less than 5. The minimum expected count is 20.63.

Table 3
Symmetric Measures to Assess the Strength of Association

Symmetric Measures

		Value	Approx. Sig.
Nominal by Nominal	Phi	.423	.000
	Cramer's V	.423	.000
	Contingency Coefficient	.390	.000
No of Valid Cases		194	

a. Not assuming the null hypothesis.
b. Using the asymptotic standard error assuming the null hypothesis.

services of the same physician.

CONCLUSIONS AND RECOMMENDATIONS

A patient is a vulnerable customer who even after experiencing the service is not able to judge as to what he getting from the physician. The patient does not have the technical knowledge to assess the quality of the service and hence relies more on other cues. Similarly the perceived high risk level involved in the process as well as the high personal nature of the service, makes the patient rely more on the advice and recommendation of trusted and close acquaintances such as friends, relatives or colleagues, who have experienced the service of that physician, in selection of the physician and thereafter in continuing the treatment with the same physician.

The main findings of the study are;

- The major source a patient relies upon to choose a physician is the recommendations from friends, relatives and colleagues. The majority of these friends, relatives and colleagues who recommend the patient to consult a particular physician have experienced the service of that physician.

- The source of recommendation plays a significant role in deciding patient loyalty and there is a strong association between patient recommendation as a source of recommendation and patient loyalty. In other words, a patient, who avails the services of a physician as a result of recommendation by another patient, is more loyal than one who comes through other sources.

In an increasingly competitive market, the findings from this study are an important indication for the practicing physician to maintain a healthy and growing practice. All physicians are service entrepreneurs and the findings from this study will serve as a very good marketing strategy, which lays emphasis on the importance of the current patients as a potential source of getting new patients. It thus tells the practicing physician that completely satisfying and retaining the current patients is most important for maintaining his practice. Emphasis should thus be laid in maintaining the present loyal patients and making them more loyal to get new loyal patients.

IMPLICATIONS FOR FUTURE RESEARCH

Having understood that recommendations by patients play an important role in getting new patients and also that recommendations influence patient loyalty it becomes necessary to know the reasons why patients recommend and how often. These reasons could be attributed to many aspects such as the personality of the patient who recommends, factors associated with the physician, relationship with the person to whom he is recommending, or any other factors. Understanding these reasons will help the physicians to frame strategies, which may be directed towards motivating the patient to recommend more people and more often.

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Appendix I
Questionnaire to Doctors in Personal Interviews

1. What are the ailments that you treat the most?
2. How would you classify/ categorize your patients?
3. What is the concept of patient satisfaction to you?
4. When do you feel your patients are satisfied?
5. What according to you are the factors that make patients satisfied/dissatisfied?
6. What is the concept of patient loyalty to you?
7. When would you say a patient is loyal to you?
8. Generally what type of patients are more loyal?
9. According to you what factors make a patient loyal to the doctor?
10. What characteristics of the doctor do you feel are important for building patient loyalty?
11. According to you what are the characteristics of the patient that influence his loyalty to a doctor?
12. What personal efforts do you take to build patient loyalty?
13. What according to you could be the probable reasons for the switching of patients from one doctor to another?
14. Where do you feel the defected patients go? Do they come back any time?
15. Kindly comment on doctor – patient relationship?

Appendix II
Questionnaire to Patients in Personal Interview

1. When did you last consult your physician for your health reasons?
2. Would you please tell me in brief about your ailment and the treatment you take?
3. Prior to this physician did you consult any other physician for a similar problem? If yes;
   i) Please give details
   ii) For how long were you consulting this Physician?
   iii) Why did you switch from this physician?
4. How did you come to know about the present physician?
5. For how long are you consulting the present Physician?
6. Why did you choose this particular physician, and not some other physician?
7. What are your expectations from the physician?
   -Which of these expectations are fulfilled by the physician?
8. Are you satisfied consulting this physician?
   -What factors have contributed to your satisfaction/dissatisfaction ?
9. What characteristics of this physician do you like?
   -What characteristics of this physician you don't like?
   -Did the physician give you any advise?
   -What you feel about it?
   -Did the physician talk anything besides diagnosis and treatment? Please specify what?
   -What do you feel about this?
10. Approximately how much time did the physician give to you inside the clinic?
   -What do you feel about this?
11. Did you have a prior appointment with the physician? Yes/no
   -Approx. for how long you had to wait outside the clinic for your turn to come?
   -What do you feel about it?
   -What did you do during the waiting time?
12. How many kinds of medicines did the physician prescribe?
   -What do you feel about this?
   -Did you find the medicines costly?
13. Do you feel you are loyal to your physician?
   -What factors have made you loyal to the physician?
14. Would you consult this physician again? If no, Why?
   -What in case of any other ailment? Why?
   -What in case the physician increases his fees? Why?
   -For a similar illness with any family member would you consult this physician? Why?
15. Would you recommend this physician to others to take treatment from? Why?
16. Are you aware of any social activity of the physician? Please specify?
   -How has it affected your opinion about the physician?
17. In your opinion what should be the relationship between the physician and the patient?
   -What role should a physician play to build a healthy patient–physician relationship?

-What role should a patient play to build a healthy patient–physician relationship?

-What is the relationship between you and your physician?

18. In your opinion, why do patients prefer a particular physician to others?

19. What are the reasons why patients switch from one physician to another?

20. What characteristics should a physician possess in general?

21. What should be a reasonable fee to be charged by a physician?

-What do you feel about the fees charged by your physician?

22. Think of a time/incidence when, as a patient, you had a particularly satisfying/dissatisfying interaction with the doctor that has affected your opinion about the doctor.

•When did the incident happen?

•What specific circumstances led up to this situation?

•Exactly what did the doctor say or do?

•What resulted that made you feel the interaction was satisfying/dissatisfying?

•How has it affected your opinion about the doctor?

23. Details of the respondent

•Age:

•Sex:

•Religion:

•Education

•Employment status/Income/Economic Status

•Family structure

Appendix III
Final Questionnaire to the Patients in Quantitative Study

Q1. On whose recommendation did you first consult your present doctor? (Tick your response)
(i) A friend/colleague recommended to consult this doctor
(ii) A relative recommended to consult this doctor
(iii) The doctor is well known
(iv) Another doctor referred me to this doctor
(v) Through advertisements/publicity
(vi) The doctor had treated someone in the family in the past
(vii) Any other - please specify

If answer above is (i) or (ii) then answer question (a) below or else go to next question.
a) Is your friend/colleague/relative
(i) a patient of the same doctor
(ii) a patient of some other doctor
(iii) a care giver / companion to a patient
(iv) any other – please specify

Q2. Besides you, is the doctor treating any of your family members? YES / NO
IF YES Who?

Q3. Approximately how much time does the doctor spends with you inside the clinic? (Tick any one)
(i) Very little time
(ii) Less than normal time
(iii) Normal time
(iv) More than normal time
(v) Too much time

Q4.(a) How many different medicines does the doctor prescribe per consultation? (Tick any one)
(i) Too few medicines
(ii) Less than normally prescribed medicines
(iii) Normally prescribed medicines
(iv) More than normally prescribed medicines
(v) Too many medicines

(b) What is your opinion about the cost of the medicine prescribed? (Tick any one)
(i) Too expensive
(ii) More than normal cost
(iii) Normal cost
(iv) Less than normal cost

(v) Not at all expensive

Q5. What is the fee charged by the doctor per consultation? (Tick any one response)
(i) Very less fee
(ii) Less than normal fee
(iii) Normally charged fee
(iv) More than normal fee
(v) Too much fee

Q6. (a) Do you get medical reimbursement from your employer? YES / NO
(b) Is this doctor on your company's approved list of doctors? YES / NO
(c) Do you have any medical insurance policy? YES / NO

Q7. Please express your experience with the Doctor in terms of statements given below. (Please mark your response on the scale given against each statement)

Where, SD = *Strongly Disagree*, D = *Disagree*, U = *Undecided*, A = *Agree*, SA = *Strongly Agree*.

(1) The doctor is very strict with me as regards my treatment	SD	D	U	A	SA
(2) The doctor is freely accessible	SD	D	U	A	SA
(3) The doctor does accurate diagnosis	SD	D	U	A	SA
(4) The doctor emphasises that I follow a particular lifestyle	SD	D	U	A	SA
(5) I have full confidence in my doctor	SD	D	U	A	SA
(6) The doctor's approach towards me is friendly	SD	D	U	A	SA
(7) The doctor explains in detail various aspects about the ailment and the treatment	SD	D	U	A	SA
(8) The doctor recognises me as his regular patient	SD	D	U	A	SA
(9) The doctor is very caring	SD	D	U	A	SA
(10) The doctor calls me by my name	SD	D	U	A	SA
(11) The doctor himself is very confident about my recovery	SD	D	U	A	SA
(12) The doctor enquires about my health when I enter the clinic	SD	D	U	A	SA
(13) The doctor is willing to answer any of my questions	SD	D	U	A	SA
(14) I will continue to consult my present doctor in future	SD	D	U	A	SA
(15) The doctor gets angry at me if I do not follow his instructions	SD	D	U	A	SA
(16) The doctors clinic timings are not convenient to me	SD	D	U	A	SA
(17) The doctor listens to me attentively	SD	D	U	A	SA
(18) The doctor is trustworthy	SD	D	U	A	SA
(19) The doctor warns me about all the Do's and Don'ts related to the treatment	SD	D	U	A	SA
(20) The doctor makes me feel positive about my recovery	SD	D	U	A	SA
(21) The doctor greets me when I enter the clinic	SD	D	U	A	SA
(22) I have no doubts about the diagnosis and the treatment given by the doctor	SD	D	U	A	SA
(23) The doctor has a careful attitude	SD	D	U	A	SA
(24) The doctor gives me medicine-related instructions every time I consult him	SD	D	U	A	SA
(25) The doctor talks very well with me in the clinic	SD	D	U	A	SA
(26) The doctor is reliable in all respects	SD	D	U	A	SA
(27) It is not difficult to talk with the doctor	SD	D	U	A	SA
(28) The medicine prescribed by the doctor is very effective	SD	D	U	A	SA
(29) The doctor is well mannered	SD	D	U	A	SA
(30) The doctor gives me strict instructions every time I visit him	SD	D	U	A	SA
(31) I feel good taking treatment from my doctor	SD	D	U	A	SA
(32) I will recommend my doctor to my friends and family members	SD	D	U	A	SA
(33) The doctor and I can talk about anything	SD	D	U	A	SA
(34) The doctor is easily available	SD	D	U	A	SA

(35) The doctor may discontinue treatment if I disobey his instructions	SD	D	U	A	SA
(36) The doctor shows concern towards me	SD	D	U	A	SA
(37) (The doctor specifies the physical exercises to be done by me	SD	D	U	A	SA
(38) The doctor displays great confidence in diagnosis and the treatment process	SD	D	U	A	SA
(39) The doctor gives me instructions regarding my diet	SD	D	U	A	SA
(40) I waste a lot of time waiting for my turn to meet the doctor	SD	D	U	A	SA
(41) The doctor gives instructions to be followed at my work place	SD	D	U	A	SA
(42) The doctor enquires about my personal life and my family members	SD	D	U	A	SA
(43) The doctor warns me about my habits	SD	D	U	A	SA
(44) My health has improved with the treatment from my doctor	SD	D	U	A	SA
(45) The doctor always sees things positively	SD	D	U	A	SA
(46) The doctor gives me sufficient time to explain my problems	SD	D	U	A	SA
(47) I will switch to another doctor in future	SD	D	U	A	SA
(48) I will complain about my doctor to others	SD	D	U	A	SA

Q8. Details of the respondent
Name:
Address:
Age:
Sex:
Illness:
Religion:
Education:
Employment status:
Economic Status:
Family structure:

DISMANTLING "POSITIVE AFFECT" AND ITS EFFECTS ON CUSTOMER SATISFACTION: AN EMPIRICAL EXAMINATION OF CUSTOMER JOY IN A SERVICE ENCOUNTER

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ABSTRACT

In this study, in which we argue for a disaggregated approach to customer emotions, we examine the antecedents of one specific customer emotion, namely joy, and how it affects customer satisfaction in a service encounter. Our proposed model contains four variables linked to each other as follows: (1) The service employee's emotional display behavior affects (2) the customer's assessment of the joyfulness of the service employee, and this assessment affects (3) the customer's own level of joy, which in turn has an impact on (4) the customer's level of satisfaction. This model received empirical support, thereby suggesting that cognitive judgments, particularly in terms of the customer's assessment of the service employee's emotional state, affect the customer's own emotional state.

INTRODUCTION

Customer satisfaction is often said to result from confirmation/disconfirmation of expectations. However, the customer's emotional reactions have been shown to have independent effects on satisfaction (Mano and Oliver 1993; Oliver 1993; Westbrook 1987; Westbrook and Oliver 1991; Wirtz, Mattila, and Tan 2000). Such research clearly adds to our understanding of the determinants of satisfaction, and can also inspire managers wishing to identify additional customer satisfaction-enhancing activities beyond the determinants typically covered in the confirmation/ disconfirmation of expectations tradition (e.g., perceived performance of various product attributes).

Some limitations, however, characterize existing efforts to examine the impact of the customer's emotions on his/her satisfaction. Two particular limitations serve as the point of departure for this paper. First, the typical approach to assessing emotions in a satisfaction context is to use aggregated emotion variables of the "positive affect" and "negative affect" types. That is to say, specific emotion types with similar valence are lumped together; it is assumed that emotions function in broad categories or "amalgamated groupings" (cf. Smith and Bolton 2002). The main advantage from the researcher's point of view, of course, is that a substantial level of economy is obtained. Yet this approach is problematic, because several discrete emotion types exist at a lower level of aggregation, and have different antecedents and consequences (Moore and Isen 1990; Roesch 1999). Some marketing scholars have voiced a similar concern (Bagozzi, Gopinath, and Nyer 1999; Holbrook and Batra 1987; Mitchell 1986). Second, existing attempts to examine emotions in a customer satisfaction context have focused on emotions as an antecedent to satisfaction. Customer satisfaction-related research has thus not fully explored activities that enhance emotions. Many emotion theories, however, offer fairly rich explanations of emotions, particularly if the analysis is allowed to be performed at the level of the specific emotion type rather than at the aggregate level.

These two limitations, we believe, call for a disaggregated approach. This paper is an attempt to follow such an approach, and will do so with respect to one particular emotion, namely joy, which is usually depicted as a distinct emotion type in many emotion theories (cf. Izard 1977; Johnston 1999; Plutchik 1980; Russell 1980). Moreover, joy is often included under the general label of "positive affect" in satisfaction research on emotions. Joy, then, is an emotion type that has been covered extensively by emotion theorists and indirectly by satisfaction researchers. For this reason, we believe that it would serve as a viable point of departure for a disaggregated approach (that ultimately would have to deal with each specific emotion type and its relation to customer satisfaction). In this paper, we are mainly concerned with (1) how customer joy is produced, and (2) the effects of joy on satisfaction, but it should be noted that joy seems to be related to several other variables in ways that suggest that joy - as a distinct emotion type - deserves more attention in marketing-related research. For example, joy appears to foster flexible, creative, and faster thinking; generosity and helpfulness; variety-seeking behavior; the ability to better take the other's perspective in interaction (Isen 1984, 2001) and less perceived risks (Chaudhuri 1998). In addition, a focus on joy, as one specific emotion, would facilitate contact with literature that stresses the need for marketers to amuse customers by creating entertaining offers (Brown 2001).

A major premise of this paper is that customer joy may be evoked by a wide range of marketing activities, such as advertising, in-store music, and product design. Here, however, we will be concerned with one particular stimulus: the behavior of the firm's customer contact personnel in the service encounter. This encounter is a major source of input to the customer's perceptions of the service firm (cf. Bitner, Booms, and Tetreault 1990; Hartline and Jones 1996; Normann 2000; Surprenant and Solomon 1987). Several studies also underscore that the service employee's behaviors have an impact on the customer's global assessments of the firm; examples of such behaviors are civility, courtesy, concern, congeniality, friendliness, helpfulness, and politeness (Westbrook 1981; Winsted 2000). From a managerial point of view, the main rationale for research on this topic is that an identification of employee behaviors that drive customer satisfaction will result in the firm focusing its efforts in terms of (a) employee selection, training, motivation and retention, and (b) customer satisfaction and loyalty activities (cf. Hartline and Jones 1996).

In this paper, therefore, we assume that the service employee will be in a particularly important position when it comes to his/her potential for evoking customer joy. The service encounter was consequently selected as the context for this study, with the specific purpose of examining a process that begins with joy-evoking behavior by the service employee and ends with customer satisfaction.

THEORETICAL FRAMEWORK

Overview of the Framework

Our proposed model consists of four variables. They are assumed to be linked to each other as follows, in a situation in which a service employee (the stimulus person) interacts with a customer (the observer): (1) The service employee's behavior affects (2) the customer's assessment of the joyfulness of the service employee, and this assessment is assumed to affect (3) the customer's level of joy, which, in turn, has an impact on (4) the customer's level of satisfaction with the firm in which the service employee works. The basic assumption is that each of these four variables is linked in a direct way to the next variable in the chain. Our task in the following sections is to provide conceptual arguments regarding the proposed links and to develop hypotheses for the empirical part of the study.

The Service Employee's Behavior and the Inducement of Customer Joy

The point of departure for our proposed model is that the service employee's behavior in a service encounter has the potential of triggering an emotional response from the customer. In fact, we believe that behaviors of the types mentioned in the introduction - civility, courtesy, concern, congeniality, friendliness, helpfulness, and politeness - have a joy-evoking potential. Existing research, however, has been silent with regard to the effects of such behaviors on customer joy. The main source of knowledge about joy-evoking behaviors is research on various emotional display behaviors such as facial expressions, verbal utterances, bodily positions, and tone of voice. And there seems to be little doubt today that the stimulus person's smiling face and happy voice can induce observer joy (Adelmann and Zajonc 1989; Hess, Philippot, and Blairy 1998; Lundqvist and Dimberg 1995).

How this happens, however, is subject to debate. One main issue is related to the role of cognition, and while some authors argue that a stimulus may produce emotions without any cognitive activity (Zajonc 1980), others argue that some cognitive activity is involved (Bagozzi et al 1999, Lazarus 1982) or may be involved (Hsee, Hatfield, Carlson, and Chemtob 1990). In this paper, we argue that cognitive activity is indeed involved; one main premise of the model we propose is that the link between the stimulus and its emotional effects on the observer is indirect, and that the observer's assessment of the stimulus person's emotional state is an important intermediate variable. More specifically, we assume that biological and social factors encourage the observer to use clues related to the stimulus person's behavior in order to assess the stimulus person's emotional state. This ability is an important facilitator of social interaction, and it is often referred to as empathy. Levenson and Ruef (1992), for example, suggest that the ability to perceive accurately the feelings of another person is the most fundamental aspect of empathy.

As already indicated, clues about another person's emotional state may come from many aspects of this person's behavior. For example, Neumann and Strack (2000) asked participants to assess the happiness and sadness expressed by happy and sad voice stimuli, and found that the happy voice received the highest intensity ratings of perceived happiness of the stimulus person. We believe that an outcome of this type (i.e., congruence between the displayed behavior's emotional tone and the observer's assessment of the emotional state of the stimulus person) requires the existence of a schema that informs the observer about the stimulus person's emotional state. Perhaps the most well-researched behavior (for effects on joy) is facial expressions, and the research in this area indicates that well-developed schemas exist (Ekman 1989, 1992). That is to say, a smiling facial expression usually results in the attribution of joy to the smiling person. Ekman (1989), among others, has argued that this is a universal attribution. Empirical results supporting a link between the exposure to a smiling face and the observer attributing joyfulness to the smiling person are presented by Niedenthal, Brauer, Halberstadt, and Innes-Ker (2001) and Otta, Follador, Abrosio, and Leneberg (1996). Because the service employee's facial expression in terms of smiling versus non-smiling is particularly likely to affect the observer's assessment of the emotional state of the service employee, we will focus on this specific behavior in our first hypothesis:

> H1: In a service encounter, a service employee will be perceived by the customer as more joyful when s/he is smiling than when s/he is not smiling

Turning to the consequences of the customer's assessment of the stimulus person's joyfulness, we assume that a process of emotional contagion operates in social situations (Hatfield, Cacioppo, and Rapson 1993; Hsee et al 1990; Laird, Alibozak, Davainis, Deignan, Fontanella, Hong, Levy, and Pacheco 1994). In other words, we expect the observer to adopt an emotional state that is congruent with the perceptions of the stimulus person's emotional state. The main reason is that such mimicking behavior facilitates social interaction. We also assume that most customers are interested in a smooth interaction in a service encounter, because they are in a position in which they must rely on the service employee (cf. Scharlemann, Eckel, Kacelnik, and Wilson 2001).

Several authors suggest that the stimulus person's facial expression produces a congruent emotional observer response through a two-step process often referred to as facial feedback. In the first step, a smile produces congruent muscular activity in the observer's face, and in the next step, this muscular activity "informs" the observer that s/he is joyful (Adelmann and Zajonc 1989; Dimberg and Thunberg 1998; Hatfield et al 1993; Hess et al 1998). One problem with the facial feedback hypothesis, however, is that no study has evaluated the complete chain of proposed mediation (Hess et al 1998). Another problem is that the effect sizes and correlations are often very modest when it comes to the links that are examined. Moreover, no room is allowed for cognitive activities from the observer's point of view. Yet several studies (outside the facial feedback research tradition) show that smiling stimuli induce cognitive responses such as increased trust in the stimulus person (Scharlemann et al 2001) and a higher level of perceived stimulus person intelligence (Lau 1982). These findings, we believe, suggest that cognitive responses may mediate the link between stimulus person behavior and observer joy (e.g., the reason I feel joyful when I interact with a smiling person is that I believe I am interacting with an intelligent person).

Here, we argue that one of the most important clues that serve to transfer the stimulus person's emotion to the observer is the observer's explicit assessment of the stimulus person's emotional state. That is to say, it is possible to depict the observer's attention to facial expressions, tone of voice, bodily postures, and other clues as a means for arriving at an assessment of the emotional state of the stimulus person - and this assessment, rather than the attribute information it is based on, is what produces an emotional reaction in the observer. This assumption can be seen in light of information integration theory (cf. Anderson 1981), in which it is held that different attributes vary with regard to their weight in forming assessments. Basically, an attribute's weight is determined by its relative salience, reliability, relevance, and quantity. Given that perceived joyfulness is based on many clues used by the observer, and thus not only on the stimulus person's facial expression, we assume that the perceived joyfulness of the stimulus person (with a potential for summarizing several attributes) is likely to be a particularly important clue, and that it has an independent effect on the observer's emotional state. More specifically, we expect that the customer's level of joy will be affected by his/her perception of the level of the service person's joyfulness as follows:

> H2: In a service encounter, customer-perceived service employee joyfulness is positively associated with the customer's own level of joy

Joy and Satisfaction

The main assumption in this section is that customer joy is positively associated with customer satisfaction. Direct empirical evidence for this assumption, however, is notoriously hard to find in the marketing literature. As mentioned in the introduction, one reason is that the majority of researchers interested in the link between emotions and customer satisfaction lump together several specific emotion types in order to create aggregated emotion variables such as negative affect and positive affect. For example, in a typical application, joy and interest are seen as two indicators of positive affect, and this aggregated affect variable is used in assessments of the association with satisfaction (Oliver 1993; Westbrook 1987; Westbrook and Oliver 1991). Similar approaches, but with other labels for the positive affect variable, and with other joy-like items, have been used by Mano and Oliver (1993), Price, Arnould, and Tierney, 1995, and Wirtz et al (2000). This approach usually results in a positive and significant association between the positive affect variable and customer satisfaction (Mano and Oliver 1993; Oliver 1993; Price et al 1995; Westbrook 1987; Westbrook and Oliver 1991; Wirtz et al 2000), and thus provides indirect evidence for a positive joy-satisfaction link. Why, then, would this link exist? Different explanations can be offered depending on the view of satisfaction one adopts; here we present two explanations based on two different views of satisfaction.

The first explanation is based on the assumption that both joy and satisfaction are emotions. This assumption seems to be straightforward when it comes to joy, because joy is usually depicted as one of the fundamental emotions in many emotion theories (cf. Izard 1977; Johnston 1999; Plutchik 1980; Russell 1980). However, whether or not satisfaction is an emotion is a more open question, at least among satisfaction researchers. Yet several emotion typologies include both satisfaction and joy as two distinct emotions. Typically, in such cases, emotions are categorized in terms of two dimensions: unpleasantness-pleasantness and low arousal-high arousal. Joy is assumed to occupy the pleasantness/high arousal cell, while satisfaction occupies the pleasantness/low arousal cell (cf. Barrett and Russell 1998; Russell 1980; Russell and Carroll 1999). Some authors suggest additional dimensions, particularly potency, but this dimension seems to be less relevant for positive emotions (cf. Morgan and Heise 1988). The lay mind, however, is likely to be less precise than the researcher's mind when it comes to the ability to distinguish between discrete emotion types. That is to say, it is not always easy to determine exactly what emotion one experiences (Johnston 1999). Moreover, one particular emotion is likely to activate and also color other emotions (Polivy 1981; Smith and Ellsworth 1985). This process of emotional "cross-talk" seems particularly likely to occur when it comes to emotion types located in relatively similar places in the emotional response matrix with the unpleasantness-pleasantness and low arousal-high arousal dimensions. Thus, given that both joy and satisfaction are pleasant experiences, and the tendency for emotional cross-talk, we expect that joy is positively associated with satisfaction.

For our second explanation, we assume that satisfaction is not primarily an emotional construct. Instead, satisfaction is an evaluative judgment that results from an assessment of the extent to which expectations before a consumption activity are matched by performance judgments after this act (Westbrook 1987; Westbrook and Oliver 1991). With this view of satisfaction, affect is an antecedent to satisfaction and thus conceptually distinct from satisfaction; satisfaction results from evaluating the affect derived from a consumption experience (Mano and Oliver 1993; Wirtz et al 2000). In our case, then, and with this alternative view of satisfaction, why would joy (a positive emotion) have an impact on satisfaction (an evaluative judgment)? One main explanation is referred to as affect infusion (or affect transfer) in the literature. In general, it is proposed that an emotion will affect a judgment in terms of valence congruence (e.g., a pleasant emotion leads to a favorable judgment). Two alternative mechanisms of affect infusion are suggested by Forgas (1995). The first is the affect-priming principle, in which affect directly influences judgments during substantive processing through its selective influence on attention, encoding, retrieval, and associative processes. The second is the affect-as-information principle; in this case, affect informs judgments during fast, heuristic processes as judges use their affective state as a short-cut to infer their evaluative reactions to an object. An interesting aspect of Forgas' (1995) emphasis on the conditions for affect infusion - substantive processing and fast, heuristic processes - is that they appear to cover both high and low involvement processing. This view suggests that it is hard for an object not to evoke some sort of emotional reaction (cf. Damasio 1999; Zeitlin and Westwood 1986). It also suggests that it is hard for the emotional reaction not to color judgments of the object. One main reason behind the salient role of emotions in affecting judgments appears to be that emotions leave strong affective traces in memory, and memory elements with such traces are believed to be highly accessible to cognitive operations (Westbrook and Oliver 1991).

Thus, from a conceptual point of view, and for two alternative ways to depict customer satisfaction, the following is hypothesized:

H3: Customer joy is positively associated with customer satisfaction

RESEARCH METHOD

Stimulus Materials

We used a role-playing scenario to generate responses in terms of the variables in the hypotheses (cf. Bagozzi et al 1999, who argue that the use of scenarios in an experimental context can generate discrete emotional responses). The scenario referred to a customer's interaction with a service employee in a hotel, and included a service recovery situation (i.e., an initially poor performance activity was followed by the service employee's attempt to react to the initial incident). Given that (1) satisfaction tends to be heavily skewed in many empirical studies (cf. Fornell 1992; Peterson and Wilson 1992) and (2) customers who are subject to a service recovery become less satisfied than those customers who receive good service and thus do not need a recovery strategy (Andreassen 2001), our selection of a service recovery situation was an attempt to create a setting that would reduce some skewness in satisfaction responses. Moreover, because a recovery situation is assumed to be a pivotal moment for customers (Smith and Bolton 2002), we expected that this particular situation would be a useful stimulus to generate an emotional response.

Scenario

Imagine that this happens the next time you stay in a hotel.

When you arrive, you are greeted at the reception desk by an employee called Sara. She welcomes you, checks you in, says that your room number is 312, and tells you how to find your room.

Here, one of the two stimulus photographs appeared. The smiling version and the non-smiling version were both labeled: "Sara at the reception desk."

After having arrived at your room, you find that the television does not work, and you return to the reception desk to inform the hotel staff about this. Sara is still there.

"Hello again, is everything OK in room 312?" she asks.

You explain that everything is not OK, because the television does not work.

"Then I must really apologize," says Sara. "Please let me try to take care of this with the person who is responsible for the rooms."

Sara calls this person, who quickly arrives at the reception desk. He goes with you to your room, examines the television set, and finds that the batteries in the remote control are flat. He replaces the batteries, and the television now works. After a while Sara calls you.

"I heard that the television is working again. And please let me apologize again," she says.

Some questions about this event are included below.

Please answer these questions now.

The scenario included a photograph of the service employee with whom the respondent was supposed to interact. Two photographs of the same service employee - one in which she appeared with a smile and one in which she appeared without a smile - were used to create two versions of the scenario (see Figure 1). The photos were taken by us, with a digital camera, and were presented to the respondents as they appear in Figure 1.

Stimulus Assessment

Some researchers argue that qualitatively different types of smiles exist, particularly in terms of Duchenne smiles (joy-based smiles) and non-Duchenne smiles (smiles not based on joy). The basic argument is that Duchenne and non-Duchenne smiles produce different responses. Ekman (1992), for example, has reviewed several studies indicating that Duchenne smiles are more likely to generate observer joy than non-Duchenne smiles (cf. Ekman, Davidson, and Friesen 1990). Thus, observers appear to be able to distinguish (consciously or unconsciously) between these two types of

Figure 1
The Two Photos Used in the Scenarios

smiles. Similar results appear in a more recent study by Surakka and Hietanen (1998). Moreover, Grandey (2000), who is explicitly concerned with emotional display in service situations, suggests that faked smiles may produce a "leakage" that enables observers to detect the deception. She also suggests that faked smiles may negatively impact perceptions of service. It is clearly relevant, in this light, to examine what specific type of smile is used in research on smiles.

We therefore examined the smile stimulus with a pretest group of respondents (n = 27) exposing them to the smile photograph in figure 1 (no scenario text was provided). We asked these respondents to assess both the target person and her smile. Regarding her smile, we asked: "What is your impression of this person's smile?" The question was followed by a set of adjective pairs scored on a 10-point scale: fake-genuine, not honest-honest, unfriendly-friendly, cold-warm, untrustworthy-trustworthy, manipulative-not manipulative. Next, we created a Duchenne smile measure as the unweighted average of the participants' responses to these items (alpha = .96). The sample mean was computed (M = 6.64), and we tested if this mean was significantly different from the scale midpoint (i.e., 5.5) with a t-test. The outcome was significant, t = 2.76, p = .01, providing initial evidence that our particular smile stimulus is of the Duchenne type rather than the non-Duchenne type.

Furthermore, the pretest group was asked to assess the target person's level of joyfulness. We used two adjective pairs: unhappy-happy, and in a bad mood-in a good mood. Both were scored on a 10-point response format. Since the responses to the two items were positively and significantly correlated ® = .81, p < .001), we used the unweighted average of the responses to the two items as a measure of this variable, (M = 7.98), which was positively and significantly correlated with the Duchenne smile variable ® = .61, p < .01). In other words, our smile stimulus behaved as we expected, given the literature's view of people's ability to assess if a smile is joy-based or not. These results, then, provide additional evidence that we are dealing with a Duchenne smile.

Further, to assess the extent to which the stimulus person realistically represented a service employee in a hotel (i.e., the scenario context in the main data collection), we used the following two adjective pairs scored on a 10-point scale: atypical service person-typical service person (M = 7.85), and unlikely to work in a hotel-likely to work in a hotel (M = 7.37). The mean responses to these two items, we believe, indicate that the stimulus person was likely to be encountered in a hotel (both means were significantly different from the scale midpoint, p < .01 in both cases).

Data Collection and Participants in the Main Study

Each scenario was included in a questionnaire that we used to collect the data. The respondents were randomly allocated to one of these two versions, and answered an identical set of questions about the variables in the hypotheses after being exposed to the scenario.

All respondents were adult participants in marketing seminars in executive education programs. They were asked to complete the questionnaire in the classroom at the beginning of a seminar. The first author, who led the seminar, distributed the questionnaire to the participants, informed them that no talking was allowed while completing the questionnaire, stressed that responses to all questionnaire items were necessary, collected the completed questionnaires, and debriefed the participants. The procedure was repeated with four groups of participants who met the teacher on four different occasions. No main differences in the responses emerged between the four groups, and they were aggregated to one single sample for the analysis (N = 101). The smile scenario version was completed by 49 participants, and the non-smiling version by 52.

Measures

Service Employee Smiling Behavior. A smile variable was created to indicate which particular facial expression each respondent had been exposed to (1 = no smile, 2 = smile), and this variable was used as an independent variable in the subsequent analyses (cf. Kelly, Slater, and Karan 2002 for a similar approach for dealing with treatment variables). Smiles can be conceptualized as both a quantitative and a qualitative variable; indeed, it seems as if smiles can be treated in terms of all of Stevens' (1946) classical measurement scales. It is possible, for example, to regard a smile as a ratio scale variable (a zero level of smile can be at hand). Here, however, we are assuming that our smile variable contains information about the extent to which a smile is at hand; the smile treatment encompasses a higher level of smile intensity than the no smile treatment. It should be noted, given the pretest results, that the smile variable seems to capture a Duchenne smile (and not necessarily other qualitative types of smiles). This restriction must be kept in mind as we proceed.

Perceived Level of Joyfulness. We used the same adjective pairs as in the pretest to capture the respondent's perception of the stimulus person's joy, namely unhappy-happy and in a bad mood-in a good mood (both were scored on a 10-point response format). The responses to the two items were positively and significantly correlated ® = .78, $p <$ .01), and therefore we used the unweighted average of the responses to the two items as our measure of this variable. Alpha for these two items was .87. It can be noted that the mean for this variable, for the respondents in the main study who were exposed to the smile stimulus (M = 7.95), did not differ significantly (t = -0.05, p = .96) from the pretest respondents (M = 7.98).

Customer Joy. The respondents were asked to reflect on how they would feel given an interaction of the type described in the scenario. At this point in the questionnaire, a 10-point joy scale appeared, consisting of the following adjectives: joyful, pleased, and in a good mood (1 = Do not agree at all, 10 = Agree completely). Alpha for the joy scale was .84. Similar items appear in a frequently used joy scale developed by Izard (1977). Havlena and Holbrook (1986) and Holbrook and Batra (1987) have used related items in their joy scales. We used the average of the three items as the customer joy measure. In addition, and as a (discriminant) validity check, a sadness scale including three adjectives (sad, in a bad mood, and grieved) was also to be completed by the respondent (alpha = .84). The specific joy and sadness items were mixed in the questionnaire, and joy and sadness were expected to be negatively correlated but not bipolar (i.e., the negative correlation is larger than -1). For example, in Lorr and Shea (1979), the sadness-cheerfulness correlation was -.55, and the sad-happy correlation in Sjöberg, Svensson, and Persson (1979) was -.47. In our case, the correlation between the joy variable and the sadness variable was -.54 (p < .01), indicating that some level of validity was at hand in our measure of joy.

Customer satisfaction. In this study, we are interested in what Smith and Bolton (2002) refer to as "service encounter satisfaction after recovery efforts". It is a transaction-specific satisfaction construct, and we measured it in two ways, because there appear to be two main ways to capture satisfaction in existing research (cf. Söderlund and Öhman 2003): one object-oriented way and one act-oriented way. First, for the object-oriented measure, we used the unweighted average of the participant's responses to three customer satisfaction items developed by Fornell (1992). They appear in several national customer satisfaction barometers (cf. Johnson, Gustafsson, Andreassen, Lervik, and Cha 2001), and in academic research by Anderson, Fornell, and Lehmann (1994) and Fornell, Johnson, Anderson, Cha, and Everitt (1996). More specifically, respondents were asked to think about their impression of the hotel and to respond to the following items on a 10-point scale: "How satisfied or dissatisfied are you with this hotel?" (1 = very dissatisfied, 10 = very satisfied), "To what extent does this hotel meet your expectations?" (1 = not at all, 10 = totally), and "Imagine a hotel that is perfect in every respect. How near or far from this ideal do you find this hotel?" (1 = very far from, 10 = cannot get any closer). Alpha for this scale was .91. Second, and as an act-oriented way to capture satisfaction, we asked the respondents the following question: "How would you summarize your view of your decision to stay at this hotel?" The question was followed by three items: "I am happy about my decision to go there," "I believe I did the right thing when I selected it;" and "Overall, I am satisfied with the decision to go there" (1 = do not agree at all, 10 = agree totally). Similar satisfaction measures have been recommended by Oliver (1997) and used by, for example, Butcher, Sparks, and O'Callaghan (2001), and Cronin, Brady, and Hult (2000). In our case, alpha was .95, and we used the average of the responses to the three items as the (act-oriented) satisfaction measure. It can be noted that the individual items (in both satisfaction measures) suggest that the scholars who originally developed these items appear to have been influenced by both notions of satisfaction that we used in the theoretical section (i.e., "satisfaction as an emotion" and "satisfaction as an evaluative judgment").

To assess the validity of the two satisfaction measures, the questionnaire included two measures of behavioral intentions: "If other problems occurred during your stay at the hotel, how likely is it that you would get in touch with the same receptionist again?" (1 = very unlikely, 10 = very likely), and "How likely is it that you would recommend this hotel to a friend who is looking for a hotel?" (1 = very unlikely, 10 = very likely). The first intention measure was significantly associated with the object-oriented satisfaction measure $r = .52, p < .01$) and with the act-oriented satisfaction measure $r = .76, p < .01$). The same pattern was found for the second intention measure $r = .51$ and $r = .73; p < .01$ in both cases). Given that satisfaction is generally assumed to be positively associated with behavioral intentions, it can be contended that some level of validity was at hand in our satisfaction measures.

ANALYSIS AND RESULTS

Assessing the Hypotheses

We tested all hypotheses simultaneously using a structural equation modeling approach in which the hypothesized links served as the proposed model. We estimated our proposed model with maximum likelihood procedures (in AMOS 5), and we did this separately for each of the two satisfaction measures. Hoyle and Smith (1994) have suggested two structural equation modeling approaches for dealing with treatment variables: (1) use of a variable that reflects variability in treatment (i.e., a strategy similar to introducing dummy variables in regression analysis), and (2) simultaneously estimating separate models for different groups. Here, and with respect to our service employee behavior variable (i.e., no smile vs. smile), the first approach was used.

In the case of the object-oriented satisfaction measure, a good level of fit was obtained ($\chi^2 = 27.98$, $df = 25$, $p = .31$, CFI = .995, NFI = .953, RMSEA = .035). An examination of the standardized regression coefficients revealed a significant and positive association between the service employee's behavior (i.e., no smile vs. smile) and perceived joyfulness ($\beta = .63$, $p < .01$). This means that H1 was supported. The association between perceived joyfulness and customer joy (H2) was also supported ($\beta = .49$, $p < .01$). For Hypothesis 3, we expected customer joy to have a positive impact on customer satisfaction, and the hypothesis was supported ($\beta = .80$, $p < .01$). With regard to the act-oriented satisfaction measure, the fit of the proposed model was marginally reduced ($\chi^2 = 30.40$, $df = 25$, $p = .21$, CFI = .992, NFI = .956, RMSEA = .046) compared to the object-oriented satisfaction measure. The results with regard to the specific hypotheses, however, were identical and will not be reported here for the sake of brevity.

Additional Analyses

Our proposed model differs from existing attempts to conceptualize the observer's emotional responses to a stimulus person's emotional display behavior in one important way: We believe that (a) the observer assesses the emotional state of the stimulus person, and that (b) this assessment influences the observer so that a congruent emotional reaction occurs. In our present case, this assessment is represented by the perceived joyfulness variable. The role of this particular variable was therefore examined with some additional analyses.

In the first step, we compared our proposed model to an extended model in which two links were added: (1) a link between service employee behavior and joy, and (2) a link between service employee behavior and satisfaction. The fit for this extended model - in the object-oriented satisfaction case - was slightly higher ($\chi^2 = 23.74$, $df = 23$, $p = .42$, CFI = .999, NFI = .96, RMSEA = .018) than for the proposed model. Yet the increase in fit was not significant ($p = .12$). Similar results were obtained in the act-oriented satisfaction case; the extended model was characterized by an increase in fit ($\chi 2$ = 26.24, *df* = 23, *p* = .29, CFI = .995, NFI = .962, RMSEA = .038), but it did not provide a significantly higher level of fit (*p* = .125) than the proposed model. This analysis, then, suggests that the main contribution of service employee behavior is to trigger an assessment of what the service person's emotional state is and that this assessment is the main causal agent of what happens later in the process.

The comparison between the proposed model and the extended model thus suggests that perceived joyfulness may mediate the relationship between service employee behavior and customer joy. In a second step, we explored this role for perceived joyfulness with the approach recommended by Baron and Kenny (1986) and Holmbeck (1997), in which four separate regression analyses are used. In our case, the first regression indicated that service person behavior is positively associated with perceived joyfulness ($\beta = 0.6, p < .01$), the second regression indicated that service employee behavior was associated with customer joy ($\beta = 0.17, p = .09$), and the third regression showed that perceived joyfulness was associated with customer joy ($\beta = 0.41, p < .01$). Finally, the fourth regression, in which customer joy was the dependent variable, and service employee behavior and perceived joyfulness were independent variables, indicated that perceived joyfulness ($\beta = 0.48, p < .01$), but not service employee behavior ($\beta = -.011, p = .32$), contributed to customer joy ($R^2 = .16, F = 10.23, p < .01$). Therefore, in our case, and according to the criteria developed by Baron and Kenny (1986), it can be contended that perceived joyfulness mediated the relationship between service employee behavior and customer joy.

DISCUSSION

Summary of the Main Findings

This study provides support for the existence of a chain in which the following direct links exist: The service employee's emotional display behavior affects the customer's perceptions of the joyfulness of the service employee, which affects customer joy - which in turn affects customer satisfaction. Moreover, perceived joyfulness seems to mediate the relationship between the service employee's behavior and customer joy. The latter finding, we believe, suggests that facial muscular movement (i.e., a common focus in existing research on joy) is only one of several factors that explain why one person tends to "catch" the emotions of another person.

Limitations and Suggestions for Future Research

One obvious limitation is that our proposed model excludes variables that may add to our understanding of the service employee behavior-customer satisfaction chain. Perceived service employee joyfulness, for example, is not the only factor that creates customer joy in a service encounter. Assessments of additional antecedents to customer joy should therefore be conducted in future research. It is also likely that some customers who have been subject to a service failure, as in our scenario, find smiling behaviour/joyfulness inappropriate, and thus the smile may create an unfavorable attitude towards the service employee. More generally, it has been shown that certain *pro forma* service behaviors (i.e., behaviors that from the customer's point of view appear to be routinized and programmed) have a negative impact on the customer's perceptions of the service employee's competence and the firm's trustworthiness (Surprenant and Solomon 1987). Hence, it is possible that smiles and joyfulness may be perceived in similar terms and thus negatively impact attitudes toward the service person's behaviour (The customer may wonder, for example: "Why is she smiling? Did I do something funny? Why doesn't she concentrate on what she is supposed to do instead?"). And in the next step, this attitude may have a negative impact on customer joy.

Another limitation is that our conceptualization (and operationalization) of smiling behavior is only one of several ways of coming to terms with this construct. Basically, we have assumed that a smiling face contains "more" smile than a non-smiling face, and the result was a somewhat primitive smile measure that takes account of only two levels of smile. Constructs that better capture magnitude and qualitative differences can clearly be used. Our development of a Duchenne smile variable for the pretest is one alternative approach, and existing smile research offers a rich smorgasbord of aspects such as duration, frequency and size of smiles (cf. Deutsch 1990; Pugh 2001; Rafaeli and Sutton 1990). Furthermore, smiles are only one of several behaviours with a joy-enhancing potential, and other behaviour variables of this type - and their relative influence - should be assessed in further research.

This study also shares a potentially serious limitation with all existing attempts to empirically examine joy and joyfulness. Presumably, this limitation is based on the dominant measurement paradigm that strongly encourages researchers to develop multi-item measures (cf. Churchill 1979). In any case, the limitation manifests itself in the practice of developing joy items in which items such as good mood and happiness are used as synonyms. From a strict conceptual point, however, joy is a very shortly-lived emotion, while mood has a longer duration, and happiness can be conceived of as a long-term state of mind (Ben-Ze'ev 2000). The practical problem, however, is that there are few synonyms for joy. The list of adjectives is indeed limited, given that one needs to focus on pure emotion words and thus avoid words defining traits, physical states, and cognitive states (cf. Morgan and Heise 1988). Moreover, very few scholars have addressed the extent to which respondents in an empirical study are able to discriminate between various questionnaire items in terms of what these items mean according to theoretical notions of emotion, mood, and more permanent states of mind in which an unpleasant-pleasant dimension exists. Clearly, more efforts are needed to increase the congruence between measurement items and theoretical constructs.

In addition, it should be noted that one particular service encounter was used to generate the data: an encounter that involved a service failure and a recovery attempt. Smith and Bolton (2002) have argued that this particular encounter may put the customer in a situation in which he or she is more emotionally involved, and more observant, compared to routine or first-time service situations. It is also possible that a service failure produces incongruity in the customer's sense-making activities to a larger extent than routine services, and this incongruity may enhance a cognitive reaction (e.g., in terms of an assessment of the service person's emotions) that is not typical of normal service encounters. These aspects of a service failure, then, may reduce the generalizability of our findings. It can be argued, however, that a service failure followed by a good recovery attempt (as in our scenario) includes elements of both good and poor service performance. Therefore, a service failure situation has indeed something in common with a typical service situation, in the sense that performance in a typical service situation is seldom at the highest level with regard to all service elements. In any case, future research needs to examine if different service situations create different emotional patterns than those obtained by us in this study. We also believe that such research should take account for the customer's goals in the service situation, because it has been argued that goals in terms of "oughts" versus "ideals" may modify the customer's reliance on emotions when judgments are made (Pham and Avanet 2004).

Implications for Research and Practice

We believe that our approach, in which we have focused on joy (i.e., one specific emotion type), illustrates that it is indeed possible to deal with emotions in a satisfaction context in a disaggregated way. Several authors have objected to the practice of lumping conceptually distinct emotions together (Roesch 1999), yet an aggregation of this type is what constitutes the main practice in research on the relation between emotions and customer satisfaction (i.e., in terms of variables of the "positive affect" type). To achieve more precision, and given that discrete emotions have different antecedents and consequences, we suggest that scholars involved in this area should consider a more disaggregated view of emotion types - and that other emotions aside from joy deserve further attention. Given that satisfaction is one of several discrete emotion types, it is also possible that a disaggregated approach may reveal that other discrete emotions are more important outcomes of a service encounter or a purchase than satisfaction when it comes to explanations of intentions or behavior (cf. Bagozzi et al 1999 p. 201 for a similar argument). Incidentally, and given that one single discrete emotion type is to replace satisfaction, Bagozzi et al (1999) suggest that a case could be made for happiness/joy.

Given our focus on joy, some managerial implications can be derived from the results. First, in a situation in which customer satisfaction is the target outcome, our results imply that perceived joyfulness is a particularly crucial variable. If perceived joyfulness is positively related to service employees' joy in a more objective sense, an important challenge for managers is to come to terms with the determinants of workplace joy. An examination of this type will most likely show that the manager him/herself is an important part of the equation. Normann (2000), among others, has argued that it is hard for the service employee to behave in one particular way with customers if s/he finds him/herself in a situation in which radically different behaviors are encountered in interactions with managers. So, for example, joyful managers, and joyful colleagues, may be needed to produce service employee joy.

Second, our results suggest that (a) smiling behavior appears to affect perceived joyfulness in a positive way given that the smile is perceived as genuine, and (b) perceived joyfulness, rather than smiling behavior per se, produces effects on other variables. Therefore, we believe that the results add some restrictions to the "smiling imperative policy" that some firms have adopted. That is to say, smile *enforcement* may have few benefits. In addition, being a service worker is demanding, and extensive customer contacts may produce job dissatisfaction and burn out (Singh, Goolsby and Rhoads 1994). It is not unlikely that enforced smiles, and other enforced emotion-related behaviors, will add further fuel to this process.

Furthermore, much existing research on the antecedents of satisfaction has focused on the attribute-level performance of controllable attributes (e.g., opening hours and product range). However, some service employee behaviors, such as smiling, are relatively less controllable from a managerial point of view (and perhaps also from the service employee's point of view). Yet they too seem to contribute to customer satisfaction. In view of this, we believe our results imply that other less controllable behaviors and attributes, such as smell, physical attractiveness, and eye contact deserve more attention in future research. Indeed, it seems as if many factors of this type may be discovered in future research.

Another issue for future research is that a service encounter - by definition - involves both customers and service employees. And the service employee is highly likely to react in emotional terms, too. It should be possible, therefore, to examine a behavior-satisfaction chain from the service employee's point of view. That is to say, how does the customer's smiling behavior, and other possible expressions of joyfulness, affect the service employee's level of (job) satisfaction? This issue has received very little attention.

Finally, it should also be noted that customers "meet" smiling behavior and other joy-enhancing behaviors not only in service encounters. Advertising is a sterling example of a marketing activity that is heavily overpopulated by smiling people in terms of the facial expressions of decorative models, celebrities, and "the typical customer" endorser. Yet advertising researchers have avoided this type of appeal to the same extent that the smiling service person has been avoided in service research; the joy appeal (a name we had to invent here) is not included in existing typologies in which various appeals (e.g., fear appeal, humor appeal, and sex appeal) are distinguished (cf. Percy and Rossiter 1992). For this reason, a further examination of joy-enhancing stimuli and their effects on the customer could also be useful for advertising research.

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WHEN CONSUMERS GET UPSET: MODELING THE COST OF STORE AVOIDANCE

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ABSTRACT

Store avoidance is persistent exit caused by consumer dissatisfaction. Path analysis shows that the cost of unsatisfactory purchase, the degree of financial hurt, and the attribution of fault influence the degree of emotional upset. Emotional upset influences how many people were told and whether the store was told, which, in turn, influence how long the avoidance persists. The cost of the items to the seller over the length of avoidance ranged from \$2.50 to \$21,000, averaging \$636.45, with a median of \$37.50.

INTRODUCTION

One variant of Hirschman's (1970) "exit" is avoidance, which Huefner and Hunt (1992) defined as being persisting exit. Avoidance, like other exit behaviors, may co-occur with voice, but can also occur independently. Rodgers and Sweeney (1979) state that "Consumer satisfaction has become an integral part of store selection—or more to the point—store avoidance" (p. 153). This paper studies the broad area of persistent exit—brand or store avoidance—where the consumer not only exits the store or brand, but continues that exit over time. Accordingly, this work uses Huefner and Hunt's (1992) explanation of avoidance:

> Personal introspection coupled with discussions with others quickly brings one to the realization that there are some brands and stores we repeatedly use and there are other brands and stores that we intentionally refuse to use. When we repeatedly use the same brand or store we refer to it as brand or store loyalty. When we intentionally refuse to use a brand or store we refer to it as brand or store avoidance. In some cases, what appears to be brand or store loyalty is just repetitive behavior and not purposive. What appears to be avoidance may also be repetitive and not purposive. True brand or store loyalty and avoidance involve intentional positive and negative purchase decisions and are not just chance behaviors. (p. 228)

This article uses the Huefner and Hunt (1992) definition and explanation of avoidance based on avoidance due to dissatisfaction with a store or brand. Hunt and Hunt (1990) state that avoidance behavior occurs when a consumer stops buying from their regular store and begins buying from a competing store not because of a strong preference for the competing store, but rather to avoid the original store. Lessig (1973) pointed out that in some cases a decision to shop a particular store is actually because of avoidance of another store. Keeping Hunt and Hunt's (1992) definition of avoidance in mind, there are other definitions and uses of the term avoidance, some of them closely related to our use and some less closely related. Avoidance due to factors other than dissatisfaction has also been reported. For example, Dickson and MacLachlan (1990) reported that shoppers avoid general merchandise and apparel stores that are generally thought to be higher or lower than the shopper's social class. Many readers will recall avoiding a store higher or lower in social class than they considered themselves to be. As an explanation of this phenomenon, Huefner and Hunt (1994) propose that:

> ...brand/store choice is as much a matter of avoidance as it is of preference. Sometimes by the time the consumer has eliminated all the stores being avoided, there is a very limited set of reasonable alternatives remaining from which to choose. For some purchases the whole set of brand/store alternatives may fall in the to-be-

> avoided category and the consumer is left with the difficult task of deciding which of the unacceptable alternatives is least unacceptable. (p. 268)

Lemon, White and Winer (2001), in their discussion of future decision making, point out that avoidance can occur because the consumer's expected future from the use of that product, brand, or service is inadequate to warrant continued use. Godwin, Patterson and Johnson (1995) explain that avoidance can be a coping behavior:

> where a person chooses to escape from or avoid the distress . . . . [T]hey would choose an avoidance strategy, in which case they will put the incident to the back of their mind and effectively escape from the anger by doing something unrelated to the situation such as reading a book or going for a walk. (p.159)

For example, LaTour and Henthorne (1994) concluded that both women and men "were troubled" by female nudity in advertising and proposed that this psychological discomfort "could potentially lead to an avoidance of that product" (as cited in Henthorne and LaTour, 1995, p. 561). Aron (2001) points out that:

> there are other reasons for . . . avoidance behavior, such as variety-seeking, unavailability of a product (such as stock-outs or a long wait for an appointment), or the purchase . . . because of a discount or other form of promotion. (p. 110)

Drew, Mani, Betz and Datta (1999) focused on intended avoidance that develops during the contract but will not become an action until the contract expires. Contract expiration enables the exit, acting on the avoidance.

In the consumer satisfaction, dissatisfaction and complaining behavior (CS/D&CB) literature, there are a number of related concepts that refer to individuals' reactions to unsatisfactory consumer experiences. These concepts include exit, voice, and grudgeholding. Exit and voice are usually mild actions, simply leaving the store for now or telling the seller or others of your dissatisfaction. Exit and voice have been common topics since Hirschman (1970) introduced them.

Grudgeholding is extreme exit, it carries a heavy emotional loading, and it persists over long periods of time. Grudgeholding, though a newer concept, has face validity, is evident through introspection for many people, and has been documented in Aron (2001), Parry (2003), and the Hunt studies (1988; 1990). Grudgeholding is usually a composite of voice and exit exacerbated by extreme emotional upset. Avoidance includes grudgeholding, but is usually much milder. Just as most loyalty is not extreme, most of it just occurring, so also most avoidance is not extreme, and is certainly not grudgeholding.

In the parallel opposite behavioral responses to satisfaction and dissatisfaction, short-term avoidance is the parallel concept of short-term return and long-term avoidance is the parallel concept of long-term return.

Regarding the importance of emotion to all aspects of consumer satisfaction and dissatisfaction, Hunt (1993) states "It is emotion, not cognition, that drives CS/D&CB" (p. 40). Hunt further states the following:

> Think of our key terms: negative word of mouth, positive word of mouth, loyalty, repatronage, grudgeholding, retaliation, avoidance. The more deeply we come to understand these concepts the more we find they are emotion driven. . . . [W]e fail to remember that confirmation and disconfirmation don't become action topics until coupled with emotion. The evidence is now overwhelming that emotion is the critical element in CS/D&CB. This is not to say that disconfirmation shouldn't be studied. Far from it. Disconfirmation or confirmation is a critical part of the paradigm. However, not much happens, positive or negative, until the disconfirmation or confirmation is energized with emotion. (p. 40)

Huefner and Hunt (1992) presented the first extended discussion of consumer avoidance behavior. They reported the types of stores and

Table 1
Parallel Opposite Behavioral Responses to Satisfaction and Dissatisfaction

Satisfied	Dissatisfied
do nothing	do nothing
positive comment to individual (compliment)	negative comment to individual (complain)
positive comment to manager/owner (compliment)	negative comment to manager/owner (complain)
short-term return (repurchase)	short-term avoidance (buy elsewhere/other brand)
long-term return (brand/store loyalty)	long-term avoidance (grudgeholding)
word of mouth - positive (alert others)	word of mouth - negative (negative - warn others)
word of mouth - benefit (aid/assist/help seller)	word of mouth - damage (harm seller)
substantial helping (do nice things, pick up)	substantial hurting (retaliation)
compliment to outside agency	complain to outside agency (BBB, FTC)

Note. From "Consumer Retaliation: Confirmation and Extension" (p. 114). Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior. Huefner, Parry, Payne, Otto, Huff, Swenson, and Hunt (2002). Copied with permission.

brands avoided and the reasons for avoiding these stores and brands. Their study included three primary sections within a questionnaire. The first section contained the respondent's qualitative story of consumer avoidance. The second section was comprised of eight self-report questions related to each story written in section one of the questionnaire. The third section contained demographic questions of age and sex plus a listing of the specific stores avoided by the respondent (see Appendix A for the entire questionnaire). The purpose of the Huefner and Hunt study (1992) was to:

> (a) introduce the concept of brand or store avoidance behavior, (b) document the existence of brand and store avoidance by gathering consumers' stories, (c) look at the content of these stories to see how different complaint types relate to different store and product categories, and (d) obtain some indication of the scope of the behavior within and across store categories (p. 228).

The Huefner and Hunt study (1992) only examined and discussed findings from sections one and three of the avoidance questionnaire, whereas this study examines section two.

METHOD

The subjects, procedures and instrument are the same as those reported in Huefner and Hunt (1992) and are copied here for the reader's convenience (see p. 229)

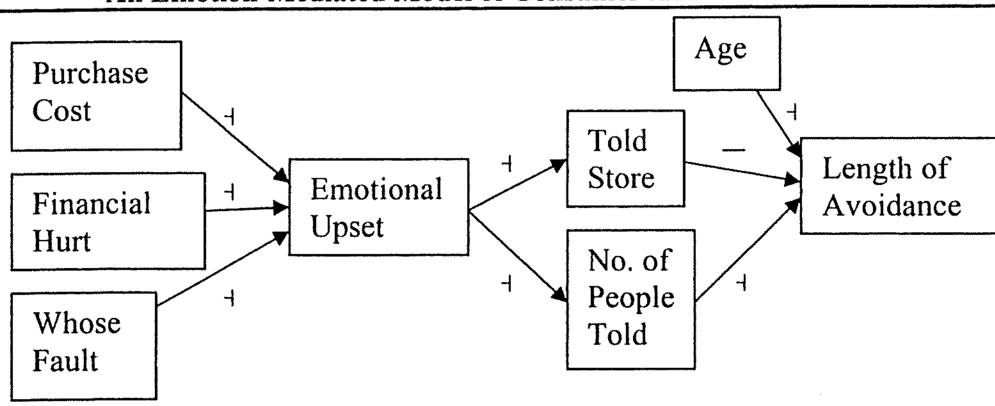
Subjects

Undergraduate students in a consumer behavior class at Brigham Young University, participating in an optional class research project, invited people to participate in a study. To assure a dispersion of ages, students were asked to find two respondents from each of four age categories: 15-18, 19-24, 25-55, and 56 and older. Students could substitute two individuals from other age categories in place of an individual missing in any age category. Thirty-eight students produced 333 questionnaire respondents. There were 63 subjects in the 15-18 age range (18.9%), 112 subjects in the 19-24 age range (33.6%), 113 subjects in the 25-55 age range (33.9%), and 45 in the 56 and older age range (13.5%). Of the 333 participants, 207 were females (62.2%) and 126 were males (37.8%).

Procedure

Students approached people and asked them if they would be willing to participate in a study of

Figure 1
An Emotion-Mediated Model of Consumer Avoidance Behavior



consumer avoidance. These people tended to be acquaintances of the students. Students emphasized the need for complete and detailed descriptions of the respondents' brand or store avoidance experiences. Respondents returned the completed questionnaires to the students who turned them in to the course instructor. A summary of the findings was provided to those participants who requested it. Students discussed the findings in class during the discussion of consumer satisfaction, dissatisfaction and complaining behavior.

Instrument

The complete instrument is shown in Appendix A. The focus of the current study is to analyze the eight self-report questions in section two that relate to the specific avoidance story in section one. The Age and Sex variables included in the current study come from section three.

Theoretical Model

Figure 1 presents the theoretical model of this study. We used the model to integrate the literature and to guide our research. This section provides an explanation of each component of the model and reviews the appropriate supporting theory and research.

The first part of the model proposes a positive relationship between three exogenous variables and how emotionally upset the consumer becomes. Prior research supports this. For example, because consumers have preconceived expectations prior to a financial exchange with sellers (the price they expect to pay or quality of product and/or service), they are primed to be frustrated. Berkowitz (1989) defined frustration as "an external condition that prevents a person from obtaining pleasures he or she had expected to enjoy" (p. 31). Because frustrations are aversive events, they can generate negative emotions in people. As indicated by the fault variable, when a person expects to attain an objective, and that goal is deliberately thwarted by another person or object, the resulting displeasure is greater than an anticipated failure. Consequently, this stimulates a stronger provocation to negative emotion (Berkowitz, 1989).

The next relationship takes into account the aggressive instigation arising from negative affect. Emotion has long been viewed as a primary motivator of human behavior (see Zajonc, 1982). Negative emotions interact with and influence later psychological processes such as drive, motivation, and cognition (Izard, 1977). As negative emotion is triggered by some kind of personal offense, the resulting antagonism can be extremely intense and remain in memory for a long period of time (Schimmel, 1979). Therefore, this severe negative emotion can roll into the offendee's cognitions and perceptions, which can make it difficult to avoid the instigation to aggress. For those who come to an awareness of their negative emotion, a sense of protest and defense arises (Hampton, 1988). This sense of protest and defense does not diminish until those emotions are recognized and subsequently released (Bies and Moag, 1986). As suggested by Aron (2001), some of the most common manifestations of negative consumer emotion are complaining and negative word of mouth. Thus, in an effort to release the antagonistic feelings generated from the offensive experience, consumers will tell the store in order to seek redress and/or tell others to seek revenge.

The third part of the model examines the relationship between the behavioral manifestations of telling the store and telling others (acquaintances, friends, relatives, etc.) and the length of time of avoiding a seller. Telling the seller about the offensive experience is proposed to be negatively related to the length of time avoiding the seller. That is, if a dissatisfied consumer tells the store about their negative experience, their length of avoidance of that particular seller is shorter than if they don't tell the store. A possible explanation of the reduction of the length of avoidance could be that, by informing the store of the offensive experience, justice may be restored through an offer of an apology, refund of money lost, or some other restorative means. As support of this assertion, Goodwin and Ross (1992) found that positive store responses, such as an apology or monetary reimbursement, can increase consumers' perceptions of being treated fairly. Furthermore, research on dissatisfied consumers' repeat purchase behaviors has shown that if companies satisfactorily resolve consumers' complaints, then relatively high percentages of consumers indicate that they would be willing to do business with these companies again (Rust, Subramanian, and Wells, 1992; Spreng, Harrell, and Mackoy, 1995; Fisher, Garrett, Arnold, and Ferris, 1999). The opposite is proposed to occur when consumers tell other people about their negative experiences with a seller.

The number of people told is proposed to be positively related to the length of time avoided. Davidow (2003) explains this relationship as follows:

> Can word of mouth actually influence satisfaction and repurchase intentions? Cialdini (1993) reported that public commitment can lead to doggedly consistent future action. This seems to be applicable in high involvement situations because a commitment has been made. Word of mouth is in a sense a public commitment . . . Complainers would have a hard time spreading negative word of mouth and then repurchasing the product or claiming to be satisfied (unless there were no alternatives, such as a local phone carrier or other service monopoly). . . In other words, once consumers have made a choice (word of mouth valance), they will encounter internal pressure to behave consistently with that commitment. This principle of consistency is a powerful motivator for a complainant to behave in accordance with the word of mouth valance. (p. 71)

The TARP (1979a) study reported that "the greatest degree of continued brand loyalty [non-avoidance] was exhibited by those households that had complained about their most serious consumer problem" (p.12).

The final part of the model examines the relationship between age and length of avoidance. We simply wanted to account for the fact that the older a consumer is the greater the possibility for longer seller avoidance. Avoidance over a longer period of time is highly correlated with age, e.g. a consumer who has been avoiding for 20 years is not likely to be a teenager, whereas a shorter period of avoidance is independent of age.

RESULTS

A path analysis (AMOS) was conducted to test the relationships proposed in Figure 1. Purchase Cost, Financial Hurt, and Whose Fault predict the degree to which consumers were emotionally upset. This Emotional Upset strongly predicts negative word of mouth (Number of People Told) or the propensity to complain to the store (Told Store) where the purchase was made. Negative word of mouth then increases a consumer's intention to avoid the product purchased or store where the purchase was made, whereas complaining to the store decreases a consumer's intention to avoid the store or product. Lastly, as age increased so did consumers' intentions to continue avoiding a

Figure 2
Hypothesized Emotion-Mediated Model of Consumer Avoidance Behavior

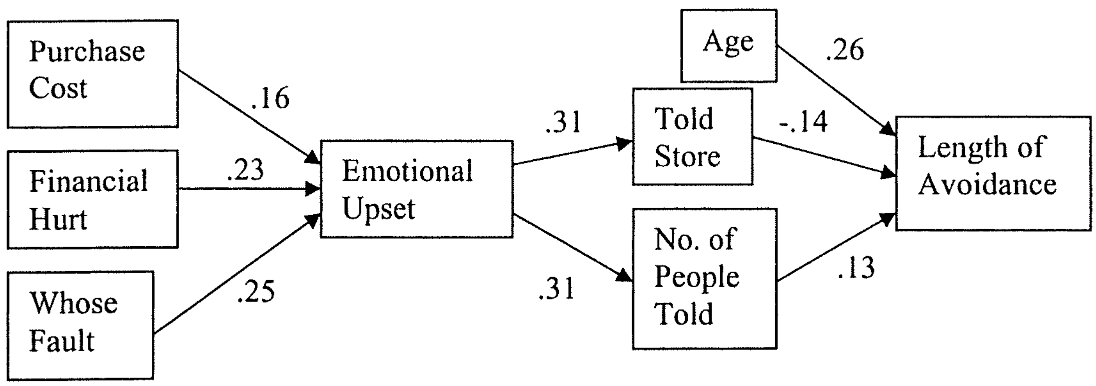
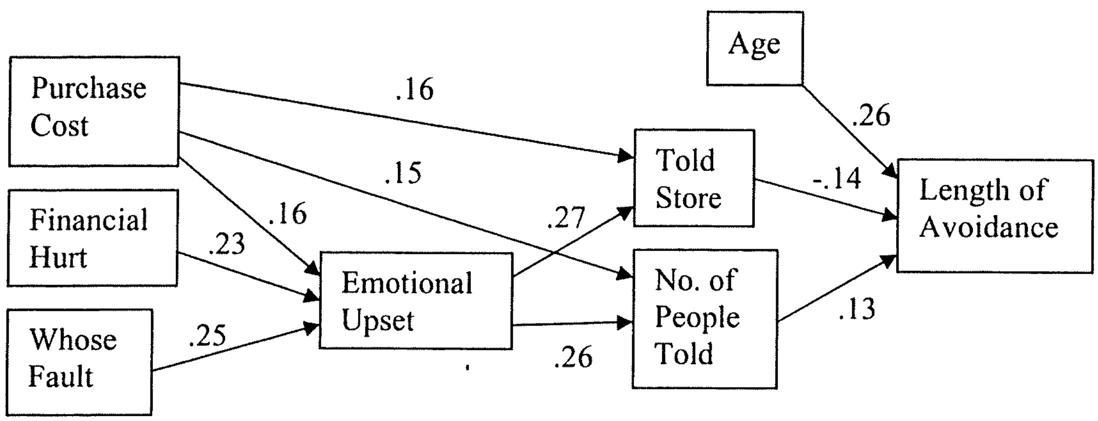


Figure 3
Adjusted Emotion-Mediated Model of Consumer Avoidance Behavior



product or store. The hypothesized model (Figure 2) resulted in an adequate fit (NFI = .921, CFI = .932, TLI = .854, RMSEA = .072, and $\chi^2(13) = 69.323$, $p < .0001$). Although we have reported the χ^2 statistic, there are known issues as to the validity of this statistic not holding true when sample size is large, such as in this research (Joreskog and Sorbom, 1993). Byrne has commented that, "findings of well-fitting hypothesized models where the χ^2 value approximates the degrees of freedom, have proven unreliable in most SEM empirical research....Researchers have addressed the χ^2 limitations by developing goodness-of-fit indexes that take a more pragmatic approach to the valuation process," (p. 81).

Modification indices revealed that there were significant direct relationships that had not yet been modeled between (a) Purchase Cost and Told Store, and (b) Purchase Cost and Number of People Told. This new model (Figure 3) shows the importance of cost related to avoidance regardless of emotion as a mediating variable. Individual relationships in the hypothesized and adjusted models and their critical values are depicted in Figures 2 and 3. All path coefficients in the modified model are significant. The fit indices for the adjusted model are as follows: NFI = .966, CFI = .976, TLI = .940, RMSEA = .046, and $\chi^2(11) = 34.163$, $p < .0001$.

DISCUSSION

Emotion is Critical

Different authors vary from article to article in how important they think emotion is to avoidance and other dissatisfaction responses. Huefner and Hunt (1992) and Malafi (1996) stated that avoidance is a form of persistent exit that lacks the emotional intensity of grudgeholding. Conversely, a year later, Hunt (1993) and, later, Aron (2001) stated that it is emotion that serves as the catalyst to behavioral responses to consumer dissatisfaction. Retaliation, avoidance, grudgeholding, repatronage, and word of mouth are all emotion-driven behavioral responses to consumer dissatisfaction.

We confirmed that emotion makes a critical difference. Referring again to Berkowitz' (1989) frustration-aggression hypothesis, consumers have an objective in mind prior to doing business with a seller. If this objective is perceived as being purposefully blocked by the seller, negative emotion often arises. This negative emotion instigates the propensity to aggress, which can be manifest in many forms, including negative word of mouth and complaining to the store. Because people tend to remain consistent with their behavior, the more people they tell about their negative experience the more perceived pressure they feel to remain consistent with their avoidance behavior. By informing the store of their negative experience, the length of avoidance is decreased. We suppose that this decreased length of avoidance could be due to the resolution of their negative experience through an apology and/or monetary compensation, but our data are inadequate to confirm this assertion. We now have a more clear understanding of the processes that lead from emotional upset through telling the store and through telling other people to the length of avoidance.

Monetary Loss to Seller

Our research is based on one avoidance story and the cost associated with that one avoidance. Actually, consumers do not usually avoid one item or service in a store. They avoid all items and services in that store over a period of time. We leave it to the reader to conjecture what the total cost may be. For example, if you avoid your usual grocery store because you bought a 10 pound bag of rotten potatoes, you might not avoid only the potatoes at that store in the future, you might avoid everything at that store, thereby moving your patronage to a different store. Further, if that store you avoid belongs to a chain of stores, you might avoid that chain all together. For example, if a fast food restaurant serves you a bad hamburger, you may avoid all locations of that restaurant.

The following analysis reports the cost loss to the store of the avoidance stories in our study. Continue to keep in mind that we are reporting the revenue loss to the store of the avoided item, but not for any collateral losses. To ascertain the cost of consumer avoidance to a store, we computed a new variable by multiplying the Length of Avoidance and the Purchase Cost. The numbers that are subsequently reported are for the cost of avoiding one purchase. This new variable, Total Cost of Avoidance, represents the total dollar cost of lost sales to the store over time. This variable ranged from $2.50 to $21,000, with a mean of $636.45 and a median of $37.50. We recognize that this distribution is positively skewed. However, this distribution is based upon the avoidance of one purchase. As previously discussed, this estimate may be very conservative when compared to what total monetary losses can actually occur in consumer avoidance. To understand how these monetary losses varied as a function of emotion preceding either "telling the store" or "telling others," we reran the model in Figure 3 with the new variable, Total

Cost of Avoidance

Using the final model, depicted in Figure 3, we replaced the Length of Avoidance variable with the new variable, Total Cost of Avoidance, and reran the model. The following discussion is based upon the results of the unstandardized path coefficients obtained from the model. These path coefficients are interpreted similarly to unstandardized regression coefficients.

Based on the revised model, there was a $259.33 incremental increase of revenue lost for every categorical unit increase in the number of people told. The categories are "none," "1-2", "several," "many," and "everyone I can." Those who told 1-2 people cost the seller $259.33 in revenue. Those who told several people cost the seller $518.66. Those who told many people cost the seller $777.99. Finally, those who told everyone they could cost the seller $1037.32. Thus, negative word of mouth seems to intensify the monetary loss to the seller. Also, these results do not take into account any monetary loss caused by the effects of second and third party negative word of mouth.

Conversely, it was found that the seller could expect to lose $78.78 of revenue if the consumer told the store about the negative experience.

In support of these findings, the TARP (1979b) study found that of their respondents "61.9% felt that a financial loss was possible.... Estimates of potential loss ranged as high as $3,000. The average potential loss for the 504 households that believed economic deprivation would occur in the absence of problem correction was estimated to be $142" (p. 9). These potential TARP losses are similar to the losses consumers reported in our study. In the current study, in a somewhat similar measure, the cost of the items to the seller that caused the avoidance ranged from $0 to over $1000 (our coding categories), averaging $136.65. Inflation, since 1979, would lead us to assume a higher potential dollar loss than what the current study found. However, our conservative sixth category (over $1,000) attenuates the distribution.

Managerial Implications

Management has to assess the tradeoffs between (1) making it very easy to complain so the store increases its potential of solving dissatisfaction before avoidance occurs and (2) increased complaints and expected reimbursements and other make-goods that could add to the store's costs of operations. The costs of avoidance and negative word of mouth are so great that it is in the store's best interests to do all it can to encourage and facilitate any consumer's complaint before avoidance has occurred so the store can make things more than right with the complaining consumer. In other words, a consumer is less likely to exhibit avoidance behavior if stores actively solicit ways to mediate consumer complaints and reduce the emotional impact of the consumer's negative experience. It is especially important that managers instantly reduce negative consumer emotion to mitigate negative word of mouth and length of avoidance.

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Appendix 1

Page 1

BRAND / STORE AVOIDANCE CLASS RESEARCH PROJECT

Many studies have been done and numerous books and articles have been written about brand and store loyalty - when a consumer buys the same brand or shops at the same store year after year after year. We are wondering if the opposite might also exist - when a consumer deliberately refuses to buy a brand or shop at a store year after year after year. We are calling this behavior brand / store avoidance.

Will you please tell us about three brands or stores which you intentionally avoid. You need to still be buying the product, but never this brand. You need to still shop at this type of store, but never at this specific store. We need to know the specific brand or store, and we need to know in as much detail as you can give us why you don't buy that brand or shop at that store. We've left you lots of room to write your explanation.

This is exploratory research. We don't know that we will find out. It is very important that you tell us all you can about each of the three examples. We will then search through all the stories to find the similarities and differences between them. The more you can tell us, the better chance we have of understanding brand / store avoidance behavior. We hope you will try to think of three quite different brand / store avoidance situations. Try to think of at least one brand example and at least one store example.

Thank you for your willingness to help us with this study. You may be contacted by more than one student asking you to participate. Please participate in this study only once.

You have our word that your response will be kept completely anonymous. We need your name, address, and phone number so we can contact you if we need to clarify anything in your questionnaire. As soon as your questionnaire is verified as complete we remove your identification from the questionnaire so no one, including us, can ever trace it to you. For this particular study anonymity isn't all that critical, but it is a sound research practice that we always follow.

Name:
Address:
Phone number:

If you would like us to send you a copy of our findings, check here
Student's name:

Page 2

INSTRUCTIONS FOR SECTION I: Try to think of an example at least one year old. Be sure to describe the brand or store so completely that there is no chance we might confuse it with another brand or store.

Brand or store: ________________________ Type of product or store: ________________________

Please tell us all you can about why you avoid this brand or store. The more detail you can give us the more you help us understand avoidance behavior.
20 lines provided.

Please answer the questions on the back of this page.

Back of Page 2

INSTRUCTIONS FOR SECTION II: You may have already mentioned it in your story on the other side of this page, but will you please answer the following specific questions about this specific avoidance example.

How long have you been avoiding this brand or store? (Circle one)

less than 1 year	1-2 years	3-5 years	6-10 years	11-20 years	more than 20 years

How emotionally upset were you at the time of the initial incident leading to your avoidance behavior? (Circle one)

not at all upset	slightly upset	somewhat upset	very upset

How frequently do you purchase this type of product or shop at this type of store? (Circle one)

Buy or shop frequently	Buy or shop infrequently	First time buy or shop

If it was a specific purchase which caused your avoidance, how much did that purchase cost approximately? (Circle one)

$0-9 $10-24 $25-99 $100-500 $500-1000 Over $1000

How much did this hurt you financially at the time? (Circle one)

Not at all A little bit Quite a bit A major loss

How many people have you told that you avoid this brand or store and why? (Circle one)

None 1-2 Several Many Everyone I can

Did you tell the store or manufacturer? (Circle one)

Told store	Told manufacturer	Told both the store and the manufacturer

As you think about the situation, whose fault was whatever went wrong? (Circle one)

All my fault	Mostly my fault	Both parties equally at fault	Mostly their fault	All their fault

Since you avoid this brand or store, which brand do you usually buy or which store do you usually shop at?

Pages three and four are identical to page 2

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SECTION III

Your current age:

Your sex: (Circle one) Female Male

For the following types of stores, please write down the names of any specific stores you intentionally avoid.

Grocery stores: ______________________

Department stores: ______________________

Convenience stores: ______________________

Automobile dealerships: ______________________

Banking services: ______________________

Gasoline stations: ______________________________

Restaurants: ______________________________

Furniture stores: ______________________________

Sporting goods: ______________________________

Hardware / home improvement stores: ______________________________

Tape & CD store: ______________________________

CREATING VALUE FOR ONLINE SHOPPERS: IMPLICATIONS FOR SATISFACTION AND LOYALTY

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ABSTRACT

Customer value is the foremost driver of competitive advantage in the Internet shopping environment. The authors of this study identify two types of online shopping values - utilitarian value (including price savings, service excellence, time savings, and selection dimensions) and experiential value (including entertainment, visual, escape, and interaction dimensions). Using structural equation modeling, the impact of these online shopping values upon consumers' satisfaction and loyalty is examined. The results of this study indicate that Internet shopping does indeed invoke various types of shopping values. Both utilitarian and experiential values positively affected customer satisfaction, leading to heightened loyalty. Discussions of the results and managerial implications are offered.

INTRODUCTION

The growth of Internet commerce in both business-to-business and business-to-consumer marketplaces has escaped no one in recent years. The popular press and slowly the academic press have begun to consider the influence of issues such as flow (Novak, Hoffman, and Yung 2000), electronic service quality (Zeithaml, Parasuraman, and Malhotra 2000), and fundamental objectives related to Internet commerce (Keeney 1999). At the same time, we have witnessed the rapid demise of some electronic retailers and even assertions that retail sales via Internet commerce are "unimpressive" (Burke 1997). Despite the phenomenal increase of wired populations, the conversion rate - the number of visitors who come to a particular retail site divided by the number of actual buyers - was only 1.8 percent, according to a 1999 survey by Boston Consulting Group and Shop.org (Boston Consulting Group 2000). Surprisingly, two-thirds of online shoppers filled their electronic shopping carts but exited at the check out point without making any purchase (Gurley 2000; Rewick 2000).

In fact, Burke (1997) asserts that most home shopping services have failed to deliver promised benefits, such as time savings, accurate product information, and lower prices. Recent academic and popular press articles have asserted that one-third of experienced Internet surfers find online shopping difficult (see Seminerio 1998; Burke 1997); failing companies devote too much effort to "over-fancy" sites (Mitchell 2000); and e-tailers pour too much money into ads designed to attract visitors and casual browsers rather than spending money on developing "sticky" web content that will keep buyers loyal to a site (Crockett 2000). Because online shoppers choose retailers who offer the best value – value defined by customers (Woodruff 1997) – e-tailers must design a value proposition that is most appealing to e-customers and then must excel in the delivery of that core value.

The examination of customer value determination and value delivery has recently become a focal point in the marketing literature. Moreover, research on value, satisfaction, and loyalty has been important in recent years in advancing marketing knowledge in the services and retailing literatures. However, most empirical studies to date have examined these constructs and their relationships within the context of "off-line" shopping. Moreover, on the subject of on-line shopping, Peterson, Balasubramanian, and Bronnenberg (1997, p. 330) assert that most current research examining the impact of the Internet upon consumer marketing is nothing more than "anecdotes, experiential evidence, and ad hoc descriptive studies." Thus, the need for empirical research on the relationships between value, satisfaction, and loyalty within an on-line shopping context is now ripe for development.

In regards to these issues, a number of unanswered questions exist. Among those, the extant retailing literature identifies different types of customer values for in-store shopping such as utilitarian value and experiential value. Within an on-line shopping context, are these shopping values equally relevant? To what extent do different shopping values influence customer satisfaction and loyalty? The purpose of this research is to examine these questions. Significant relationships between the study constructs will likely indicate the appropriate shopping value types that managers should emphasize in their electronic commerce strategies.

The study is composed of several sections. First, we review the literature on value, satisfaction, and loyalty, incorporating these constructs into the electronic shopping context. Second, using confirmatory factor analysis and structural equation modeling, we validate the proposed online shopping value types and test the relationships between the study constructs. Finally, research findings and managerial implications are discussed.

CONCEPTUAL BACKGROUND

Value is based upon customer perceptions and not managerial judgments; hence, understanding what customers value is one area in which marketing can have a distinct influence upon the strategy dialogue. Value determination and delivery facilitates the acquisition and ultimately the retention of customer relationships, and is becoming even more necessary as emerging technologies transform markets (Roberts 2000). Past research has conceptualized value as simply a tradeoff between quality and price (Naylor 1996; Bolton and Drew 1991). However, a number of recent researchers argue that value is more complex, that other types of consumption value should be considered by scholars and managers, and that consumer choice is the result of multiple consumption values (Naylor 1996; Bolton and Drew 1991; Holbrook 1994). Although a number of value types have been identified in the literature (i.e., functional, emotional, social, hedonic), there appear to be two universal value types most appropriate to consumer shopping behavior – functional and nonfunctional (Hartman 1967; Sheth 1983).

Within a shopping context, functional motives (i.e., value) relate to tangible attributes, such as convenience, quality, price, merchandise, etc. Nonfunctional motives (i.e., value) relate to nontangible retailer attributes, such as reputation, clientele, and also social and emotional needs for interaction, communication, and interesting shopping experiences. Like Sheth (1983), Babin, Darden, and Griffin (1994) operationalize shopping value as two dimensions – one utilitarian and one hedonic. Hedonistic (experiential) value reflects worth found in the shopping experience itself, and utilitarian value reflects task-related worth.

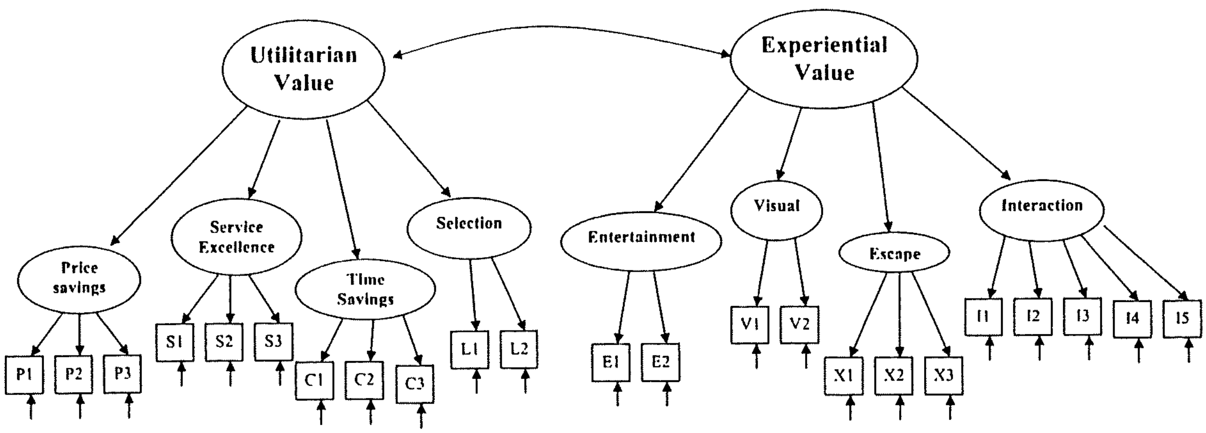
Although functional and experiential value types have been researched in a number of studies related to in-store shopping, the two have rarely been examined simultaneously in other shopping contexts. Eastlick and Feinberg (1999) use this fact as justification for a recent study of catalog shopping in which they include both functional and nonfunctional motives. Given that Internet shopping has been compared to catalog shopping (Direct Marketing 2000), any study of value and satisfaction in an Internet shopping context should therefore incorporate both types of value. In this study, two overall types of value are employed - utilitarian value and experiential value (see Figure 1).

Utilitarian Value

Utilitarian value is defined as an overall assessment of functional benefits incorporating the traditional price savings dimension, a service dimension, a time-savings dimension, and a merchandise selection dimension. Utilitarian value is relevant for task-specific use of online shopping, such as purchase deliberation (i.e., considering the product, service, and price features before actual purchase) (Hoffman and Novak 1996).

Price savings is the economic value dimension. Consumers derive value for the products and services that are offered at the right price, given the quality. For example, online shoppers can browse several retailers to find the lowest price for the product they want. *Service excellence* is the dimension that involves quality judgment for services offered during and after the online shopping (Mathwick, Malhota, and Rigdon 2001). In the off-line service settings, individuals were found to derive value and satisfaction by perceiving excellence of the services offered to them (Zeithaml 1988). Wide assortment of merchandise available

Figure 1
The Measurement Model: Online Shopping Values



Note: All parameter estimates are significant (All p-values are less than 0.01)

online is another important dimension contributing to customer satisfaction on the Internet (Szymanski and Hise 2000). The importance of this *merchandise selection* dimension may increase for those consumers who desire items that are not commonly available in neighborhood stores. Because Internet retailers are not limited by physical shelf space, a wide selection of merchandise is offered with added convenience. A *time savings* becomes an important shopping value for time-pressured consumers. Recent studies have found that time conservation is one of the primary motivations behind Internet shopping (Rutter and Southernton 2000; Seiders, Berry, and Gresham 2000; Szymanski and Hise 2000). Consumers save their time and energy when they shop online because they do not have to leave their home. Shopping online makes it easy to locate merchants, find product information and procure products thus saving time resources for consumers (Mathwick et al., 2001).

Experiential Value

Experiential value is defined as an overall representation of experiential benefits from the entertainment, the escapism, the visual appeal, and the interactivity involved with online shopping. Experiential value is relevant for acquiring affective and social stimulation, which enhances consumers' total Internet shopping experiences (Hoffman and Novak 1996). The experiential value dimensions have been the subject of much research in the in-store shopping literature (see Babin and Attaway 2000; Babin et al. 1994; Darden and Reynolds 1971) and have also begun to be recognized as important elements of online shopping (Burke 1999; Pulliam 1999; Klein 1998; Hoffman and Novak 1996). This value type is consistent with the emotional dimension of value identified by de Ruyter, Wetzels, Lemmink, and Mattson (1997) and Wikström, Carlell, Frostling-Henningsson (2002) including the hedonic and affective motives discussed by Dhar and Wertenbroch (2000), Babin and Attaway (2000), and Eastlick and Feinberg (1999); and the aesthetics and playfulness dimensions identified by Mathwick et al. (2001).

First, consumers on the Internet may browse various web sites for *entertainment* and *fun*. In addition, the aesthetic appeal and "looks" of various web sites can create *visual appeal* for online shoppers. Third, the *escape* value refers to consumers' out-of-routine experiences on the Internet, absorbing the users and letting them "get away from it all" (Mathwick et al. 2001). Finally, the *interaction* value refers to the benefits received by interacting with marketers or other consumers. With enhanced interactivity, the Internet medium can afford online shoppers the opportunity to exchange product information, reviews, and ideas freely using chat rooms, bulletin boards, or electronic forums (Hoffman and Novak 1996).

Online Shopping Value, Satisfaction, and Loyalty: Research Hypotheses

In this section, theoretical relationships between online shopping value (both utilitarian and experiential), satisfaction, and loyalty are discussed drawing on the existing literature, and research hypotheses are developed. Customer satisfaction is one of the most important metrics companies utilize to measure the success of marketing plans and strategies (Capraro, Broniarczyk, and Srivastava 2003). Customer value (Woodruff 1997) has been investigated in relation to satisfaction. Eggert and Ulaga (2002) investigated the relationship between customer value and satisfaction in terms of predicting business customers' purchase intentions in Germany. Their research found customer value to be antecedent to satisfaction leading to purchasing manager's intentions. In a museum service setting, it was found that museum visitors perceived both emotional (i.e., experiential) and practical/logical (i.e., utilitarian) values on various stages encountered during their visit (de Ruyter et al. 1997). Both the emotional (experiential) and the practical (utilitarian) value dimensions had significant effects on satisfaction, thereby suggesting that these two value dimensions can separately contribute to customer satisfaction. Therefore, it is hypothesized that consumer perceptions of each of these two shopping value types will positively affect satisfaction in an online shopping environment (see Figure 2).

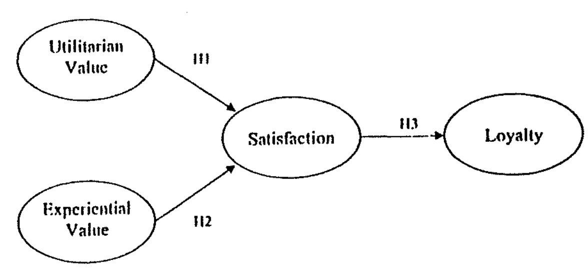
H1: Consumers' perceptions about the utilitarian value of an Internet retailer will be positively associated with their satisfaction with the Internet retailer.

H2: Consumers' perceptions about the experiential value of an Internet retailer will be positively associated with their satisfaction with the Internet retailer.

Interestingly, the mediating role of satisfaction in influencing actual behavior (including repurchase and customer defection) has been examined and shown to be only a weak predictor of behavioral loyalty (Capraro et al. 2003), especially when there were high switching costs. Apparently, high switching costs can mask true customer loyalty because customers may remain loyal when they are actually dissatisfied (Lee, Lee, and Feick 2001; Olson 2002). The Internet provides a new market rule. Because it is extremely easy for consumers to find alternatives and compare prices and service features, switching costs have been considerably lowered on the Internet compared to the traditional marketplace. Therefore, we expect customer loyalty and satisfaction to demonstrate a strong relationship in the online shopping context (see Figure 2).

H3: Heightened consumer satisfaction will likely lead to loyalty toward an Internet retailer.

Figure 2
The Research Model: Value, Satisfaction, and Loyalty



METHODOLOGY

Data Collection and Measures

Previous work on catalog shopping (The Catalog Coalition 1993) and other published scales provided references for the measurement items for this study (c.f., Hirschman 1986; Maddox 1982, Sharma, Netemeyer, and Mahajan 1990; Unger and Kernan 1983). A pilot study using a small number of marketing experts demonstrated face validity for

Table 1
Measurement Scales

Utilitarian Value	
Price Savings (PS) (α=.89)	■ This Internet retailer offers a good economic value. ■ Overall, I am happy with this Internet retailer's prices. ■ The price of the product and/or services I purchased from this Internet retailer are at the right level, given the quality.
Time Savings (TS) (α=.82)	■ Making a purchase from this Internet site makes life easier. ■ When I make a purchase from this Internet site, I save time. ■ Making a purchase from this Internet site is an efficient way to manage my time.
Service (SE) (α=.89)	■ This Internet retailer is a highly skilled expert in the area of services and merchandise it offers. ■ I received excellent service from this Internet retailer. ■ This Internet retailer strives to attain excellence.
Selection (SL) (Guttman's Split half=.80)	■ The wide selection of merchandise and services this Internet retailer offers, meets my needs. ■ This Internet retailer has a good selection of merchandise and/or services.
Experiential Value	
Entertainment (ET) (Guttman's Split half=.80)	■ I think this Internet retailer's site is very entertaining. ■ This Internet retailer doesn't just sell product or services -it entertains me.
Visual (VI) (Guttman's Split half=.96)	■ This Internet retailer's site is aesthetically appealing. ■ The "look" of this Internet site is appealing.
Escape (EX) (α=.77)	■ Making a purchase totally absorbs me. ■ Making a purchase from this Internet site "get me away from it all." ■ Making a purchase from this Internet retailer helps me forget about the day's problems.
Interaction (IN) (α=.80)	■ I come to the aid of others, especially when I'm logged on to this Internet site. ■ I believe it is best to get involved with this Internet retailer's product reviews, surveys, or chat rooms. ■ I enjoy giving other users of this Internet site advice or aid. ■ When I need help, I turn to chat rooms, bulletin boards or other electronic forums provided by this Internet retailer. ■ When this Internet retailer provides me with information or something else of value, I try to reciprocate by providing a comparable level of information or feedback.
Satisfaction (SAT) (α=.88)	■ I really like doing business with this Internet retailer. ■ I have a favorable attitude toward continuing to do business with this internet retailer over the next few years. ■ I believe this Internet retailer has many desirable features.
Loyalty (LOY) (α=.90)	■ I consider this Internet retailers to be my first choice when I need product or services of this type. ■ This Internet retailer is the primary source I consider when I need the type of product of services it offers. ■ I consider this Internet retailer to be my primary source of this type of merchandise or service.

Note: In order to assess reliability, Cronbach's alpha was used for measures with three items. For measures with two items, Guttman's Split half was employed.

the questionnaire items of the shopping value dimensions.

For the main survey, online survey methodology (Graphic Visualization and Usability Center 1998) was used as participants responded to questionnaires posted on the Web. Participants were recruited through various Internet related newsgroups and announcements made to the www-surveying mailing list. Cash prizes were promised to selected participants as an incentive to participate in the Survey. Participants were instructed to think about an Internet retailer from whom they had recently

Table 2
Profiles of the Sample

	Frequency	%		Frequency	%
Gender			**Race**		
Female	263	31.8%	White	744	90.0%
Male	554	67.0%	Other	57	1.9%
			Not Say	16	8.1%
	817	100%		817	100%
Age			**Education**		
Under 20	21	2.6%	High school or less	33	4.0%
21-30	236	28.9%	Vocational/ Technology	25	3.1%
31-40	226	27.7%	Some College	217	26.6%
41-50	188	23. 0%	Bachelor's Degree	299	36.6%
50-60	105	12.9%	Master's Degree	175	21.4%
60-70	27	3.3%	Doctoral Degree	39	4.8%
Over 70	7	0.9%	Professional	24	2.9%
Not Say	7	0.9%	Other	5	0.6%
	817	100%		817	100%
Income			**Marital Status**		
Less than $10,000	15	1.8%	Married	426	52.1%
$10,000-$19,000	28	3.4%	Single	247	30.2%
$20,000-$29,000	49	6.0%	Divorced	59	7.2%
$30,000-$39,000	91	11.1%	Separated	7	0.9%
$40,000-$49,000	88	10.8%	Widowed	12	1.5%
$50,000-$74,000	189	23.1%	Other	57	7.0%
$75,000-$99,000	118	14.4%	Not Say	9	1.1%
Over $100,000	130	15.9%			
Not Say	109	13.3%			
	817	100%		817	100%
Years on the Internet			**Comfortable with the Internet**		
Under 6 months	15	1.8%	Very Comfortable	729	89.2%
6-12 months	36	4.4%	Somewhat Comfortable	80	9.8%
1-3 years	231	28.3%	Neither	6	0.7%
4-6 years	333	40.8%	Somewhat Uncomfortable	1	0.1%
Over 7 years	202	24.7%	Very Uncomfortable	1	0.1%
	817	100%		817	100%
Product Purchased Online					
Books	252	30.5%			
Computers & Electronics	172	20.8%			
Music, Movies & Games	113	13.7%			
Apparel & Gifts	56	6.8%			
Auctions	29	3.5%			
Travel	25	3.0%			
Other	180	21.7%			
	817	100%			

purchased, and they were then asked to complete a survey that measured their perceptions and feelings about the Internet retailer. Respondents were told that there were no right or wrong answers and then asked to indicate "the degree to which each statement was characteristic of their thoughts and feelings, and the way they interact on-line." Table 1 presents items regarding value perceptions, satisfaction, and loyalty. Each item was measured on a 7-point Likert scale ranging from "strongly disagree" to "strongly agree." The online survey was taken over a several-month period resulting in 817 usable responses.

Table 2 presents profiles of the sample employed in this study. As evident in Table 2, the respondents were, in general, well educated, relatively affluent, and highly experienced Internet users. It should be noted that this survey represents *real* Internet users who maintain a strong presence in the online environment and are likely to be the target of many Internet-based marketers. Thus, this sample is believed to be acceptable for the purpose of this investigation.

RESULTS

Reliability of each construct was assessed with Cronbach's alpha and Guttman's split half method. Cronbach's alpha was used for the constructs with three or more questionnaire items and Guttman's split half was used for the constructs with two items. All reliability coefficients exceeded 0.7 (see Table 1), and thus were deemed acceptable (Nunnally 1978).

In order to investigate the types of online shopping value and their impacts upon satisfaction and loyalty, we adopted Anderson and Gerbing's (1988) two-step approach, which assesses the measurement model and the structural model in a sequential way (Garver and Mentzer 1999). That is, confirmatory factor analysis (CFA) and structural equation modeling (SEM) comprised two subsequent stages of analysis. In the first step (CFA), construct validity of the Measurement Model (see Figure 1) including first and the second-order online shopping value factors was assessed. Next, the Research Model (Figure 2) specified three additional paths: a path from utilitarian value to satisfaction (H1), a path from experiential value to satisfaction (H2), and a path from satisfaction to loyalty (H3). The significance and magnitude of these three paths were estimated using structural equation modeling (SEM) in the second stage.

The Measurement Model

In the first step, the psychometric structure of the eight constructs and two higher-order value constructs was assessed using second-order confirmatory factor analysis (CFA). This second-order CFA model included utilitarian value (UV) and experiential value (EV). UV subsumed price savings, service excellence, time savings, and selection dimensions. EV subsumed entertainment, escape, visual, and interaction dimensions (see Figure 1). The advantage of a second-order CFA over a standard first-order model is that the former is more theoretical than the latter. Since utilitarian value is defined as an overall assessment of price savings, service excellence, time savings, and selection; experiential value is perceived as an overall assessment of entertainment, visual, escape, and interaction, this second-order CFA model acknowledges these latent higher-order value types accordingly. The overall fit of each model was evaluated using the GFI (Goodness of Fit Index), AGFI (Adjusted Goodness of Fit Index), CFI (Comparative Fit Index), IFI (Incremental Fit Index), NFI (Normed Fit Index), TLI (Tucker-Lewis Index), and RMSEA (Root Mean Square Error Approximation). Ideally, a statistically non-significant chi-square value is desirable. However, inferring fit from solely the chi-square test is insufficient because the chi-square test is sensitive to even minor deviations between the observed and reproduced data matrices, and is also susceptible to sample size influences (Marsh, Balla, and McDonald 1988). As Hu and Bentler (1999) note, "At larger sample sizes power is so high that even models with only trivial misspecifications are likely to be rejected" (p. 96). The ideal threshold of GFI, AGFI, CFI, IFI, NFI, TLI should be greater than .90; RMSEA less than 0.05. Realistically RMSEA "values up to .08 represent reasonable errors of approximation in the population" (Joreskog and Sorbom 1996, p. 124). The fit indices in Table 3 for the Measurement Model (GFI=.937, AGFI=.941, CFI=.922, IFI=.962, NFI=.942, TLI=.956, RMSEA=.047) were all above the recommended thresholds for a good fit (Hu and Bentler 1999).

Thus, the overall fit of the second-order CFA model was highly adequate to be employed in the testing of the Research Model.

Next, construct validity of the second-order CFA model was assessed in terms of convergent validity and discriminant validity. Convergent validity is assessed by determining whether each manifest variable's estimated coefficient pattern indeed loads upon its theoretical factor. If each indicator's parameter estimate on the underlying theoretical construct is greater than twice its standard error ($|t|>2$), convergent validity is satisfactory (Hu and Bentler 1999). The parameter estimates for the second-order CFA are reported in Table 4.

Table 3
Model Fit

Model Fit	Measurement Model (CFA)	Research Model (SEM)
Chi-Square	627.951	1078.51
Df	221	365
p	.000	.000
GFI	.937	.916
AGFI	.922	.899
CFI	.961	.954
IFI	.962	.954
NFI	.942	.932
TLI	.956	.949
RMSEA	.047	.049
P-Close	.851	.742

All first-order estimates loaded significantly on their latent variables with all p-values less than 0.01. In second-order models, there is another condition that must be met for convergent validity. The relationship between the endogenous latent factors (price savings, service excellence, time savings, selection; entertainment, visual, escape, interaction) and the exogenous overall factors (i.e., utilitarian value and experiential value) must also be significant. Table 4 shows that all the second-order parameter estimates were significant. Thus, the overall convergent validity of the second-order CFA model was deemed acceptable.

Discriminant validity is assessed for two estimated constructs by obtaining the 95% confidence interval between two constructs and making sure that the confidence interval does not contain 1 (Anderson and Gerbing 1988; Garver and Mentzer 1999). In order to obtain confidence intervals for Pearson's correlation coefficients, the Fisher's Z transformation was conducted (Snedecor and Cochran 1980). Confidence intervals for the correlation coefficients were then computed from Fisher's Z scores. Table 5 displays correlation coefficients between each pair of constructs. Correlation coefficients ranged from -.08 to .76, and none of the confidence intervals included 1. Therefore, it was concluded that discriminant validity of these value factors was acceptable.

Given that the second-order CFA model had acceptable convergent and discriminant validity and acceptable reliability, the proposed Research Model were next estimated and evaluated.

Estimation of the Research Model

The research model specified three paths: (1) UV→SAT, (2) EV→SAT, and (3) SAT→LOY. Tables 3 and 4 report the results of structural equation modeling testing the Research Model. The fit indices in Table 3 for the Research Model (GFI=.916, AGFI=.899, CFI=.954, IFI=.954, NFI=.932, TLI=.949, RMSEA=.049) satisfied the recommended thresholds for a good fit (Hu and Bentler 1999). Table 4 reports the unstandardized parameter estimates of the Research Model. All first-order estimates loaded significantly on their latent variables with all p-values less than 0.01. Moreover, utilitarian and experiential value types were not independent. The correlation coefficient between UV and EV was significant, $\rho=0.272$ ($p<.05$, $t=8.142$). The effect of utilitarian value on satisfaction was positively significant ($b_{UV\text{-}SAT}=1.087$, $t=17.417$) thereby supporting H1. Experiential value also had a significantly positive influence on satisfaction ($b_{EV\text{-}SAT}=0.422$, $t=6.570$). Thus, H2 was also supported. Finally, the effect of satisfaction on loyalty was found to be highly significant ($b_{SAT\text{-}LOY}=1.129$, $t=20.743$), supporting H3.

Table 4
Parameter Estimates (*t* Statistics)

Path	The Measurement Model (CFA) Coefficient	*t*	The Research Model (SEM) Coefficient	*t*
UV→SAT (H1)			1.087	17.417
EV→SAT (H2)			0.422	6.570
SAT→LOY (H3)			1.129	20.743
UV →PS	0.939	16.926	0.998	17.161
UV →SE	1.311	19.870	1.380	20.447
UV →TS	0.956	14.149	1.015	14.349
UV →SL	1.000		1.000	
EV→ET	1.809	10.229	1.733	10.072
EV→VI	1.506	11.214	1.700	11.140
EV→IN	0.370	5.081	0.361	4.799
EV→ES	1.000		1.000	
PS→ P1	1.091	27.803	1.085	27.961
PS→ P2	1.061	27.756	1.059	28.000
PS→ P3	1.000		1.000	
SE→ S1	0.963	34.040	0.950	34.274
SE→ S2	0.902	29.360	0.900	29.994
SE→ S3	1.000		1.000	
TS→ C1	1.019	20.176	1.009	20.281
TS→ C2	0.966	20.668	0.964	20.901
TS→ C3	1.000		1.000	
SL→L1	1.229	23.207	1.282	23.460
SL→L2	1.000		1.000	
ET→ E1	1.113	19.489	1.136	19.051
ET→ E2	1.000		1.000	
VI→ V1	0.982	41.383	0.968	43.802
VI→ V2	1.000		1.000	
ES→ X1	1.047	16.700	1.041	16.654
ES→ X2	0.964	16.472	0.949	16.376
ES→ X3	1.000		1.000	
IN→ I1	1.601	13.368	1.601	13.367
IN→ I2	1.450	13.103	1.447	13.095
IN→ I3	1.413	12.894	1.413	12.895
IN→ I4	1.346	12.002	1.348	12.010
IN→ I5	1.000		1.000	
A1 →SAT			0.989	29.233
A2 →SAT			0.994	28.682
A3 →SAT			1.000	
B1→LOY			0.992	41.101
B2→LOY			0.794	32.044
B3→LOY			1.000	

Does Product Type Matter?

While the Research Model found that utilitarian value types and experiential value types both influence customer satisfaction significantly, it was suspected that the saliency of utilitarian value over experiential value (or vice versa) might be contingent upon product type. For example, one would expect more experiential products, such as a vacation package or book, to invoke primarily

Table 5
Confidence Intervals for Correlation Coefficients

	PS	SE	TS	SL	ET	VI	ES	IN	SAT	LOY
PS	1.00									
SE	.645 [.59, .67]	1.00								
TS	.511 [.46, .56]	.520 [.47, .57]	1.00							
SL	.567 [.52, .61]	.633 [.59, .67]	.510 [.46, .56]	1.00						
ET	.194 [.13, .26]	.302 [.24, .36]	.196 [.11, .24]	.255 [.19, .32]	1.00					
VI	.313 [.25, .37]	.435 [.38, .49]	.306 [.24, .37]	.385 [.33, .44]	.508 [.46, .56]	1.00				
ES	.126 [.06, .19]	.187 [.21, .25]	.186 [.12, .25]	.133 [.07, .20]	.501 [.45, .55]	.274 [.21, .34]	1.00			
IN	.047 [-.02, .11]	.066 [-.00, .13]	.034 [-.00, .10]	-.015 [-.08, .05]	.216 [.14, .28]	.110 [.04, .18]	.224 [.16, .29]	1.00		
SAY	.654 [.61, .60]	.735 [.70, .76]	.558 [.51, .60]	.630 [.59, .67]	.406 [.35, .46]	.549 [.50, .59]	.263 [.20, .33]	.095 [.03, .16]	1.00	
LOY	.492 [.44, .54]	.530 [.48, .58]	.506 [.45, .56]	.502 [.45, .55]	.266 [.20, .33]	.329 [.27, .39]	.289 [.23, .35]	.059 [-.01, .13]	.661 [.62, .71]	1.00

experiential value in online shopping. On the other hand, in shopping for a utilitarian product, such as a computer, individuals might seek to fulfill primarily utilitarian values. Our sample included 252 book buyers and 172 computer buyers (Table 2). Since the estimation of structural models require a sample size around 200, we imposed the structure of the Research Model on the two sub sets of data: (1) book shoppers (N=252) and (2) computer shoppers (N=178).

Using confirmatory factor analyses, the Measurement Model representing both the utilitarian and the experiential shopping values were first identified for the book buyers, and for the computer buyers, respectively. The two models demonstrated a satisfactory model fit and good convergent validity. Next, the three research hypotheses were tested again, this time separately for the book shoppers and the computer shoppers. The results demonstrated that, for the book shoppers (N=252) the effect of utilitarian value on satisfaction was positively significant ($b_{UV\text{-}SAT}$ =1.385, t=10.548). Experiential value also had a significant influence on satisfaction ($b_{EV\text{-}SAT}$ =0.552, t=4.340). Finally, the effect of satisfaction on loyalty was also found to be highly significant ($b_{SAT\text{-}LOY}$ =1.198, t=11.798). The fit indices, GFI and CFI for the Research Model, were 0.869, and 0.952, respectively.

For the computer shoppers (N=172), the effect of utilitarian value on satisfaction was positively significant ($b_{UV\text{-}SAT}$ =1.166, t=8.098). Experiential value also had a significant influence on satisfaction ($b_{EV\text{-}SAT}$ =0.467, t=3.410). Finally, the effect of satisfaction on loyalty was also found to be highly significant ($b_{SAT\text{-}LOY}$ =1.155, t=10.202). The fit indices, GFI and CFI for this model, were 0.824, and 0.934, respectively.

DISCUSSIONS AND IMPLICATIONS

The Internet can create a variety of types of value for online shoppers. Trade publications have suggested that online shopping values include lowered costs of products and services, maximized access to information, increased time savings, and personal safety in shopping. Internet retailers indeed have the potential to create superior value to customers beyond geographic barriers and enjoy unprecedented business growth (Keeney 1999). Nonetheless, the potential of the Internet has yet to be realized because many consumers, although they browse Internet retailers' Web sites frequently, do not actually purchase from the Internet retailers. To realize this potential, it is necessary for e-tailers to determine the core value sought by e-customers, and excel in the core value delivery. Theoretical and managerial implications of the findings of the current study include the following.

The significance of this research can be found from its integrative approach to online shopping values. The findings from the current study indicate that Internet shopping invokes different value types and that these value types positively affect customer satisfaction and loyalty. The fact that the second-order Measurement Model verified two overall value types (utilitarian and experiential) in the Internet shopping environment responds to recent calls for more research on consumption goals by Bagozzi and Dholakia (1999) and Woodruff (1997). These findings lend theoretical support to the adoption of more consequence-level value drivers in consumer behavior studies. The use of second-order value types, such a utilitarian value and/or experiential value, provide both an important approach for theory testing and a more goal-oriented, consequence-level approach to predicting customer satisfaction and loyalty. One might suggest that although two overall value types (utilitarian value and experiential value) appear to be relevant in an Internet shopping environment, these two value types might not necessarily influence customer satisfaction and loyalty in the same fashion or same degree.

This study found that consumers perceive online utilitarian value to be important. In fact, when two coefficients in the Research Model ($b_{UV\text{-}SAT} = 1.087$; $b_{EV\text{-}SAT} = 0.422$) are compared, the effect of utilitarian value is stronger than that of experiential value. It appears that most consumers may turn to the Internet primarily for utilitarian reasons, such as price savings, time savings, service excellence, and merchandise selection. Thus, these factors represent the core utilitarian value components sought by consumers and as a result, can increase customer satisfaction with the Web site, ultimately strengthening their loyalty to the Internet retailer. Internet retailers, therefore, should deliver strong utilitarian value to e-customers.

This finding, however, should be interpreted with some caution. Peterson et al. (1997), who categorized product and service characteristics according to likelihood of in-store versus on-line acquisition, assert that frequently purchased intangible or informational products are likely to be acquired on the Internet whereas frequently purchased tangible or physical products are likely to be acquired in a retail store. As evidenced in Table 2, the majority of the respondents answered the survey in terms of online retailers of books, music, and electronics. These types of products are perhaps easy to evaluate online (i.e., cognitive assessment), and, as a result, online purchases of these products are more likely to invoke utilitarian value rather than sensory, experiential value. Moreover, the current online shopping interface demonstrates an apparent shortcoming compared to traditional store shopping. Not only do many online shoppers find Internet retail sites difficult to use (Burke 1997), online shoppers cannot fully enjoy sensory aspects of shopping (Stewart and Zhao 2000), such as taste, smell, touch, and atmospheric aspects due to the bandwidth restraint. Bandwidth to many end user consumers will remain limited since many users connect using modem and low bandwidth wireless networks. This alone may be the reason why online shoppers seek primarily utilitarian value. However, as more sophisticated online virtual reality technologies become available in the future, Internet shoppers will likely desire more intensive visual and entertaining shopping experiences.

Finally, the findings address the question as to whether are utilitarian and experiential value dimensions independent or inter-related. Sheth, Newman, and Gross (1991, p.12) posited that value dimensions are "independent and they contribute incrementally to consumer choice." This study found that utilitarian and experiential value dimensions each affected online satisfaction. The correlation coefficient between the two value types was not strong, though the association was statistically significant. Therefore, it is suggested that marketers need to consider multiple ways to enhance their total consumer value package, stimulating both the utilitarian route *and* the experiential route in order to create the best value proposition for customers.

While some companies attempt to build e-loyalty focusing on incentive-based loyalty programs, the results of this study suggest that firms providing desired shopping value can harvest online customer satisfaction and e-loyalty. We believe that achieving consumer satisfaction through enhanced customer value is the best way to earn the true customer loyalty on the Internet, where shoppers, rather than sellers, are in control - empowered by lowered information search and switching costs.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Researchers are just beginning to develop typologies of Internet shopping value dimensions. While various online shopping value dimensions were identified in this study, the possibility of additional Internet shopping value types should also be acknowledged. Holbrook (1994) suggested that consumer value is dynamic and interactive. Similarly, Flint, Woodruff, and Gardial (2002) also noted that "customers periodically change what they value" (p.102) and thus, retailers cannot depend entirely on "what they currently know about customer value to hold into the future." Especially, in the rapidly changing high-tech environment, marketers are encouraged to anticipate new developments and changes of desired online value dimensions. For example, the ability to interact with customer service personnel real-time can potentially improve online shopping experience and may ultimately encourage revisits and/or repurchases with an Internet retailer. With increasing heralds of online hacking and identity theft cases, a promise of transaction security may reduce customer dissatisfaction online. Future research needs to examine how desired Internet shopping values change into the future and how to translate those changes quickly into e-commerce marketing strategies.

It should be noted that our sample might not be representative of the general consumer public in the U.S. because Individuals who do not have access or skills to use the Internet would have been excluded from our sample. However, an online survey is consistent with the context of this investigation since we intended to learn about the shopping values sought by the wired population. The use of an online survey in academic research can also be found in various social science and business studies (Carbonaro and Bainbridge 2000; Clayton and Werking 1995; Dillman and Bowker 2001; Kittleson 1997; Klassen and Jacobs 2001). Moreover, it has been reported that respondents may view online surveys more interesting than traditional mail surveys due to its relative novelty (Edmonson 1997).

Despite some challenges, this study is an integrative attempt to identify different types of value in an Internet shopping environment investigating their impacts upon consumer satisfaction and loyalty. Understanding consumer value will continue to be important with the growth of Internet commerce. Those who can calibrate their value proposition to e-customer value will remain successful on the Internet. In the Internet shopping environment, customer value is, again, the foremost driver of consumer satisfaction and loyalty.

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e-CONSUMER COMPLAINTS ABOUT ON-LINE STORES

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ABSTRACT

The development of the Internet has created a more efficient means for consumers to gather product information, compare prices, and make purchases at any time and from anywhere. The number of Internet users who are shopping on-line steadily increases. The number of consumers who complain about on-line shopping also increases. Since Internet shopping is still in its infancy, it becomes necessary to detect the consumer complaint areas in order to guarantee the welfare of both on-line business and on-line consumers. This paper examines a) the distribution of complaints according to on-line business type, b) the distribution of complaints according to on-line store type, c) the major complaint themes, d) the distribution of complaint themes according to on-line store types, and e) the categorisation of complaint themes. A total of 4019 on-line complaint letters collected from complaint web sites are content analysed, eleven complaint categories are identified, and their percentage distribution is presented. The majority of complaints are about ISPs, followed by on-line stores and on-line services, respectively. Further, it is found that consumer complaint themes show variety across different on-line store types.

INTRODUCTION

Today, the business world is experiencing a tremendous change in the way of conducting business due to the recent technological advancements and globalisation. Internet and electronic commerce (e-commerce) are the two important tools of this information and telecommunication age. The development of the Internet has created a more efficient means for consumers to gather product information, compare prices, and make purchases at any time and from anywhere. Taylor Nelson Sofres marketing research company (2002) conducted a survey-called "2002 Global E-commerce Report"- across 37 countries, and a total of 42,238 people have been interviewed. The results of that study indicate that between 2001 and 2002 the proportion of Internet users that are shopping on-line has not increased. However, an increase in number of people on-line has helped to ensure that e-commerce is growing.

Nevertheless, not only the number of on-line consumers increases, but also the number of on-line complainants significantly grows. Because of the increasing number of complaints about on-line companies, the Federal Trade Commission launched a web site-"econsumer.gov", which is accessible by 17 member countries. According to On-line Complaint Trends (www.econsumer.gov), from January 1 to December 31, 2003, a total of 5,263 econsumer complaints were received. According to the web site, "merchandise/ service never received" and "misrepresentation" are the most frequently seen complaints, and "catalogue sales/shop-at-home", "computers: equipment/software" and "Internet auctions" are the products/services categories that receive the majority of complaints.

Since Internet shopping is still in its infancy, and since there is no time and geographic restrictions for the activities of on-line companies, it becomes necessary to detect the consumer complaint areas in order to guarantee the welfare of both on-line business and on-line consumers. This is particularly important for providing the satisfaction of on-line consumers, and accordingly facilitating the survival of e-commerce. Therefore, in this paper it is aimed to find out a) the distribution of complaints according to on-line business type, b) the distribution of complaints according to on-line store type, c) the major complaint themes, d) the distribution of complaint themes according to on-line store type, and e) the categorisation of complaint themes.

In the following parts, the consumer complaint behavior literature is presented, and then the research methodology and the findings of the study are submitted. Finally, a framework that illustrates the consumer complaints about on-line stores in a three staged transaction process is given, and some suggestions regarding the complaint areas are generated.

LITERATURE ON CONSUMER COMPLAINT BEHAVIOR

Academicians interest in the field of consumer complaining behavior begins during 1970s, and shows an increasing tendency during the 1980s. This interest led to the emergence of journals related to the topic of consumer satisfaction, such as the *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior.* Satisfaction of consumers is crucial for marketers since it is assumed that satisfaction leads to increased market share, repeat sales and consumer loyalty, positive word of mouth, and profitability. In other words, consumer satisfaction is the impetus for the survival of the companies.

The literature on Consumer Complaint Behavior (CCB) has six major stream research areas. The first research stream is related with the theoretical background of consumer complaint behaviour in order to understand the road that goes to the conceptualisation of consumer complaint behaviour. Anderson (1973, p. 38) considered 1. cognitive dissonance (assimilation), 2. contrast, 3. generalised negativity, and 4. assimilation-contrast as the four psychological theories that predict the effects of disconfirmed expectations on perceived product performance and consumer satisfaction. The results of the study indicated that "too great a gap between high consumer expectations and actual product performance may cause a less favorable evaluation of a product than a somewhat lower level of disparity" (Anderson 1973, p. 38). On the other hand, LaTour and Peat (1979) generalised and applied a comparison level theory to product attributes, which is borrowed from psychology. Krishnan and Valle (1979) applied attribution theory to examine the impact of attributions about responsibility for post purchase dissatisfaction in consumer satisfaction/dissatisfaction literature. The authors found that consumers who blame themselves for dissatisfaction about a product are less likely to complain. Oliver (1980) applied the disconfirmation model to explain consumer satisfaction and dissatisfaction. According to this model, consumers have pre-purchase expectations, and consumers compare their expectations with the performance of the product/service. If the actual performance exceeds expectations, then there is a positive disconfirmation; however, if performance fails to meet expectations, then a negative disconfirmation occurs (Oliver, 1980). The disconfirmation model was used by Swan and Trawick (1981) in a retail store context. It was found that "intentions were predicted most strongly by satisfaction, followed by inferred disconfirmation, and then by the expectations"(Swan and Trawick 1981, p. 62).

The study conducted by Bearden and Teel (1983, p. 22) concluded that "Satisfaction/ dissatisfaction is, in turn, presumed to influence subsequent attitudes, intentions, and complaint behavior". Jacoby and Jaccard (1981, p. 6) defined complaint behaviour as "the action taken by an individual which involves communicating something negative regarding a product or service to either the firm manufacturing or marketing that product or service, or to some third-party organizational entity." Furthermore, Singh (1988, p. 94) gave the conceptualisation of consumer complaining behaviour (CCB) as follows: "CCB, then, is conceptualised as a set of multiple (behavioral and nonbehavioural) responses, some or all of which are triggered by perceived dissatisfaction with a purchase episode". By nonbehavioural responses, the author meant taking no action; while by behavioral responses the author meant taking action (Singh, 1988). As it is seen, it can be concluded that there is no single theory about CCB, and during the conceptualisation of CCB various theories from different fields were used (Blodgett, Granbois and Walters, 1993).

The second research stream is about the nature and extent of consumer satisfaction/ dissatisfaction. Consumer satisfaction/dissatisfaction about various product/service categories, percentage distribution of reasons for dissatisfaction, percentage of consumers having complaints about the products/services that they purchased, most prevalent consumer complaint types, and the sectors that are most often complained about are among the widely studied topics by the researchers (Andreasen and Best 1977; Ash 1978; Day and Bodur 1978; Day and Ash 1979; Grainer et al. 1979; Bolfing 1989; Dolinsky 1994).

The determinants of complaint behaviour established the third research field in CCB literature. Day, Grabicke, Schaetzle, and Staubach (1981, p.

94) mention that "the factors that influence a dissatisfied individual's propensity to complain can be grouped into three categories: (1) circumstances which determine what is at stake in the situation and what the likely costs and benefits of redress seeking or other actions will be; (2) the characteristics of the individual and the situation which determine the purely psychological costs and benefits of alternative actions and mediate action tendencies; and (3) the market conditions, legal climate, and other circumstances which determine the probability of a successful outcome if the action is taken". Gronhaug and Zaltman (1981, p. 85) determined that "active complainers are higher in experience (i.e., buying experience), higher in income, higher in education and they tend to be younger than do the noncomplainers". The propensity to complain has been found to vary according to the demographic and psychological characteristics of consumers. Complainers have typically been found to be younger, well educated, and have professional jobs and higher income (Warland, Herrman and Willits, 1975; Singh 1990a). They have also been found to be more assertive and self-confident compared to non-complainers (Singh, 1990a). Morganosky and Buckley (1986, p. 224) find that "complainers tend to be the most highly and financially successful segments in the marketplace. Due to their relatively high educational levels, they may be more aware of alternative modes for gaining satisfaction such as the calling the Better Business Bureau, etc." In addition, Morganosky and Buckley (1986, p. 225) reported that the "complainer values uniqueness, individuality or a sense of independence". Kolodinsky (1993) found that older persons and women are less likely to have complaints resolved; and even if their complaints are resolved, women are less likely to repurchase the same service when they are dissatisfied. Kolodinsky (1995) identifies constraints (availability of time, and availability of resources) and learning (previous complaining experiences) as factors influencing consumer complaining behaviours.

In addition to demographic and psychological variables, cost/benefit variables such as income and price also have an impact on a consumer's propensity to complain (Kolodinsky 1993; Kolodinsky 1995; Oster 1980). The industry type and structure also have an impact on the consumer complaining behaviour. For example some industry types called "loose monopolies" can cause consumers to show different complaining behaviours when compared to more competitive markets (Day et al. 1981; Kolodinsky 1993).

Classification of consumer reactions to dissatisfaction is a fourth research area under the topic of CCB. Some academicians try to categorise response styles of dissatisfied consumers into groups. Day and Landon (1977) presented consumer complaint behaviour as a two step process, where the first level distinguishes behavioral responses from nonbehavioral responses, and the second level groups behavioral responses into two: public and private responses. Over the years, some efforts have been done in order to make some modifications on the actions of dissatisfied consumers. For instance, Singh (1988, p. 104) showed that "CCB is a three-faceted phenomenon consisting of voice, third party, and private actions". "Voice CCB is directed to objects that are external to the consumer's social circle (i.e. informal relationships) and are directly involved in the dissatisfying exchange (e.g. retailer, manufacturer). The no-action responses are included in this category tentatively because they appear to reflect feelings toward the seller" (Singh 1988, p. 104). Private actions involve negative word-of-mouth communication to friends and relatives and exit behaviours (switch brand/seller); and third party actions involve actions directed toward external agencies such as the Better Business Bureau and legal options (Singh, 1988).

Singh (1990a) took a further step, and classifies consumer response styles into four clusters: "passives", "voicers", "irates", and "activists". Passives are the least likely to take any action, while voicers are the highest who actively complain to the service provider to obtain redress (Singh, 1990a). Furthermore, Singh (1990b) examined variations in voice behaviour across different service categories. Broadbridge and Marshall (1995) investigated post purchase dissatisfaction levels of consumers of domestic and major electrical appliances, and found that electrical goods generate a high ratio of public to private complaints. Hogarth, Hilgert, Kolodinsky and Lee (2001) conducted a study about complaining behaviours of consumers using credit cards and found that less than one out of six households reported a problem; of those, nearly all took some sort of private or public action.

Fifth, consumer complaint behaviour literature heavily investigates the nature and extent of the problems encountered by the consumers, the antecedents and determinants of consumers' complaint behaviour, and the reactions of dissatisfied consumers. However, less emphasis is given to the area of how complaints are handled until 1990s. Consumer complaint handling can give companies the opportunity to make strategic decisions related to their marketing activities. According to Mitchell (1993, p. 9), some of the advantages companies can gain from effectively handling their complaints include: use in strategic planning as well as operational decisions, reduced likelihood of legal proceedings, increased brand loyalty; improved marketing intelligence, increased ease of complaining, internal marketing benefits, reduced warranty and servicing bills, customer perception of quality, objective quality gains, cross-selling to satisfied complainants, and reduced negative word of mouth. Moreover, Plymire (1991, p. 62) showed consumer complaints as opportunities and asserts that "... the surest road to a customer-focused culture is through increased complaints". Furthermore, Nyer (2000) found that consumers who are encouraged to complain reported greater increases in satisfaction and product evaluation compared to consumers who are not explicitly asked to complain. Likewise, the changes in satisfaction and product evaluations are found to be related to the complaining intensity. On the other hand, Schibrowsky and Lapidus (1994) mentioned that only recording and filing complaints is not enough for an effective complaint management. The authors recommended that these complaints must be analysed in a way that allows the firm to make the changes necessary to eliminate the causes of the complaints. Lam and Dale (1999) discussed that lack of management support, lack of employee motivation, poor internal and external communication, poor employee attitudes, and inadequate quality culture are among the elements that lead to unsuccessful complaint handling systems.

Finally, the sixth and the most recent research area of academicians who are interested with CCB is related to Internet and consumer complaining, and satisfaction (Harrison-Walker 2001; Szymanski and Hise 2000).

RESEARCH METHODOLOGY

This study reviews the consumer complaints, which are collected from the consumer complaint web sites about on-line shopping. Due to several reasons complaint web sites are chosen as the data source of this study. The first reason is that most people do not prefer to go to governmental agencies or consumer organisations. Secondly, since these web sites have advanced and large databases of complaints from different parts of a country about different companies and their distinct products, the problems experienced by the consumers also show diversity. Finally, it becomes very easy for consumers to make complaints on-line as a result of the convenience and time saving features of the Internet.

These web sites usually act as mediators between the complainants and companies. Once a complaint web site receives a complaint from a consumer, it sends this complaint to the company and asks for a resolution. It depends on the company whether or not to bring a resolution to the problem encountered by the consumer. The complaint web sites receive lots of complaints about both off-line companies and on-line companies. These web sites not only allow consumers to read the complaints of other consumers about the companies, but also write their own complaints about a specific company. Therefore, they have large databases of complaints about different companies, and their distinct products and services, from different states and regions of a country. However, this study covers only on-line stores where products are bought and sold, and excludes complaints about other on-line businesses such as on-line travel services or Internet service providers. Therefore, it can be concluded that the scope of this study is limited to the consumer complaints about on-line stores.

Research Design and Data Collection

Since exploratory study is appropriate for the research areas, which are relatively fertile and under-investigated, in this study it becomes beneficial to employ an exploratory research design. Hence, the complaint web sites are reviewed in order to gain insight about major on-line shopping complaint areas of consumers from on-line companies. In this study, the researcher downloaded the consumer complaints from complaint web sites, and reviewed each of these complaints. In other words, "free and publicly searchable complaint web sites" constitute the study setting of this research. The use of the Internet as a medium of commerce has been a relatively recent way of conducting business. In this regard, consumer complaints about on-line shopping emerged within the past few years. Moreover, the establishment of the complaint web sites is also a current way of mediating between the consumers and companies. The foundation of most of on-line consumer complaint web sites begins by 2000. Therefore, complaint letters that were downloaded from these web sites cover the years 2000-2003.

The data collection method used in this study depend on on-line research, particularly "on-line computer search". First, the on-line search engines, namely "Google" and "MSN Search" are used to determine the web addresses of consumer complaint web sites. The terms used during the search were "complaint", "consumer", and "consumer organisations". The researcher obtained a list of eight complaint web sites. It has to be noted that the complaint web sites not only contain complaints about on-line shopping but also complaints about off-line shopping. Furthermore, some of these web sites collect compliments about the companies as well as complaints and questions.

Sampling Technique and Sample Size of Web Sites and Complaints

The sampling technique used in this study is "non-probability sampling", which involves personal judgement somewhere in the selection process. Furthermore, the type of non-probability sampling of this research is a "judgement sample". "Judgement samples are often called *purposive samples*; the sample elements are handpicked because it is expected that they can serve the research purpose" (Churchill, 1999, p. 503). Out of eight complaint web sites, two were chosen purposively by the researcher. For the sampling purposes of this study, three criteria were used. First, some of these web sites do not share their complaints publicly. Second, some of the web sites do not have a large database of complaints. In other words, being publicly available is the first criterion, and having a large database of complaints-representativeness, is the second criterion. The credibility of the web site as a data source is the third criterion.

After determining the complaint web sites, the next step is to collect complaints about Internet related activities of companies. These complaint web sites have "search engines" on their web pages, which makes it possible for the consumers to read other complaints as well as to write their own complaints. Moreover, these web sites have large databases of complaints which are classified according to company names or business sectors. Since this study is concentrated on on-line shopping related complaints, each of these web sites are searched for the words "e-commerce", "e-business", "on-line shopping", and "Internet". A total of 17,608 complaints about Internet related businesses were found within the given time frame. In the findings section, more details are given about the distribution of these complaints according to Internet related business areas. However, since the scope of this study includes only complaints about on-line stores where products are bought and sold, the research population becomes 4,602 complaints. The researcher deleted the complaints, which were a) repeated within the same complaint site, and/or b) written to both web sites by the same consumer. Therefore, a total of 4,019 complaints remained as the population of this study.

ANALYSES AND RESULTS

Research Analysis and its Stages

In this exploratory research design, a total of 4,019 complaint letters were content analysed. The four stage content analysis model of Zimmer and Golden (1988) was adapted, which is demonstrated by Figure 1.

Figure 1
Stages in the Data Analysis

Stage 1: Content Analysis of Complaint Themes
The researcher analyzed 4,019 complaints and identified 96 complaint themes.

↓

Stage 2: Aggregation of Themes into Broader Categories
Three coders independently aggregated 96 complaint themes into a total of 22 broader categories.

↓

Stage 3: Selection of a Final List of Complaint Categories
The researcher combined the coders' categories into 11 mutually exclusive and exhaustive complaint categories.

↓

Stage 4: Reliability Analysis
Three judges independently coded the 96 themes into the 11 categories and their agreement is measured.

The Distribution of Total Complaints According to On-line Business Areas

The distribution of the total of 17,608 complaint letters according to on-line business areas is presented by Table 1. The researcher, depending on how these businesses define themselves, identifies 11 different on-line business areas. It has to be noted that during the classification of on-line businesses, several search engines, such as Google, have been also examined.

Table 1 clearly shows that on-line stores/ shopping sites (from now on referred to as on-line stores) is the second on-line business area that receives the majority of consumer complaints. Out of 17,608 complaints, 4,602 complaints are related about on-line stores, which is the main research area of this study. However, as it is stated before, of the 4,602 complaints, a total of 4,019 are useable for this research.

The Distribution of Complaints According to On-line Store Type

The on-line stores are classified into 18 different categories. This categorisation also takes into account the classifications on the aforementioned search engines. While classifying these stores, the way they define themselves and the major product groups that they sell are the two criteria that were used by the researcher. Some of these stores can be pure click stores (e.i.amazon.com), while others can be click with a brick store (i.e. sears.com). Table 2 demonstrates the distribution of 4,019 complaints according to on-line store type.

Table 2 shows that the highest number of

Table 1
The Distribution of Total Complaints According to On-line Business Areas

On-line Business Areas	Frequency of Complaints	Percentage of Complaints
ISPs and Web Hosting Providers	6,369	36.17%
On-line Stores/Shopping Sites	4,602	26.14%
On-line Services	2,588	14.70%
On-line Reward Programs	1,218	6.92%
Web Portals and Search Engines	905	5.14%
On-line Auction Sites	710	4.03%
On-line Entertainment Sites	425	2.41%
On-line Lotteries and Gambling	222	1.26%
On-line Tickets and Events	195	1.11%
On-line Media and News	138	0.78%
Miscellaneous Web Sites	236	1.34%
	17,608	**100%**

Table 2
The Distribution of Complaints According to On-line Store Type

On-line Store Category	Frequency of Complaints	Percentage of Complaints
1. Auto Parts and Accessories Stores	87	2.16%
2. Baby Stores	52	1.29%
3. Beauty and Health Stores	283	7.04%
4. Book and Music Stores	346	8.61%
5. Clothing Stores	123	3.06%
6. Department Stores	380	9.46%
7. Drugstores	71	1.77%
8. Electronics and Computer Stores	859	21.37%
9. Flower and Gift Shops	501	12.47%
10. Food and Grocery Stores	84	2.09%
11. Home, Garden and Furniture Stores	212	5.27%
12. Jewelry and Watch Stores	46	1.14%
13. Mass Merchandise Stores	528	13.13%
14. Office and Business Product Stores	106	2.64%
15. Pet Stores	73	1.82%
16. Sporting Goods Stores	109	2.71%
17. Toy Stores	80	1.99%
18. Other	79	1.97%
Total	**4,019**	**100%**

complaints is received by electronics and computer stores with a percentage of 21.37%. This is followed respectively by mass merchandise stores, flower and gift shops, department stores, and book and music stores.

Stage 1. Content Analysis of Themes

The researcher as the first step of the content analysis, reviews all on-line store related complaints, and as a result 96 different complaint themes are found. However, in a single complaint letter, more than one complaint theme can be detected. For example, in the following complaint letter the consumer was sent a wrong product, and then incurs shipping cost to return the wrong product:

"...I ordered item number 30418-00 stair treads

set of 6 green in color. What was sent to me was a set of stair treads in blue. When I called in to complain, I was told to ship them back and that the correct green treads would be sent to me. The problem is that the shipping to return this item is almost $17.00. The item cost $19.95. Why should I have to [pay] the return shipping when the mistake was on your end not mine?..."

Therefore, even though the number of complainants is 4,019, the frequency of complaint themes is 6,714.

Table 3, in the far right column, shows the frequency of complaint themes; 4,019 consumers have experienced 6,714 incidences of complaint themes for an average of 1.7 occurrences (6714/4019) for complainants reporting problems. This table covers each complaint theme even if it does not constitute 1% of complainants, such as "disgusting web site content", "socially unacceptable, controversial advertising", or "billing and charging sales tax on the product even though the state of the consumer is tax exempt". The main reason of this is that some of these complaint themes may not be prevalent at the time of the research, but may indicate the upcoming problems, which will affect the success of e-commerce.

The Distribution of Complaint Themes According to On-line Store Types

The frequency distribution of complaint themes gives a general idea about the most frequently encountered problems while shopping on-line. However, one of the research objectives of this study is to explore whether the frequencies of these complaint themes differ according to on-line store types. Hence, in Table 3 a cross-tabulation is presented in order to show the frequencies of aforementioned complaint themes across on-line store types. The on-line store categories, which are previously mentioned, are denoted by Roman numerals:

I. Auto Parts and Accessories Stores,
II. Baby Stores,
III. Beauty and Health Stores,
IV. Book and Music Stores,
V. Clothing Stores,
VI. Department Stores,
VII. Drugstores,
VIII. Electronics and Computer Stores,
IX. Flower and Gift Shops,
X. Food and Grocery Stores,
XI. Home, Garden and Furniture Stores,
XII. Jewelry and Watch Stores,
XIII. Mass Merchandise Stores,
XIV. Office and Business Product Stores,
XV. Pet Stores,
XVI. Sporting Goods Stores,
XVII. Toy Stores, and
XVIII. Other.

The rows of Table 3 show the frequencies of complaint themes. That is to say, row 1 represents the "failure of the company to honour refund and/or exchange the product", row 2 represents the "e-mail and/or phone customer service not responding to messages", and so on. The interpretation of Table 3, gives us feedback about frequently encountered complaint themes among different types of on-line stores.

Table 3 shows that "failure of the company to honour refund and/or exchange the product" as a complaint is highest among electronics and computer stores; approximately 25% (117/471) of all complaints related to refund/exchange is seen in electronics and computer stores. However, this can be attributable to the volume of total complaints in this store type; 21% of the 4019 consumers complained about electronics and computer stores. In addition, consumers who complain about electronics and computer stores usually reported problems about "e-mail and/or phone customer service not responding to messages". The reason for this is that consumers usually need technical help about electronics and digitals, therefore they ask their questions either via e-mail or phone. When consumers can not receive answers to their questions in a timely and responsive manner, they complain about these services. Almost half of "unsatisfactory repair, maintenance and technical support" related complaints are seen in the category of electronics and computers stores. This seems meaningful, because, since high tech products are sold in these stores, consumers usually need help either during the installation/assembly of products or during the maintenance of the products.

One of the significant findings of the study is that the highest occurrence of the complaint themes of "non-delivery of the product" and "failure to honour the shipping and delivery period" are seen in the category of flower and gift shops. The periods of Christmas, Saint Valentine's Day, and Halloween's Day and other special days, are usually very busy for flower and gift shops, and when stores can not honour their delivery related statements, they can not meet the expectations of consumers. Furthermore, 39% of the complaints about the theme of "product not as agreed on, described, or seen on the web site of the company" comes from flower and gift shops.

Another interesting result is that the fifth highest complaint theme, "failure of the company to honour the rebates, gifts, coupons, and other promotions", is most frequently seen in the department store category. On-line department stores usually use several promotion methods such as rebates, free shipping, and gift certificates in order to increase their sales. However, when the consumers can not receive these promotions as they expected, they complain about these stores.

"Low Quality/performance of the products" is at the top for flower and gift shops, and then is followed by electronic and computer stores. This type of complaint is equally important within beauty and health stores. Moreover, "misleading/ deceiving advertising" and "selling harm giving/ unsafe/ dangerous products" are at the maximum level in beauty stores. This can be explained by the fact that most of the products sold in these stores are very sensitive products and usually are directly related with human health. For instance, nutritional products, cosmetics, and vitamins are the products sold in these stores. Moreover, advertisements of nutritional products or cosmetics sometimes receive criticism due to exaggerated claims and statements.

Another crucial finding of Table 3 is that book and music stores receive most of the complaints about "order process system not permitting consumers to use promotional coupons, rebates and gift certificates", and "incorrect billing due to double charging, overcharging, and/or unauthorised charging". Being one of the most frequently purchased items on the Internet, books and CDs are generally accompanied with promotional tools such as gift certificates. Moreover, besides large companies, small sized companies can sell books and CDs on-line, since it does not necessitate a great amount of investment. Hence, despite having an inadequate order process system, many companies try to sell books via Internet, and also offer some promotional coupons. However, consumers can not use these coupons and certificates while they are giving their orders on-line. Nevertheless, it has to be noted that from time to time, even large companies can experience such problems.

"Problems occurring because of the business partners/affiliates of the company" has a frequency of 50 among all complaint themes, and 17 of them are encountered in mass merchandise stores where a wide range of non-food merchandise and grocery items are sold. Mass merchandise stores usually sell the products of different brands and they usually work with multiple business partners, hence it is an expected result to have highest problems about business partners/ affiliates in this store category.

Stage 2. Aggregation of Themes into Broader Categories

Three coders with different educational backgrounds are used in order to classify 96 complaint themes into broader categories. Three coders independently aggregated 96 complaint themes into a total of 22 broader categories. The categorization of coders is presented in Table 4.

Stage 3. Selection of a Final List of Complaint Categories

In this stage, the researcher creates 11 categories from the 22 broader categories of coders. Table 5 gives the classification of complaint themes under 11 categories.

Stage 4. Reliability Analyses

In this section, the aforementioned 96 complaint themes are placed under the 11 complaint categories. Three judges, with doctorate degrees in marketing, are asked to assign each of the 96 complaint themes

Table 3
The Frequency Distribution of Complaint Themes According to On-line Store Type

Complaint Themes	On-line Store Type																		*Row Total*
	I	II	III	IV	V	VI	VII	VIII	IX	X	XI	XII	XIII	XIV	XV	XVI	XVII	XVIII	
1	14	13	34	38	24	47	3	117	36	2	35	9	62	9	3	19	2	4	471
2	3	10	30	19	13	46	8	76	50	11	31	6	38	10	9	22	10	9	401
3	5	2	35	34	21	27	5	36	75	14	23	8	47	6	5	14	14	11	382
4	1	0	16	43	7	23	3	53	79	15	29	3	14	7	3	8	11	4	319
5	1	0	20	24	3	111	13	63	19	3	6	2	16	26	0	4	2	2	315
6	11	2	33	1	3	15	0	35	55	4	24	4	22	1	3	4	1	1	219
7	1	4	7	27	8	20	5	35	23	2	3	2	17	8	4	8	7	5	186
8	2	2	8	14	9	16	2	18	22	14	11	4	19	6	6	10	9	11	183
9	6	2	6	16	7	13	1	41	22	4	11	2	24	5	1	1	2	7	171
10	6	1	17	11	6	11	1	47	24	3	10	0	13	4	4	4	3	4	169
11	5	0	17	29	8	10	7	29	13	3	5	4	17	4	2	6	4	3	166
12	7	3	21	16	3	14	2	36	30	0	5	1	12	6	1	3	1	3	164
13	4	5	12	12	7	9	0	24	22	8	15	0	18	4	3	4	3	4	154
14	6	0	19	5	2	12	0	51	7	1	16	1	23	1	2	3	1	1	151
15	1	4	6	25	6	11	7	31	13	6	3	3	12	0	3	3	1	5	140
16	2	2	3	13	3	13	9	36	9	0	3	1	12	4	0	4	0	3	117
17	3	0	7	9	4	2	1	34	9	3	6	1	12	6	5	5	0	1	108
18	5	1	1	3	0	11	0	52	1	0	11	3	12	0	1	5	0	0	106
19	0	4	7	6	1	7	0	40	7	0	6	4	16	2	0	0	0	3	103
20	3	0	5	2	2	3	1	16	40	2	7	2	17	0	2	0	0	1	103
21	0	4	6	8	1	15	0	22	11	0	12	1	3	3	1	2	3	3	95
22	0	3	10	16	5	4	3	8	15	1	2	3	6	5	2	0	5	0	88
23	1	0	12	4	2	7	2	17	4	2	3	0	15	3	5	1	5	3	86
24	1	0	25	3	1	5	6	9	4	1	2	0	18	6	2	0	2	1	86
25	1	0	7	16	2	2	1	20	5	1	1	2	5	1	1	5	1	2	73
26	1	1	4	4	3	9	3	10	11	1	2	0	15	0	2	2	3	1	72
27	1	0	2	6	1	2	0	12	11	1	13	0	15	0	0	2	0	1	67
28	0	1	1	1	2	1	0	23	17	1	4	0	14	0	0	2	0	0	67
29	4	1	2	4	0	2	0	24	5	0	4	0	10	1	5	1	1	2	66
30	0	0	5	12	4	7	0	10	5	0	0	0	18	1	1	2	0	1	66
31	0	0	1	5	2	2	0	20	11	4	2	1	7	1	0	2	2	2	62
32	0	0	2	9	2	4	0	17	7	1	4	1	9	0	2	0	1	2	61
33	0	1	0	8	3	3	2	21	1	2	3	1	11	2	0	2	0	1	61
34	1	1	5	5	2	9	0	15	5	5	4	0	2	0	1	2	1	2	60
35	3	0	2	8	7	2	0	15	5	3	0	1	9	2	0	1	0	1	59
36	2	0	9	10	4	1	1	2	6	3	4	0	5	1	2	1	0	2	53
37	1	0	2	4	0	1	3	9	12	2	4	0	7	0	2	1	1	2	51

38	0	0	2	7	1	1	0	8	8	0	1	0	17	2	1	1	0	1	50
39	0	1	10	4	1	1	1	9	3	0	0	0	6	4	0	4	2	2	48
40	0	3	2	3	0	2	5	10	3	0	2	1	3	6	0	2	2	2	46
41	1	0	5	7	1	2	0	4	3	1	1	0	12	1	1	4	3	0	46
42	3	0	4	4	2	1	2	1	10	2	2	0	4	0	4	0	5	1	45
43	1	1	4	4	1	1	0	21	5	2	3	0	1	0	0	0	1	0	45
44	0	0	0	2	0	0	0	21	1	0	2	0	17	0	0	1	0	1	45
45	1	0	3	3	3	2	0	20	2	0	0	1	4	1	0	0	0	3	43
46	0	1	3	3	1	2	0	21	1	0	1	0	8	0	1	0	1	0	43
47	0	1	1	1	1	3	0	18	0	0	0	1	4	6	0	5	1	0	42
48	2	0	3	1	0	1	0	20	1	0	4	0	10	0	0	0	0	0	42
49	0	0	0	0	6	4	1	2	5	0	0	0	16	0	5	0	2	0	41
50	1	0	0	0	1	0	0	3	27	0	2	0	4	0	2	0	0	0	40
51	2	2	1	6	1	3	0	7	2	0	1	0	2	0	1	4	1	6	39
52	0	0	4	6	0	0	0	15	4	2	2	2	2	0	0	2	0	0	39
53	3	0	12	5	1	0	0	4	1	1	1	0	8	0	0	0	0	0	36
54	0	0	0	5	0	0	0	5	5	2	0	1	13	2	0	1	1	1	36
55	0	0	5	1	1	1	0	8	9	1	1	1	1	0	0	1	3	0	33
56	0	2	4	8	0	0	0	4	0	1	5	0	0	1	0	7	0	0	32
57	1	0	4	1	2	3	0	7	5	2	0	0	2	1	0	0	1	2	31
58	0	0	3	4	0	2	0	9	2	0	1	0	6	0	1	1	1	0	30
59	0	0	4	5	0	0	0	3	2	2	2	0	9	1	0	2	0	0	30
60	1	0	1	2	1	0	0	16	0	0	0	0	7	1	0	0	0	1	30
61	0	0	0	5	0	4	0	11	3	1	0	1	4	0	0	0	0	0	29
62	0	0	0	3	2	2	0	12	4	0	1	0	4	0	0	0	0	1	29
63	1	0	12	0	0	1	0	0	2	1	2	0	3	0	2	0	2	0	26
64	1	0	1	1	0	1	0	10	0	0	1	0	8	0	0	1	1	0	25
65	1	0	0	2	0	3	0	10	0	0	0	0	6	1	0	0	1	0	24
66	0	0	1	1	1	2	0	10	0	0	0	0	5	0	0	0	2	0	22
67	0	2	1	4	0	6	0	2	2	1	0	0	1	2	0	1	0	0	22
68	0	0	1	2	1	2	1	3	2	1	0	0	3	2	1	0	0	0	19
69	0	0	2	7	1	0	0	3	1	0	1	0	0	0	1	0	0	2	18
70	0	0	0	3	0	1	1	6	0	0	0	0	3	0	2	0	0	1	17
71	0	0	0	1	3	4	0	2	1	0	0	0	4	1	0	0	0	0	16
72	0	0	0	2	0	1	0	2	3	1	1	0	2	1	0	0	1	2	16
73	0	0	0	6	0	0	0	0	1	0	0	0	1	0	8	0	0	0	16
74	0	0	0	2	2	4	0	1	0	0	0	0	4	1	0	0	1	0	15
75	0	0	0	2	0	0	1	7	0	1	1	0	2	0	1	0	0	0	15
76	0	0	1	0	4	1	0	4	0	2	0	0	2	0	0	0	0	0	14
77	0	0	1	0	0	0	0	3	1	0	1	0	2	0	5	0	0	1	14
78	0	0	0	1	0	0	0	2	3	0	0	0	5	0	0	1	1	0	13
79	0	0	0	0	0	0	0	5	1	0	1	0	5	0	0	0	1	0	13

80	0	0	0	0	0	0	1	7	2	0	0	0	2	1	0	0	0	0	**13**
81	0	0	0	1	0	0	0	3	0	1	1	0	4	0	0	0	1	1	**12**
82	0	0	0	2	0	1	0	5	2	0	1	0	0	0	0	0	0	1	**12**
83	0	2	0	1	0	0	0	4	0	0	1	0	2	1	0	0	0	0	**11**
84	1	0	0	1	0	0	0	5	1	0	0	0	0	0	0	0	0	2	**10**
85	0	0	2	3	0	0	1	3	0	0	0	0	1	0	0	0	0	0	**10**
86	0	0	0	2	0	1	0	1	0	0	0	0	5	0	0	0	1	0	**10**
87	1	0	2	0	1	0	0	0	1	0	1	0	2	0	0	2	0	0	**10**
88	0	1	0	1	0	0	0	1	0	0	1	0	2	1	0	1	1	0	**9**
89	0	0	0	1	1	1	1	1	1	0	0	0	3	0	0	0	0	0	**9**
90	0	1	1	1	0	0	0	1	0	0	0	0	2	0	0	0	0	1	**7**
91	0	0	0	0	0	1	0	0	0	0	2	0	1	0	0	0	0	1	**5**
92	0	0	0	2	0	0	0	0	0	0	0	0	1	0	1	0	1	0	**5**
93	0	0	0	1	0	0	0	2	0	0	1	0	1	0	0	0	0	0	**5**
94	0	0	1	2	0	0	1	0	0	0	0	0	0	0	0	0	0	0	**4**
95	0	0	0	0	1	0	0	0	0	0	0	0	1	0	0	0	1	0	**3**
96	0	0	0	1	0	0	0	1	0	0	0	0	1	0	0	0	0	0	**3**
Column Total	123	84	500	613	219	562	105	1487	821	148	372	78	840	172	120	194	135	141	*6714*

Table 4
Classification of Complaint Themes by Coders

Coder 1	Coder 2	Coder 3
• Logistics	• Order and Delivery	• Shipping
• Order Management	• Web Site and Infrastructure	• Company-Consumer Relations
• Inventory	• Customer Service	• Usage and After Sales
• Ethical	• Pricing and Cost	• Initial Selling Factors
• Customer Service	• Product and Quality	• Virtual Shop
• Payment/Pricing	• Firm Policy	• Charging
• Product/service		
• After Sales		
• Content/Web Site		
• Service Representatives		

to the category that fits best to its content. Table 6 shows the pairwise judgement percentage agreements.

According to Zimmer and Golden (1988, p. 292), the probability by chance alone of two judges assigning 96 themes to the same category when there are 11 categories can be calculated by using the formula for a binomial probability. This formula is:

$$P\ (k\ \text{successes}) = [N!\ /\ k!\ x\ (N\text{-}k)!]\ x\ [p^k\ x\ (1\text{-}p)^{N\text{-}k}]$$

When this formula is applied, the probability that two judges will assign a theme to the same category by chance will be p= 1/11= 0.090, and N=96 themes, the probabilities of 91, 82, and 82 matches respectively, can be represented as follows:

Judges A and B: $p\ (91) = [96!/(91!\ x\ 5!)]\ x\ [(1/11)^{91}\ x\ (10/11)^{5}] = \mathbf{6.49\ x\ 10^{-88}}$

Judges A and C: $p\ (82) = [96!/(82!\ x\ 14!)]\ x\ [(1/11)^{82}\ x\ (10/11)^{14}] = \mathbf{2.54\ x\ 10^{-70}}$

Table 5
Categorisation of Complaint Themes

Complaint Category	Frequency	Percentage
Delivery Related Issues	1259	19%
Customer Relations and Services Related Issues	1161	17%
Product and Product Supporting Services Related Issues	708	11%
Return/Exchange and Refund Policy Related Issues	690	10%
Order Process Related Issues	667	10%
Billing and Payment Related Issues	614	9%
Promotion and Advertising Related Issues	579	9%
Web Site Content and Technology Related Issues	564	8%
Pricing Related Issues	264	4%
Company Related Issues	127	2%
Privacy Related Issues	81	1%

Table 6
The Percentage Agreement of Judges

Judges	Number of Matching (out of 96)	Percent Matching
A and B	91	94.79%
A and C	82	85.41%
B and C	82	85.41%

Judges B and C: $p(82) = [96!/(82! \times 14!)] \times [(1/11)^{82} \times (10/11)^{14}] = \mathbf{2.54 \times 10^{-70}}$

It is evident that the probability of the results obtained due to chance alone is extremely small. A normal approximation to the binomial quantifies the significance of this result. A z-score is calculated for the probability of obtaining 82 (since 82 is the lowest match) or more matches according to the following formula:

$$z = (k - E_k) / \sqrt{[np \times (1-p)]}$$

Where E_k (expected number of matches) = 96 x (1/11) = 8.72. When this data is placed to the above formula for the judges with the lowest match (in this study either for judges A and C or for judges B and C, since they have the same amount of match):

$$z = (82-8.72) / \sqrt{[96 \times (1/11) \times (10/11)]} = \mathbf{26.016}$$

The probability that 82 or more complaints would be assigned to the same categories by chance is very low, because the z-score that corresponds to an alpha of .01 is 2.33. Since the z-score of this study is 26.02, the number of matches achieved for all three pairs of judges is significantly greater than would be attributable to chance alone. Hence, the matches for all pairs of judges are significant (p= .01).

The percentage agreement for reliability usually receives criticism from several researchers due to its inadequacy (Rust and Cooil, 1994; Grayson and Rust, 2001). The reason for this criticism is that "simply using percentage agreement between judges is not so good because some agreement is sure to occur, if only by chance, and the fewer the number of categories, the more random agreement is likely to occur, thus making the reliability appear better than it really is" (Grayson and Rust, 2001, p. 71). Therefore for the robustness of the reliability of this study, Cohen's κ is calculated according to the directions in the study by Grayson and Rust (2001):

$\kappa = (p_a - p_c)/(1-p_c)$ where,

p_a is the proportion of agreed on judgements, in other words:

$$p_a = (n_{11} + n_{22} + \ldots + n_{11\,11}) / n_{++}$$

p_c is the proportion of agreements one would expect by chance, that is to say:

$$p_c = (e_{11} + e_{22} + \ldots + e_{10\,10} + e_{11\,11}) / n_{++} \quad \text{where,}$$

$$e_{11} = (n_{1+} / n_{++}) \times (n_{+1} / n_{++}) \times (n_{++})$$
$$e_{22} = (n_{2+} / n_{++}) \times (n_{+2} / n_{++}) \times (n_{++})$$

In this study, there are 11 categories and 96 complaint themes; and 3 independent judges assign 96 complaints into these 11 categories. Hence the Cohen's κ results are as follows:

Cohen's κ for Judges 1 and 2: 0,942
Cohen's κ for Judges 1 and 3: 0,837
Cohen's κ for Judges 2 and 3: 0,837

When interpreting the Cohen's κ results, it has to be noted that the results that are closer to 1 indicate higher agreement between the pair of judges. "If κ equals one, this indicates perfect agreement among all the judges. If κ equals zero, this means the extent of agreement is exactly what would be expected by chance. If κ is negative, then there is even less agreement than would be expected by chance. κ can not exceed one, and under some conditions, may not reach one even if there is perfect agreement" (Rust and Cooil, 1994, p. 2).

Assignment of Complaint Themes into Complaint Categories

Figure 2 illustrates the percentage distribution of complaint categories. Even though "failure of the company to honour refund and/or exchange the product" and "e-mail and/or phone customer service not responding to messages" are the top two complaint themes, when all complaint themes are classified, delivery related issues become the top complaint category. Moreover, delivery related issues consist of the complaint areas, which are placed among the top ten complaint themes. These complaint themes are respectively: "non-delivery of the product/failure to honour the delivery, "failure to honour the shipping and delivery period", and "delivery of a wrong or unwanted product". Interestingly, the second highest complaint category is purely related with services; the complaint areas under the category of "customer relations and services related issues" are the supporting services, which add value to the core product. The third complaint category is related with products and product supporting services.

Another finding is that despite the discussions about the privacy related issues in both academic and business environments, consumers' level of complaints about privacy is around 1% of the total complaints. This can be because of the consumers' unawareness about the methods used to violate their privacy. For instance, one of the consumers writes a complaint about a bookstore and asks some questions:

> *"... Do they keep all information that I gave them last year? I don't know how this happened. Is it possible? When I entered their web site, I see all information about me...yes you guess it! even my credit card info..."*

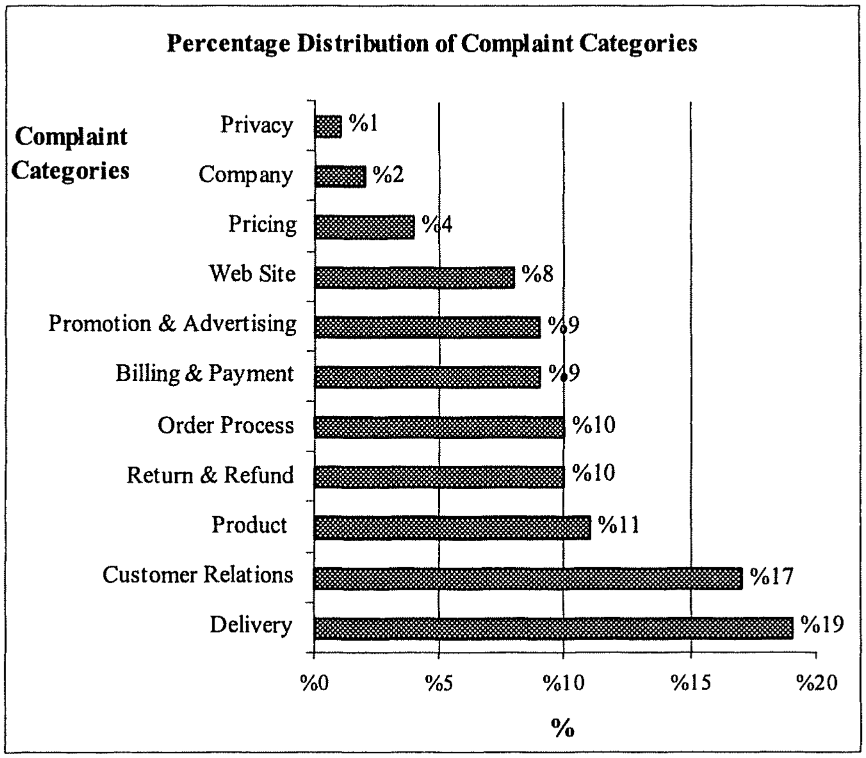
Web site content and technology related issues constitute 8% of all complaints. The complaints about "web site content and technology" are problems that are unique to the Internet environment, hence they carry special importance. Moreover, some of the complaints are not accustomed under traditional business environments.

Finally, the pricing related complaint category is expected to be high, but in contrast, it only constitutes 4% of all complaint frequencies. Consumers' access to better information about products and greater selection of products on the web, combined with lower operating costs of Internet businesses lead a reduction in prices, hence this can be the reason of low rates of price related complaints.

CONCLUSIONS AND IMPLICATIONS

Nowadays, both academicians and practitioners rediscover the importance of consumer satisfaction due to increased competition, globalisation, and new forms of conducting business-such as electronic

Figure 2
The Percentage Distribution of Complaint Categories



commerce and mobile commerce. In this study, it is aimed to explore the consumer complaints about on-line stores. It is found that among all on-line business areas, Internet service providers and web hosting companies receive the majority of complaints. On-line stores and on-line services related complaints are respectively, the two other on-line business areas that receive most of the consumer complaints. The scope of this study is limited to complaints about on-line stores, and after the review of on-line complaint letters, which are collected from on-line complaint web sites, 96 different complaint themes are identified. The distribution of complaints among on-line stores shows that electronics and computer stores receive the majority of the complaints. Mass merchandise stores and flower and gift shops are the other two most frequently complained store categories.

The distribution of consumer complaint themes reveals great variance according to the type of on-line store. For instance, complainants from electronics and computer stores usually mention "failure of the company to honour refund and/or exchange the product" "e-mail and/or phone customer service not responding to messages", and "unsatisfactory repair, maintenance and technical support" as the top three complaint themes. However, "misleading/ deceiving advertising" and "selling harm giving/unsafe/ dangerous products" are more common complaint themes for beauty stores.

Another purpose of this study is to classify the complaint themes into categories. It is found that 96 complaint themes can be grouped under 11 categories. By taking both complaint themes and complaint categories as two bases, some suggestions are developed for each complaint category in order to increase customer satisfaction from on-line companies.

Suggestions About Delivery Related Issues. State shipping and delivery terms and conditions on the web site at an easily seen place in a comprehensive way; deliver on-time, and state delivery periods which are not impossible to achieve; extend delivery periods during peak times (such as on holiday season-Christmas); use high quality shipping containers; integrate company's delivery system with the system of delivery carrier company; provide alternative delivery methods and options (for delivery methods: delivery to post office close to the consumer, enable consumers to pick up products from brick and mortar store; for delivery options: overnight delivery, two day delivery, ground delivery, etc.); integrate the company's internal divisions to a) each other, b) delivery carriers, and c) customers (i.e. interface inbound logistics with sales department, and sales department with outbound logistics, etc.); provide alternative delivery carriers; install a system where consumers can follow their orders through the help of web cameras and see the delivery conditions on time; in order to deliver the right product to the right place and person, use advanced computer systems.

Suggestions About Customer Relations and Services Related Issues. Select staff who are responsive and competent, and have a courteous attitude against consumers; give regular training to all staff; inform customer service representatives about changes in company policies; provide toll-free numbers; provide virtual operators, and on-line chat environments; do not exceed the stated time range for returning messages of consumers; give to-the-point and accurate answers to specific queries of consumers; decrease waiting time on the phone by allowing consumers to leave messages to the telesecretary of the customer service representatives, who will call back consumers; do not prevent consumers if they want to talk with managers and supervisors, be transparent and give names and extensions of the managers; send notifications and updates via e-mail or phone to the consumers about their membership situations; make it possible to assign the same representative to the same customer, so that they do not have to describe the problem for several times; use effective complaint handling and provide a link on the web site so that consumers can write their complaints, questions, or suggestions; make infrastructure investments in order to integrate customer service department with other departments (such as inbound logistics, marketing and sales, production, etc.).

Suggestions About Product and Product Supporting Services Related Issues. Use total quality management in order to decrease ratio of defective products; provide a wide range of products for on-line store; use high quality packaging and wrapping; avoid selling harmful/dangerous products, and fake and counterfeit products and inform consumers about refurbished products; provide consistent and adequate labelling of the products, provide after sales service such as repair, maintenance, and technical support, provide on-line technical support or assistance; choose suppliers and partners that can support product warranty and guarantee; provide product documentation within package, or if possible on the web site.

Suggestions About Return/Exchange and Refund Policy Related Issues. Provide easily seen, clear and comprehensive information about return and refund policy of the company on the web site; honour return and refund as it is stated on the company policy; do not demand a) shipping and handling fees and b) restocking fees for returned products, if the fault belongs to the company (for instance if wrong, incomplete, or defective product is sent, or if the stated delivery period is not honoured by the company); make it easy to obtain prepaid return labels (i.e. put it in the product package, or send via e-mail); make it possible to return products to the brick and mortar store of the company; in order to do this integrate the system of on-line store with that of brick and mortar store.

Suggestions Order Process Related Issues. Provide order tracking system and make technological infrastructure investments; send order status notification about delays, cancellations, or order confirmation; provide order cancellation option prior to shipment and easy to understand cancellation information; design an order system that does not permit the completion of an order process when the product is unavailable due to being out of stock, backordered, or discontinued (for instance give an alerting message before acceptation of the order if the product is unavailable); use integrated logistics systems, electronic data interchange, just in time, and shared technological infrastructure programs with the suppliers of the company in order to control inventory levels immediately and reflect changes to the consumer instantaneously; provide effective communication and coordination among different divisions of a company in order to prevent failures during order process (such as shipment of an order that is cancelled by the consumer); integrate the company's internal divisions to a) each other, b) to suppliers, c) to delivery carriers, and d) to customers through information and communication technologies; obtain approval from consumers prior to sending substitutes when the product is unavailable; provide option to change order information (such as amount or content of the order, credit card information, delivery date and place) prior to shipment; do not permit completion of order process if something is invalid, incorrect or missing (establish a sensitive order system that will not accept orders and will give an alerting message when the coupons and certificates used by the consumer are invalid, or some part of the credit card information is missing, or when the price given is wrong).

Suggestions About Billing and Payment Related Issues. Provide alternative payment methods; integrate accounting department with order taking, inbound and outbound logistics, and customer service departments through information and communication technologies (particularly through EDI-electronic data interchange) to prevent charging and billing the consumer for a) the non-delivered product or non-delivered portion of an order, b) order cancelled by the consumer, and c) his cancelled membership; bill and charge consumers upon shipment of the products; prior to billing and charging send a notification to the consumer about the amount and date of payment so that if something is wrong (for instance, if overcharging or double charging occurs) it can be corrected; payback overcharges and double charges immediately to consumer's account; to prevent billing and charging the consumer for someone else's purchase or unwanted/not ordered products send notification and request approval of the consumer.

Suggestions About Promotion and Advertising Related Issues. Honour rebates, gift certificates, coupons on a timely manner; avoid misleading/deceiving advertising; avoid false demonstrations about products; avoid false claims about products and company policies; avoid bait and switch tactics; avoid controversial, socially unacceptable advertising, and represent accurate, clear and comprehensive information about promotional terms, conditions, and offers.

Suggestions About Web Site Content and Technology Related Issues. Provide easily accessible company web site and links; design easy to download web pages; give consumers text, small or large graphic image alternatives of the web page; design easy to navigate and user friendly shopping environment; give accurate and plenty of information on the web site about the company, its policies, and products and services; do not use disgusting content on the company web page; update web site regularly for stock changes, typographic errors, and provide fresh information; establish inter-organisational information systems with suppliers through the use of EDI, and integrate company's web site with the web sites of the suppliers so that accurate inventory information can be reflected to the consumers in a timely manner; provide subscribe/unsubscribe option on the web site; use most recent encryption methods to provide web site security; enable consumers to view shipping and tax charges on the web site; provide appropriate product categorisation on the web page; incorporate web site with promotional tools, so that print out or download of rebates, coupons, and certificates can be possible; and enable consumers to use promotional tools, such as rebates, coupons, and certificates during ordering without difficulty.

Suggestions About Pricing Related Issues. Avoid unreasonable shipping and handling fees; avoid unfair pricing (such as excessive and discriminatory pricing), and consider value pricing;

honour the price match/guarantee policy that is stated on company web page; avoid price irregularities and inform consumers about price changes; do not make price changes during the transaction; charge shipping and handling fee on the basis of the weight of the products; avoid inconsistent pricing between a brick and mortar store and on-line store of the same company; provide automated system that charges right sales tax for the right state/country, and enable consumers to view all additional fees prior to the end of ordering (for instance give estimated shipping and tax fees during the beginning of order process).

Suggestions About Company Related Issues. Inform consumers about changes in company policies in a visible and understandable way; improve internal marketing (hence increase employee satisfaction); choose highly reputed, well-known business partners, and take the responsibility if they fail due to bankruptcy, or mergers and acquisitions; be liable to your consumers during acquisitions and mergers.

Suggestions About Privacy Related Issues. Use permission marketing and opt-in vs. opt-out options while sending e-mails or newsletters to consumers, so that unsolicited mails can be prevented; state terms and conditions about the privacy policy of the company explicitly on the web site, and be sensitive of privacy of all consumers; state terms and conditions about the use of consumer data explicitly on the web site, and confirm that all personal data about consumers is encrypted.

Today companies that use the Internet to buy, sell, distribute and maintain products and services are realising significant cost savings and increased sales opportunities. However, these benefits can increase if and only if the number of satisfied on-line consumers increases. The complaints of consumers can be a guide for on-line companies in order to improve their processes and prevent complaint areas during these processes.

FURTHER RESEARCH AND LIMITATIONS

Academicians have lagged behind in their study of on-line consumer complaining behaviour, and post purchase complaining behaviour of on-line consumers with regard to understanding satisfaction/dissatisfaction. In order to understand why consumers show a resistance against on-line shopping, it is crucial to learn what makes them dissatisfied. The present study identifies 11 complaint categories that are consisted of a total of 96 complaint areas; however an empirical test of these findings is not conducted. Moreover, "what type of action do dissatisfied customers take against on-line companies?" is the question, which has to be reinvestigated for the on-line consumers. Therefore, it is highly recommended to revise past studies about consumer complaining behaviour for on-line consumers.

The impact of dissatisfied (or satisfied) on-line consumers on potential consumers is also a research area, which receives scant attention from researchers. This is particularly important because "word of mouth" (WOM) has changed as "web of mouth" through the usage of Internet as a communication device. On-line boards, newsletters, product rating web sites, and on-line communities are major tools that are used for web of mouth. Therefore, the impact of web of mouth should be investigated from different perspectives.

The present study includes complaints about on-line stores; however, on-line business is constituted of several business areas such as Internet service providers (ISPs), on-line services, on-line auctions, etc. As mentioned earlier in the findings part of this study, there are eleven on-line business areas, and this study is concerned with one of these business areas, namely with on-line stores. The complaints may show differences across these different business areas, hence to make generalisations from the findings of this study to all on-line business areas may be inappropriate.

Consumer satisfaction/dissatisfaction is a continuum, but this study only deals with the consumer dissatisfaction end of this continuum. In other words, what makes consumers dissatisfied about on-line stores is examined, but what makes consumers satisfied about on-line stores is not investigated. Another limitation of this study is that demographic information about the complainants, such as age, sex, income and education level, can not be obtained. Hence a deep analysis of consumer complaining behaviour depending on the demographic indicators can not be done.

The future of e-commerce depends on its reputation and positive image, which can be achieved through highly satisfied consumers.

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THE FREQUENCY AND DISTRIBUTION OF BETTER BUSINESS BUREAU COMPLAINTS: AN ANALYSIS BASED ON EXCHANGE TRANSACTIONS

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ABSTRACT

With the cooperation of a local BBB office, the BBB complaint histories and sales volume records of companies in two key industries, new home builders and franchised auto dealers, were analyzed over a five-year period (1998-2002). Results demonstrated that in the new home construction industry one BBB complaint was generated for every 148 homes built, while the frequency in the auto dealers industry was significantly lower with just one BBB complaint for every 2,131 new and used cars sold. In both industries the distribution of BBB complaints was highly skewed with a few "bad apple" companies generating the bulk of the complaints. Most companies in both industries generated few, if any, BBB complaints. Larger companies in both industries generated significantly more BBB complaints than smaller companies. But when the rate of BBB complaints (number of BBB complaints divided by company size) was considered, a mixed view emerged regarding the relationship with firm size. In the auto dealers industry, larger dealers had significantly higher BBB complaint rates than smaller dealers. However, the complaint rate of larger home builders was not significantly greater than the complaint rate for smaller builders.

INTRODUCTION

Last year, consumers bought more than 1 million new homes in the U.S., a near record. Average sale price: $250,000. But a CR investigation has found that increasingly, buyers are discovering that their new dream home has serious defects and that they have more consumer protections for a fickle $20 toaster than for a flawed investment-of-a-lifetime.

("Housewrecked," 2004, p. 26)

Americans spend more than $650 billion a year on new cars—and they probably spend way too much. Chances are you've been there, sitting across from a smiling car salesman, sweating out the negotiations, determined to get a bargain, but convinced you won't. You're probably right. Dateline NBC went undercover to reveal some tricks of the trade, how, with a little sleight of hand and deception, dealerships are sweetening your deal in their favor—taking you for thousands of dollars.

("Car Sales: Tricks of the Trade," 2003)

Unfortunately, as these excerpts from recent news stories vividly illustrate, consumers are still often victimized by unscrupulous companies. Particularly for higher priced items such as homes and autos, dissatisfied consumers will typically contact these companies to seek a fair resolution for their complaints. However, despite their repeated attempts, sometimes complaining consumers are still unhappy with companies' responses. As a last resort, they may turn for assistance to third-party complaint agencies, such as the Better Business Bureau (BBB). For instance, in 2003 over 737,000 complaints were filed with local BBB offices, a 23.5% increase over the prior year ("BBB Services Nationwide Surged in 2003," 2004).

Given the prominent role that the BBB plays in resolving consumer complaints, it is not surprising that academic researchers have critically analyzed consumers' use of the BBB during the past several decades. A wide variety of issues have been addressed in this research area including (1) the frequency of usage of the BBB by dissatisfied consumers (e.g., Andreasen 1988; Day and Landon 1977; TARP 1979), (2) demographic characteristics of consumers who use the BBB (e.g., Best and Andreasen 1977; Cornwell, Bligh, and Babakus 1991; Liefeld, Edgecombe, and Wolfe 1975; Robinson, Valencia, and Berl 1982; TARP 1986), (3) variables that determine consumers' intentions to seek help from the BBB (Singh 1989; Singh and Wilkes 1996), (4) complaining consumers' perceptions of appropriate complaint resolutions

(Fisher, Garrett, Arnold, and Ferris 1999), (5) potential improvements in the BBB's operating procedures to encourage greater consumer usage (Cornwell, Bligh, and Babakus 1991; Fisher, Garrett, and Arnold 1977; Owens and Hausknecht 1999), and (6) industry structural characteristics that may impact third-party complaining behavior (e.g., Andreasen 1985; Oster 1980; Singh 1991).

Using this prior research as a foundation, this paper will address two important research issues that should further contribute to our understanding of the pivotal role that the BBB plays in resolving complaints between consumers and companies. First, this study will investigate how often exchange transactions between consumers and companies eventually lead to BBB complaints. All prior research concerning the frequency of BBB complaints has based frequency measurement in terms of how often dissatisfied consumers reported that they sought assistance from the BBB. This approach to frequency measurement based on consumer dissatisfaction has several weaknesses that will be discussed in more detail later in this paper. In contrast, evaluating the frequency of BBB complaints in terms of exchange transactions provides a more uniform and consistent reference point with which to compare the relative performance of different industries. For example, this approach will allow us to determine if an exchange transaction of buying a new car is more likely or less likely to lead eventually to a BBB complaint than an exchange transaction involving building a new house. This measurement approach is also in accordance with the marketing discipline's long tradition of focusing on exchange transactions as one of the fundamental core concepts of marketing (Kotler 1972; Sheth, Gardner and Garrett 1988).

The second objective of this paper is to determine the distribution of BBB complaints across companies within particular industries. While the number of complaints filed with the BBB continues to grow, prior research has never attempted to identify exactly which companies within an industry are the culprits in these escalated complaint situations. At one extreme, some marketing executives may argue that, despite their best efforts, it is impossible to satisfy some customers. If this perspective is correct, BBB complaints should be fairly broadly distributed with most companies within an industry having a few complaints. However, some business critics may argue that there are some notorious "bad apple" companies in any industry who, because of their outrageous disregard for customer satisfaction, account for the majority of BBB complaints within that particular industry. From this view, an analysis would show a highly skewed distribution with just a few companies accounting for the bulk of BBB complaints. This paper will seek to provide an answer to this question by analyzing the distribution of BBB complaints across companies to determine if a few "bad apples" are indeed responsible for a large proportion of complaints in an industry.

In addition, this study breaks new ground in terms of the methods used to answer these two important research questions. First, this research identifies and analyzes all companies competing in a local market, not just those that had been the targets of BBB complaints as prior research has used (Oster 1980). This provides for a much richer picture of not only which firms are the targets of BBB complaints, but also which firms do not generate BBB activity. Second, using data obtained from proprietary market research organizations, this study directly evaluates the comparative size of these companies (in terms of number of units sold) to determine how firm size may impact the frequency and distribution of BBB complaints. Firm size has been mentioned in the past as a potentially important explanatory variable regarding BBB complaints (Oster 1980), but this is the first study to use actual sales data to measure directly company size. Very importantly, this study will be able to determine if larger companies are more or less likely to be the target of BBB complaints than smaller companies in the same industry.

OVERVIEW

In the next section, the role of the Better Business Bureau in the consumer complaining behavior process will be discussed in more detail. Following that, the specific research questions and hypotheses addressed in this study will be presented, along with the methodology used in this project.

Finally, the results are presented and discussed.

THE BETTER BUSINESS BUREAU AND CONSUMER COMPLAINING BEHAVIOR

One of the first issues that struck the interest of researchers in the customer satisfaction arena was determining the full array of actions consumers may take when they are dissatisfied with their purchases (e.g., Hirschman 1970; Best and Andreasen 1977; Day and Landon 1977). Drawing upon this earlier work, Singh (1988) verified three distinct responses that dissatisfied consumers may pursue—voice responses (e.g., seek redress from seller), private responses (e.g., word-of-mouth communication), and third party responses. In Singh's typology, third party responses were defined as actions consumers may take to involve agencies and organizations that are not direct parties to the complaint dispute, such as the Better Business Bureau.

Focusing specifically on these third party responses, research has consistently shown that dissatisfied consumers use third parties very infrequently to deal with their purchase problems (Andreasen 1988; Reiboldt 2003). For instance, research by TARP (1979) revealed that fewer than 10% of dissatisfied consumers sought assistance from any type of third party complaint agency. However, while the usage of third party agencies may be relatively limited, these complaint situations tend to be very highly charged, often because the purchase price of the product or service in question is quite high (Oster 1980). In addition, these third party complaint situations typically arise only after dissatisfied consumers have made repeated attempts to resolve their complaints through the manufacturer or retail store. In their analysis of consumers who used a local BBB for assistance, Fisher et al. (1999) found that consumers, on average, had contacted their dry cleaning companies 5.7 times, their auto dealers 6.7 times, and their home construction companies 18.1 times before they contacted the BBB. Thus, after these repeated efforts, consumers are often very agitated when they finally seek BBB assistance.

While definitive data are not available, there is some evidence that the BBB is one of the most popular third-party options that dissatisfied consumers choose (Best and Andreasen 1977). With over 120 local offices in the United States and Canada, the BBB is a readily accessible third-party complaint agency that can address a broad range of consumer-company disputes. While the BBB has no legal power to impose a resolution on companies, it does encourage managers of these allegedly offensive companies to reach a mutually agreeable resolution with dissatisfied consumers. However, because the BBB is funded largely by member companies' dues, some critics have argued that the BBB is biased in favor of companies rather than consumers in these disputes (Munns 1978). Despite this criticism, the use of the BBB by dissatisfied consumers continues to grow rapidly with 500,591 complaints processed in 2001, 626,081 complaints in 2002, and 773,042 complaints in 2003 ("BBB Services Nationwide Surged in 2003," 2004).

Over the years a number of research studies have analyzed the BBB, particularly issues related to consumers' use of the BBB as a complaint resolution option. Some of these studies have profiled the demographic characteristics of consumers who use the BBB (Best and Andreasen 1977; Cornwell, Bligh, and Babakus 1991; Liefeld, Edgecombe, and Wolfe 1975; Robinson, Valencia, and Berl 1982; TARP 1986). These studies have generally found that consumers who complain to the BBB tend to be well educated, affluent, and have managerial or professional occupations. Cornwell, Bligh, and Babakus (1991) noted, however, in their research that Mexican-American consumers' use of the BBB may be substantially different from other demographic groups. For instance, while unsatisfactory service was the leading BBB complaint issue for consumers nationwide, they found that relatively few of the BBB complaints filed by Mexican-American consumers focused on this issue. Instead, Mexican-American consumers' BBB complaints focused most often on delivery delays and damage to goods.

Other studies have focused on explaining the variables that may determine a consumer's intention to seek assistance from third-party complaint agencies (e.g., Singh 1989; Singh and Wilkes 1996). Singh (1989) reported that consumers' expectations of success of third party complaining, attitudes toward complaining, and prior experience with third party complaining determine to a large extent their intentions to seek third party assistance.

Focusing on behavioral outcomes, Fisher et al. (1999) discovered that dissatisfied consumers who complain to the BBB engage in significantly higher negative word-of-mouth communication and lower repeat purchase intentions compared to satisfied consumers. Also, they found significant gaps between what these dissatisfied consumers perceived to be a fair resolution for their complaints and what companies offered.

In addition, some studies have begun to investigate consumers' perceptions of the effectiveness of the BBB and possible changes to improve BBB procedures (Cornwell, Bligh, and Babakus 1991; Fisher, Garrett, and Arnold 1977; Owens and Hausknecht 1999). For instance, Owens and Hausknecht (1999) found that a simpler complaint process encouraged a higher proportion of dissatisfied consumers to complete the necessary paperwork to file a formal BBB complaint. Fisher, Garrett, and Arnold (1997) found that consumers value highly the company information provided by the BBB to consumers who are evaluating potential companies from whom to buy products. In fact, they found that consumers value this BBB information more highly than the opinions of their friends regarding a particular company.

Finally, researchers have also explored the impact that industry structural characteristics, such as loose monopolies, may have on complaining consumers' use of third-party agencies (Andreasen 1985; Oster 1980; Singh 1991). Oster (1980) reported that BBB complaint activity is highest for products that are purchased infrequently, higher priced, have volatile price levels, and have low income elasticities. She also found that found that bigger firms with larger local advertising levels tend to generate fewer BBB complaints. Singh (1991) hypothesized that the use of third-party complaint actions would be highest in industries, such as medical care, that display loose monopoly characteristics and lowest in highly competitive industries, such as grocery retailing. However, his results did not show any significant variation of third-party complaint usage across the three industry sectors in his study (grocery retailing, auto repair, and medical care).

In sum, this prior research regarding the BBB has shed considerable light on consumers' use of the BBB as a third-party complaint agency. However, as discussed next, there are several conceptual and methodological limitations of this previous research that should be acknowledged and addressed.

The first limitation in this previous research is the predominant focus on consumers' use of the BBB as an appropriate complaint mechanism. Comparatively little research has specifically concentrated on company or industry characteristics in this research arena (Andreasen 1985; Oster 1980; Singh 1991). This is noteworthy because recent research has stressed that complaint situations involve two parties, consumers and companies, and more emphasis should be placed on the pivotal role that companies play in these disputes (Garrett and Meyers 1996; McAlister and Erffmeyer 2003). By focusing primarily on variables related to dissatisfied consumers who use the BBB, and paying scant attention to the companies who are the targets of these complaints, our view of these contentious complaint situations is decidedly one-sided. Specifically, we have very little empirically-based information concerning exactly which companies in an industry generate BBB complaints.

The second limitation is the overwhelming reliance on evaluating frequency of BBB usage based on the existence of consumer dissatisfaction. That is, previous research has typically evaluated the frequency of BBB usage in terms of "When consumers are dissatisfied, how often do they seek assistance from the BBB?" (e.g., Best and Andreasen 1977; Kolodinsky 1993, 1995; Moyer 1984; Singh 1991; TARP 1986). This measurement approach is perhaps understandable given the strong consumerism tradition from which most previous BBB research has evolved. As a result, however, we are not currently able to answer the equally important question of "How often do exchange transactions eventually result in BBB complaints?" With rare exception (Oster 1980), exchange transactions have been ignored as a potentially very informative baseline for measuring the frequency of BBB usage, especially to compare performance across industries.

The third limitation relates to the socially desirable response bias that may potentially affect consumers' answers to inquiries regarding the actions they took when they were dissatisfied. Market researchers have long understood that respondents will often provide answers that they believe are socially desirable (Sudman and Bradburn 1974). Although this issue has not been directly tested, it is likely that many respondents believe it is socially desirable to be a vigilant consumer who will assertively pursue complaints through third party agencies. In fact, recognizing this inherent problem, Singh (1989) used a creative "future incident" approach to minimize this socially desirable response risk. Therefore, previous studies that have relied on self-reports from consumers on the frequency of third party complaint usage may be tainted due to this socially desirable response bias.

As explained in the next section, this study will answer several research hypotheses that will add to our knowledge of the frequency and distribution of BBB complaints across companies. At the same time, the methodology used in this study to address these research hypotheses incorporates several advancements that eliminate many of the weaknesses that have limited previous research regarding the BBB.

RESEARCH HYPOTHESES

This study addresses four major hypotheses regarding the frequency and distribution of BBB complaints. As will be described in more detail in the methods section, these hypotheses are tested using data regarding BBB complaints in two industries, franchised auto dealers and new home builders.

The first hypothesis relates to the frequency of BBB complaints across industries. As already discussed, prior research has primarily focused on determining the frequency with which dissatisfied consumers seek help from the BBB. Instead, this study uses exchange transactions as the baseline to determine how often exchange transactions eventually lead to BBB complaints. More specifically, this first hypothesis focuses on the comparative frequency of BBB complaints between the auto dealers industry and the new home builders industry.

H1: As measured in terms of exchange transactions, the frequency of BBB complaints will be significantly higher in the new home builders industry than in the franchised auto dealers industry.

The rationale for this first hypothesis is based on the following four variables which draw primarily upon earlier work regarding the impact of industry structure on third party complaining behavior (Andreasen 1985; Hirschman 1970; Kolodinsky 1995; Oster 1980; Singh 1989, 1991):

a) Purchase frequency: Oster (1980) reported that BBB complaint frequency was higher for products that are purchased infrequently. Similarly, Singh (1991) asserted that loose monopolies with their long repurchase cycles would have higher BBB frequencies. In general, most consumers purchase new homes much less frequently than they buy new or used autos. Therefore, we should expect to see BBB complaints occurring more frequently in the new home building industry than in the auto dealers industry.

b) Pre-purchase evaluation and inspection: When consumers are unable to evaluate and inspect products before purchasing, this is likely to lead to more dissatisfaction and subsequent BBB complaining. This is similar to Singh's (1991) notion of restricted information being a characteristic of loose monopolies. Because consumers typically sign a contract to build a new house before construction even begins, they have less opportunity to evaluate and inspect their purchase than do auto buyers who may test drive the product before purchase. This should then result in BBB complaints occurring more frequently in the home building industry compared to the auto dealers industry.

c) Price: Several studies have noted that consumers are more likely to complain, including using third party agencies, as the price of the product increases (Kolodinsky 1993; Oster 1980; TARP 1986). While autos and homes are both high priced items, the purchase of a new home is usually considerably more expensive than the purchase of an auto. This relatively higher price should lead to more frequent BBB complaints in the home construction industry than in the auto dealers industry.

d) Formalized complaint systems: Industries vary in terms of the degree of formalized complaint systems that are available for dissatisfied consumers to use to express their displeasure. Oster (1980) argued that firms with higher amounts of fixed capital would have a greater interest in promoting consumer satisfaction and thereby protecting their investments. She specifically highlighted that auto manufacturers regulate and inspect their dealers to ensure that they meet rigorous customer satisfaction guidelines. Therefore, industries with formalized complaint systems are more likely to resolve consumers' complaints before they escalate to the level of BBB involvement. Because the home construction industry has a less formalized structure than the auto dealers industry, the frequency of BBB complaints should be higher in the home builders industry than in the auto dealers industry.

The second hypothesis pertains specifically to the distribution of BBB complaints across companies within an industry. No previous research has investigated if BBB complaints are spread fairly evenly across most companies or concentrated mainly with just a few companies in an industry. With all of the attention and emphasis on customer satisfaction during the past few decades, an argument can be made that managers at all companies surely understand and indeed embrace the notion of addressing consumer complaints in a proactive manner. If this view is correct, BBB complaints would be fairly evenly distributed across most companies in a particular industry.

However, there appears to be a basic perception, even among the most hardened business critics, that most companies do try to satisfy their customers and only a few "bad apple" companies engage in offensive behavior that upsets consumers. Emblematic of this perception is the closing comment made by Stone Phillips, host of Dateline NBC, in the network's recent hour-long special about deceptive automobile dealers' sales tactics: "Not all car dealers engage in the practices you saw here tonight" ("Car Sales: Tricks of the Trade," 2003). Similar perspectives are held by members of highly criticized industries, such as home building. In a recent story regarding increased consumer complaints about defects in new houses, an executive with the National Association of Home Builders stated, "We don't see that there is a systematic or endemic problem" ("Housewrecked," 2004, p. 27). Personal discussions with BBB managers also support this view. They stated that their experience clearly showed that a few "bad apple" companies tend to generate the bulk of the BBB complaints in any industry. Therefore, the following hypothesis will be tested:

H2: The distribution of BBB complaints across companies in both the auto dealers and home builders industries will be highly skewed with just a few companies generating the majority of complaints.

Assuming that the second hypothesis is supported, the third hypothesis focuses on which companies within an industry will fall into this "bad apples" category. Oster (1980) found that large firms receive relatively few BBB complaints. She argued that these larger firms, with their higher fixed capital bases, would have more incentive to resolve consumers' complaints before they escalated to the level of BBB involvement. However, there is a major methodological weakness in Oster's study which tempers this finding. Oster only analyzed companies that had received at least one BBB complaint during an 18-month period with a participating local BBB office. Those companies that had received zero BBB complaints in that local BBB office's market during that time period were not included in this analysis.

This is noteworthy because more recently Fornell (1995, p. G208) has reported that "the empirical association between a firm's market share and the (mean) satisfaction of its customers is not positive." In other words, as firms grow larger in size their customer satisfaction levels tend to decline, rather they increase as argued by Oster (1980). Fornell suggested that this occurs because larger firms are less able to provide personalized service for their customers. In addition, he reasoned that larger firms may be more focused on competing with lower prices which may restrict their customer service budgets. Therefore, the third hypothesis states:

> H3: The occurrence of BBB complaints is positively correlated with firm size. Larger companies in both the auto dealers and home builders industries will generate more complaints than smaller companies in these industries.

However, managers at larger firms may obviously argue that their companies are more likely to generate more BBB complaints simply due to the greater number of exchange transactions that they have with customers. In essence then, this third hypothesis does not take into consideration the relative size of companies to determine if the rate of BBB complaints is significantly higher in larger companies. Therefore, further analysis will evaluate the rate of BBB complaints (as expressed in terms of the number of BBB complaints received by a company divided by its unit sales volume) and its predicted positive association with firm size:

> H4: The rate of BBB complaints is positively correlated with firm size. Larger companies in both the auto dealers and home builders industries will have significantly higher complaint rates than smaller companies in these industries.

RESEARCH METHODS

To address the research hypotheses presented in this study, two specific items of data were required—(1) the identity of all companies competing in the auto dealers industry and new home building industry within a specified market area, and (2) the number of BBB complaints for each of these companies. Executives with a local BBB office that serves a Midwestern state offered their cooperation and support for this research project. Therefore, information was readily obtained regarding how many BBB complaints were filed against any particular company during a certain time period.

Identifying all of the companies that are competing in the auto dealers and new home building industries in this local BBB office's market was rather problematic. Local BBB offices only have files on companies that are either the target of consumer complaints or the subject of numerous consumer inquiries for company information. Therefore, efforts were instead made to find proprietary research organizations that collect data for all companies in these two industries within this BBB office's territory. This extensive search identified an auto dealer research organization that collects this data for all franchised auto dealers in the same Midwestern state served by the BBB office. A research organization was also found that collects home builder data for an eleven-county area that contains 41% of the housing units (based on the 2000 U.S. Census housing unit count) in this Midwestern state. Company information, including sales performance data, covering a five-year period (1998-2002) for franchised auto dealers and home builders was then purchased from these two research organizations.

One of the major methodological strengths of this study was the inclusion of all companies competing within these specific local market areas served by the BBB office. As noted earlier, Oster (1980) only included those companies that had received at least one BBB complaint. This present study is the first known research effort to gather information for all companies competing in a market, whether or not they had been the targets of BBB complaints.

The following guidelines were established to determine if companies listed in these two proprietary databases (auto dealers and home builders) should be included for analysis in this study. First, auto dealers were included only if they were a franchised new car dealer (i.e., licensed by a major auto manufacturer). Dealers that only sold used cars were not included. For home builders, only builders that focused exclusively on new home construction were included. Companies in both industries were included only if they had been in business during that entire five-year period (1998-2002) and under the same ownership. Using these qualification criteria, 274 auto dealers and 194 new home builders were included in this analysis.

The total number of complaints filed with the BBB for each company in these two industries during these five years was recorded. In addition, sales performance data, measured as total units sold, was recorded for each company from the proprietary research databases. For auto dealers, this was in terms of number of new and used cars sold; for home builders, this was measured in terms of number of new homes built.

This was also a major methodological advancement over previous research in this general area. Previous research (Oster 1980) relied on indirect measures of firm size, specifically number of employees. The measure of firm size used in this present study (number of units sold) is arguably a preferable measure that better reflects the true nature of exchange transactions.

In the following section, the results of this analysis of the frequency and distribution of BBB complaints in the auto dealers and home builders industries are presented.

RESULTS

Table 1 provides an overview of the number of BBB complaints and sales performance for the 274 auto dealers and 194 home builders for the five years from 1998-2002. In the auto dealer industry, there were 1,044 complaints filed with the BBB, which reflects an average of 3.81 complaints per dealer over this five-year period. With the large volume of sales in this industry (2,224,677 new and used cars sold), the BBB complaint rate was only 1 BBB complaint for every 2,131 cars sold. In the home builders industry there were 94 BBB complaints filed during these five years. This equated to only 0.48 complaints per builder. However, with the relatively lower sales volume of 13,931 new homes built during these five years, this yields a complaint rate of 1 BBB complaint for every 148 new homes built.

To test the first hypothesis regarding the relative frequency of BBB complaints in these two industries, a Z test for the differences between two proportions was calculated. The resulting Z value of 9.0 is significant at the .005 level. Therefore, as predicted, this result indicates that the frequency of BBB complaints in the home builders industry is significantly higher than in the auto dealers industry.

The distributions of these BBB complaints across companies are shown for the home builders in Table 2 and the auto dealers in Table 3. The second hypothesis regarding the skewness in the distribution of these complaints across companies was evaluated as explained next.

Home Builders (Table 2). The skewness statistic for this complaint distribution was 6.0, reflecting a high degree of positive skewness. These data reveal that 163 builders (84.0%) did not generate any BBB complaints during this five-year period. In contrast, 6 builders generated 7 or more complaints, with 17 complaints recorded for just one home builder. These 6 builders (3.1% of total builders) generated 58.5% of all of the complaints filed with the BBB during this period.

Auto Dealers (Table 3). The skewness statistic for this complaint distribution was 4.8, again reflecting a high degree of positive skewness. As these data show, 38% of these dealers did not have any BBB complaints against them during the entire five-year period. At the other extreme, 9 dealers had 30 or more BBB complaints during this same time period, with the highest total being 73 complaints for one dealer. These 9 dealers (3.3% of total dealers) generated 36.9% of all of the complaints filed with the BBB during this period.

Based on these results, the second hypothesis is accepted. As predicted, the distributions of BBB complaints across companies in both the home builders and auto dealers industries are highly skewed. That is, in both of these industries just a very few "bad apple" companies are responsible for a large proportion of all of the BBB complaints filed by dissatisfied consumers. In contrast, many of the companies in both of these industries have very few, if any, BBB complaints filed against them, even over a fairly long time period of five years.

Given this finding that the distribution of BBB complaints is highly skewed, analysis then shifted to

Table 1
BBB Complaints for Auto Dealers and Home Builders: Five-Year Period (1998-2002)

	Auto Dealers	Home Builders
Number of companies analyzed	274	194
Total units sold	2,224,677 new and used cars	13,931 new homes
Average units per company	8,119.2 cars per dealer	71.8 homes per builder
Range of units sold by company	Minimum = 964 cars Maximum = 103,488 cars	Minimum = 9 homes Maximum = 1,558 homes
Total BBB complaints	1,044 complaints	94 complaints
Average complaints per company	3.81 complaints per dealer	0.48 complaints per builder
BBB complaint rate	1 BBB complaint for every 2,131 new and used cars sold	1 BBB complaint for every 148 new homes built

Table 2
Distribution of BBB Complaints Across Home Builders

Number of BBB Complaints (1998-2002)	Number of Home Builders	Percent of Builders	Cumulative Percent of Total Home Builders	Number of Complaints	Percent of Complaints	Cumulative Percent of Total Complaints
0	163	84.0	84.0	0	0.0	0.0
1	15	7.7	91.8	15	16.0	16.0
2	6	3.1	94.8	12	12.8	28.8
3	4	2.1	96.9	12	12.8	41.6
7	3	1.5	98.5	21	22.3	63.9
8	1	.5	99.0	8	8.5	72.4
9	1	.5	99.5	9	9.6	82.0
17	1	.5	100.0	17	18.1	100.0*
Total	194	100.0		94	100.0	

(* rounded to 100%)

evaluate the third hypothesis regarding the predicted positive correlation between firm size and number of BBB complaints. Pearson correlations were calculated between units sold and number of BBB complaints for companies in the home builders industry and the auto dealers industry. In the home builders industry, the correlation coefficient was .813 which is significant at the .01 level. In the auto dealers industry, the correlation coefficient was .816, again significant at the .01 level. Therefore, these significant positive correlations between firm size and number of BBB complaints confirm the third hypothesis. In both industries, the numbers of BBB complaints generated are significantly greater in larger companies than in smaller companies.

Finally, to test the fourth hypothesis, Pearson correlations were calculated to measure the association between complaint rate (number of complaints received by a company divided by the company's sales volume) and firm size. The Pearson correlation for the home builders industry was .043, which is not significant at the .01 level. In contrast, in the auto dealers industry the resulting correlation was .160, which is significant at the .01

Table 3
Distribution of BBB Complaints Across Auto Dealers

Number of BBB Complaints (1998-2002)	Number of Auto Dealers	Percent of Dealers	Cumulative Percent of Total Auto Dealers	Number of Complaints	Percent of Complaints	Cumulative Percent of Total Complaints
0	104	38.0	38.0	0	0.0	0.0
1	48	17.5	55.5	48	4.6	4.6
2	33	12.0	67.5	66	6.3	10.9
3	15	5.5	73.0	45	4.3	15.2
4	15	5.5	78.5	60	5.7	20.9
5	12	4.4	82.8	60	5.7	26.6
6	9	3.3	86.1	54	5.2	31.8
7	8	2.9	89.1	56	5.4	37.2
8	4	1.5	90.5	32	3.1	40.3
9	2	.7	91.2	18	1.7	42.0
10	3	1.1	92.3	30	2.9	44.9
11	4	1.5	93.8	44	4.2	49.1
14	1	.4	94.2	14	1.3	50.4
15	1	.4	94.5	15	1.4	51.8
16	1	.4	94.9	16	1.5	53.3
17	1	.4	95.3	17	1.6	54.9
19	1	.4	95.6	19	1.8	56.7
21	1	.4	96.0	21	2.0	58.7
22	1	.4	96.4	22	2.1	60.8
23	1	.4	96.7	23	2.2	63.0
30	4	1.5	98.2	120	11.5	74.5
33	1	.4	98.5	33	3.2	77.7
44	1	.4	98.9	44	4.2	81.9
56	1	.4	99.3	56	5.4	87.3
58	1	.4	99.6	58	5.6	92.9
73	1	.4	100.0	73	7.0	100.0*
Total	274	100.0		1,044	100.0	

(* rounded to 100%)

level. Therefore, the results for the fourth hypothesis are mixed. The results from the auto dealers industry do support the prediction that larger companies have significantly higher complaint rates than their smaller competitors. However, the results from the home builders industry do not support this hypothesis. In this industry, larger companies do not generate BBB complaints at a significantly higher rate than their smaller competitors.

The limitations of this study are described next, followed by a discussion of the implication of these results.

LIMITATIONS

The results of this study are obviously limited by the inclusion of companies from just two industries, home builders and auto dealers. To strengthen the robustness of these results, similar analysis should be conducted in other industries that generate significant levels of BBB complaints. Two particularly good candidates may be the

Table 4
Detailed Analysis of Home Builders with Highest Number of BBB Complaints

Company	Number of BBB Complaints	Total Number of Homes Built	Size Rank in Industry (1 = largest)	Complaint Rate (1 BBB complaint for every XXX homes built)	BBB Rating
Builder A	17	1,558	1	92	Satisfactory
Builder B	9	352	7	39	Satisfactory
Builder C	8	1,078	2	135	Satisfactory
Builder D	7	1,034	3	148	Satisfactory
Builder E	7	398	4	57	Satisfactory
Builder F	7	72	19	10	Satisfactory
Industry average	0.48	71.8		148	
163 builders with zero BBB complaints	0.0	39.0 (average)			

Table 5
Detailed Analysis of Auto Dealers with Highest Number of BBB Complaints

Company	Number of BBB Complaints	Total Number of Cars Sold	Size Rank in Industry (1 = largest)	Complaint Rate (1 BBB complaint for every XXX cars sold)	BBB Rating
Dealer G	73	63,024	4	863	Satisfactory
Dealer H	58	103,060	2	1777	Satisfactory
Dealer I	56	74,539	3	1331	Satisfactory
Dealer J	44	36,420	9	828	Satisfactory
Dealer K	33	39,748	8	1205	Satisfactory
Dealer L	30	12,757	37	425	Satisfactory
Dealer M	30	103,488	1	3450	Satisfactory
Dealer N	30	44,760	6	1492	Satisfactory
Dealer O	30	10,885	46	363	Satisfactory
Industry average	3.81	8,119.2		2131	
104 dealers with zero BBB complaints	0.0	3,167.4 (average)			

telecommunications industry and Internet services industry, both of which have generated large numbers of BBB complaints in recent years.

A second limitation of this present study was the focus on companies in just one local market and the records of just one local BBB office. While there is no apparent reason to believe that this particular local market is substantially different or unique from other local markets around the United States, caution must still be exercised in generalizing these results to other markets.

A third limitation is the fact that the geographical coverage areas for the two industries analyzed in this study are not identical. The data for the auto dealers industry encompassed the entire state that is served by the cooperating local BBB office. However, due to restrictions of the research organization from which the sales unit data were purchased, the data for the new home builders industry only covered 41% of this state's area. Even though there is no apparent reason to believe that the results would be different if data for all home builders for the entire state were included, caution must still be used in interpreting the results from this study.

DISCUSSION

By focusing on exchange transactions, this study offers new insight regarding the frequency and distribution of BBB complaints. This section will discuss the potential importance of these findings for consumer satisfaction theory development, industry regulation, and BBB practices.

Consumer Satisfaction Theory Development

Prior research regarding the frequency of BBB complaints had consistently measured how often dissatisfied consumers sought help from the BBB. While this approach indicated that third party complaint agencies, such as the BBB, were infrequently used by dissatisfied consumers, it did not provide any insight regarding the frequency of BBB complaints in terms of exchange transactions. In particular, prior research could not provide comparative analysis across different industries regarding the frequency of BBB complaints.

This present study now provides some answers in this area of the frequency of BBB complaints when measured against the total number of exchange transactions that occur within industries. As predicted, the results in this study showed that the frequency of BBB complaints is much higher in the new home builders industry than in the franchised auto dealers industry. In other words, consumers are much more likely to end up seeking help from the BBB for their unresolved problems when they build a new house than when they buy a new or used car from a franchised auto dealer.

In terms of theory development, these frequency findings in the home builders and auto dealers industries offer some intriguing possibilities for future research. As discussed earlier, some prior research has used Hirschman's loose monopolies (1970) concept as a potentially useful theoretical framework for explaining differences in consumer complaining activity across industries (Andreasen 1985; Kolodinsky 1995; Oster 1980; Singh 1989, 1991). Drawing from this previous work, this study offered four variables (purchase frequency, pre-purchase evaluation and inspection, price, and formalized complaint systems) as possible explanatory factors for the differential frequency of BBB complaints between the home builders and auto dealers industries. Clearly, more research is needed on additional industries to determine if these four variables are sufficient for predicting the frequency of BBB complaints.

The findings in this study also raise interesting theoretical issues regarding the relationship between customer satisfaction and market share. As explained earlier, Fornell (1995) indicated that customer satisfaction ratings tend to decline as firms grow in size. The findings in this study provide only mixed support for this purported link between company size and customer satisfaction performance. When the BBB complaint rate (number of BBB complaints divided by company sales volume) is considered, the results from the auto dealers industry were in accordance with Fornell's perspective. Larger auto dealers tended to generate higher BBB complaint rates than their smaller competitors. However, this relationship did not hold true in the home builders industry where no significant relationship between firm size and BBB complaint rate was found.

Therefore, looking beyond a simple analysis of company size, more research is needed to determine why some companies generate more BBB complaints than other competitors in the same industry. In particular, the findings in this study seem to run counter to the "service-profit chain" which asserts that companies with poor customer service records will suffer under the debilitating effects of customer churn and negative word-of-mouth communication (e.g., Heskett, Jones, Loveman, Sasser, and Schlesinger 1994). To explore this further, Tables 4 and 5 overview the six home builders and nine auto dealers in this study that generated the highest numbers of BBB complaints in their industries. For example, Dealer G in the auto industry generated the highest number of BBB complaints (n = 73) and had a considerably higher than average complaint rate of one complaint per every 863 autos sold. However, Dealer G still attained the fourth highest sales volume in the industry. Perhaps companies such as Dealer G are experiencing success in their industries using a strategic model that is not based solely on the tenets of the "service-profit chain." One of the intriguing areas of future research is exploration of the pricing and promotional strategies employed by companies in these industries. These "bad apple" companies may be pursuing a strategic model with a strong dose of aggressive low pricing and heavy advertising that compensates for any ill effects generated by their relatively poor customer service records in their industries.

In addition, these findings raise interesting issues regarding the effects of negative word-of-mouth communication by dissatisfied consumers. Prior research has found that dissatisfied consumers who complain to the BBB tell many other people about their bad experiences with these companies (Fisher et al. 1999). In theory, this negative word-of-mouth communication should cause significant harm to these offensive companies (Bone 1995; Halstead 2002). If this is true, how is it that many of these "bad apple" companies have been able to grow in size even in the face of the negative word-of-mouth communication generated by their dissatisfied consumers who complain to the BBB? Perhaps earlier research (Fisher et al. 1999), which has relied primarily on self-reports from consumers, has overstated the actual amount of negative word-of-mouth communication. Or perhaps this negative word-of-mouth communication may not have the impact on potential consumers in the market that has been earlier believed.

Industry Regulation

As predicted, the bulk of BBB complaints in both the home builders and auto dealers industries are concentrated with relatively few "bad apple" companies. Most companies in both of these industries are apparently able to resolve any dissatisfaction with their customers before these disputes escalate to the point of BBB involvement. Therefore, when critics allege that certain industries are doing a poor job of satisfying their customers, these findings suggest that the fault may indeed reside with just a few "bad apples" who are giving the whole industry a bad name.

In terms of industry regulation, any regulatory efforts to "clean up" poor customer service practices in an industry may be misguided if they are applied uniformly to all companies in that industry. Instead, these results indicate that any regulatory programs would be better applied if they are targeted directly at the "bad apples" in the industry that, as shown in Tables 4 and 5, generate large numbers of consumer complaints and have significantly higher than average complaint rates. This may be of particular concern to trade association groups that function largely to advance the interests and common welfare of companies in their industry. These trade association groups may need to enforce stronger sanctions on those "bad apples" in their industry to encourage or force them to improve their substandard customer service practices. If not, the unacceptable practices of these few "bad apples" may cause consumers to believe that all companies in that industry are guilty of providing poor customer service.

BBB Practices

These findings also have potential significance for the operating policies and practices of BBB offices. In addition to serving as a complaint agency for dissatisfied consumers, the BBB also functions to provide helpful information regarding company performance to consumers who are in the market to do business with local firms. Given the results in this study, perhaps more efforts should be made by the BBB to inform consumers of their relative risk of having contentious exchange transactions that eventually lead to BBB complaints in certain industries, such as the new home construction industry. BBB offices may consider strengthening their consumer education programs so that more emphasis is placed on explaining to consumers the relative likelihood that transactions in various industries may eventually result in BBB complaints.

Additionally, the BBB should warn consumers to avoid doing business with specific "bad apple" firms that generate inordinately high numbers of BBB complaints in their particular industry. However, the current reporting practices used by most local BBB offices run counter to this ideal goal. Company ratings at most local BBB offices are based on a company's responsiveness to consumers' complaints after the BBB contacts the company. As long as a company responds to BBB complaints and tries to reach resolutions with complaining consumers, the BBB will typically grant a satisfactory rating to that company. As shown in Tables 4 and 5, all of the highest complaint producing companies in both industries received satisfactory ratings from this local BBB office. If the BBB hopes to maintain its credibility as an effective third party consumer information agency, it should reconsider its ratings system and apply unsatisfactory ratings on those "bad apple" companies that demonstrate a consistent pattern of not acting in their customers' best interests.

CONCLUSION

This is the first study in the customer satisfaction area to analyze the frequency of BBB complaints in terms of exchange transactions and evaluate the distribution of BBB complaints across companies. This study has demonstrated that the frequency of BBB complaints can vary dramatically between industries. Consumers who built new homes were much more likely to seek assistance from the BBB than were consumers who bought cars from a franchised auto dealer. This study also revealed that a minority of companies in both the new home builders industry and the franchised auto dealers industry generated the majority of the BBB complaints in their industries. Most of the companies in both of these industries had few, if any, BBB complaints, even over a five-year period. Additional research, however, is needed to understand more fully why "bad apple" companies tend to generate inordinately high levels of BBB complaints.

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NUMBERS VERSUS WORDS: A COMPARISON OF QUANTITATIVE AND QUALITATIVE DATA ON SATISFACTION WITH COMPLAINT RESOLUTION EFFORTS

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ABSTRACT

Using data from the Federal Reserve System's consumer complaint program, this paper explores the similarities and differences in consumers' quantitative evaluation and qualitative comments regarding their satisfaction with the program. Quantitative analysis was based on seven items from a consumer satisfaction questionnaire. The qualitative comments were evenly split between positive and negative. Some related directly to the work of the complaints program while others related to much broader issues. These two data sources appear to reinforce each other. The comments provide similar information to that gleaned in the quantitative portions of the questionnaire, but provide additional insights on the quantitative data, pointing out specific areas within the areas of timeliness, thoroughness, and communication that could be targets for improvement.

INTRODUCTION

There's a saying that "a person with two watches never knows what time it is" – two sources of information may just as easily be in conflict as in agreement. So it is with managers charged with monitoring consumers' satisfaction with their products or services – they may have both quantitative and qualitative data about the same issue, and these data could be either at variance or in agreement with one another. If the qualitative and quantitative data reinforce each other, the manager's task is easy – fix what's broken and leave the rest well-enough alone. However, if the data are disparate, then decisions about what to fix – or even knowing what's broken – can be difficult.

The goal of this paper is to explore similarities and differences in consumers' quantitative evaluation and qualitative comments regarding their satisfaction with the consumer complaint program of a U.S. federal agency. Our study is motivated not only by a desire to improve the complaint program but also to improve customer feedback mechanisms. While quantitative data is relatively easy to manage and analyze, qualitative data is fairly resource intensive to sift through and analyze. If there are differing results from quantitative and qualitative data, then we need to explore ways not only to improve the program but also to improve feedback so that we can obtain consistent results. From an agency perspective, we want to gain a broader understanding of consumers' perceptions and experiences with the complaint process and to identify opportunities for improvements in the program. From a research perspective, we want to know more about the relationship between quantitative and qualitative inputs when assessing satisfaction.

In this paper, we begin with an overview of the Federal Reserve System and its Consumer Complaint program. We then explore consumers' satisfaction with the complaint process, measured quantitatively. Next, we explore consumer's satisfaction as seen through their qualitative comments. Finally, we discuss the implications of the similarities and differences in our findings, both for the organization and for the research community.

BACKGROUND ON THE FEDERAL RESERVE SYSTEM

The Federal Reserve System, the central bank of the United States, was established by law in 1913. The System includes a Board of Governors ("the Board") based in Washington DC and 12 regional Federal Reserve Banks. One of the Federal Reserve's general duties is "supervising and regulating banking institutions to ensure the safety and soundness of the nation's banking and financial system and to protect the credit rights of consumers" (Board of Governors of the Federal Reserve System, 1994, p.1). Financial institutions that are state-chartered can join the Federal Reserve, becoming "state-member banks." The 12 Reserve Banks regularly examine these state member banks to determine the safety and soundness of the institutions and their compliance with numerous federal banking laws.

As part of its role in protecting the credit rights of consumers, the Federal Reserve also oversees financial institutions' compliance with federal consumer protection laws that deal with consumer credit and financial services such as the Truth in Lending, Equal Credit Opportunity and Electronic Fund Transfer Acts. A complete listing of the laws and regulations for which the Federal Reserve is responsible can be found at www.federalreserve.gov/Regulations/default.htm. Another responsibility involves investigating and resolving complaints filed by consumers against state member banks, primarily complaints that are related to the consumer credit and financial services area. Federal law -- specifically, Section 18(f) of the Federal Trade Commission Act, 15 USC 57a (f) -- mandates that the Federal Reserve investigate and resolve consumer complaints filed about state member banks. The act provides:

> In order to prevent unfair or deceptive acts or practices in or affecting commerce (including acts or practices which are unfair or deceptive to consumers) by banks... [the Federal Reserve] shall establish a separate division of consumer affairs which shall receive and take appropriate action upon complaints with respect to such acts or practices of banks ... (Pubic Law 93-637, 1974).

In the mid-1970's, the Federal Reserve established a separate division of consumer affairs and instituted a formal Systemwide procedure in 1976 for handling consumer complaints about state member banks.

A complaint can be filed with the director of the consumer affairs division at the Board or with the Federal Reserve Bank in the region in which the state member bank is located. The Board and the Reserve Banks follow specific guidelines and rules for receiving, investigating, and responding to complaints. Although the Federal Reserve System receives numerous complaints, it only investigates those complaints involving state member banks.

When the System receives complaints, they are either investigated by the appropriate Reserve Bank or referred to the appropriate federal agency for response. If the complaint is forwarded to another agency, the System notifies the complainant of the referral. At times, complaints are also forwarded to state agencies -- such as a state Attorney General or Banking Commissioner -- for action.

Data about consumer complaints and information requests are entered into an on-line tracking system that can be accessed by both Board and Reserve Bank personnel. That system --the Complaint Analysis Evaluation System and Reports or CAESAR -- has been functional since 1999, although data are available electronically from the early 1990s (using a different automated tracking system) and other data archives go back to the 1980s. CAESAR provides System personnel with a great deal of detailed and summary information including, for example, data about the number and types of complaints and inquires received, the length of time involved in Reserve Banks' complaint investigations, and descriptions of complaint resolutions.

Each complaint is coded into CAESAR using a three-tiered coding structure; complaints are assigned: 1) one of 34 major product codes that describes the product involved in the complaint (e.g., credit card, checking account); 2) one or more of 313 problem subcodes that identify more specifically the subject of the complaint (e.g., billing error, interest rates, or fees); and 3) a notation that indicates the law or regulation involved in the complaint (e.g., Truth in Lending, Fair Credit Reporting). The list of codes has been developed over many years of dealing with thousands of consumer complaints and is quite robust. As new products and services come to market, or as new concerns such as predatory lending, privacy, electronic signatures, and identity theft develop in the marketplace, new codes are added to CAESAR. This allows the Federal Reserve to keep abreast of developing trends, to respond to congressional requests for information about products or practices of concern in the financial services area, and to monitor financial institutions as needed.

Once a complaint investigation is closed, a consumer satisfaction questionnaire is sent to the complainant. The Consumer Satisfaction Questionnaire can be found at http://www.federalreserve.gov/boarddocs/reportforms/forms/FR_137920021002_f.pdf. The questionnaire is sent to all consumers whose state member bank complaints have been investigated by the Federal Reserve System. The questionnaire uses a Likert scale allowing respondents to indicate various levels of satisfaction or dissatisfaction with the System's complaint-handling process. In addition, complainants are asked how the assistance they received compared with their expectations. Finally, the questionnaire requests that complainants provide demographic information (such as their gender, income, and race). Data from the questionnaire are entered into CAESAR, where they can be aggregated to monitor performance, identify trends, and assess areas for improvements.

LITERATURE REVIEW

Perhaps one of the most cited background studies on consumer research is Hudson and Ozanne (1988). The authors describe two different types of research approaches-- the positivist and the interpretivist-- used to analyze consumer behavior. While the former aims to *predict* consumer behavior the latter's goal is *understand* it. Although many research techniques can be used with each of the two approaches, in general, quantitative techniques are used by the positivists and the interpretivists utilize qualitative techniques.

The seminal economic framework used to conceptualize complaining behaviors is that of Hirschman (1970) who linked market structure to complaints and identified three categories of consumer behavior: 1) loyalty (that is, not complaining), 2) exit (stop using the dissatisfying product or service), and 3) voice (complaining). Over the years there have been numerous modifications made to this typology, typically from the perspective of marketers (Day and Bodur, 1977; Day and Landon, 1977). The concepts of private action (complaining to family and friends or other word of mouth complaining) versus public action as well as differentiating between voicing to sellers/merchants versus voicing to third parties have been developed and incorporated into this typology (Best and Andreasen, 1977; Kolodinsky, 1995; Kolodinsky and Aleong, 1990; Lee and Soberon-Ferrer, 1996, 1999; Singh, 1988, 1989, 1990; Ursic, 1985).

There is a substantial body of empirical literature profiling the nature and extent of problems consumers face in the marketplace and the factors associated with complaining about these problems (see Andreasen, 1988; Perkins, 1992; and Robinson, 1978, for bibliography and overviews of the state-of-the-art as of those dates). There is also a large spectrum of theoretical foundations on which these studies are based. Andreasen (1988) has characterized these as the cost/benefit, restraints, learning, and personality/ attitude approaches. The disconfirmation of expectations model has also been widely used (DeRuyter, Bloemer, and Peeters, 1997; Oliver, 1977).

Several authors have carried out quantitative research regarding consumer complaining behaviors. Consumers' propensity to complain is influenced by their assessment of the costs and benefits (Cho and Joung, 1999; Day, Grabicke, Schaetzle, and Staubach, 1981; Gilly, 1987; Gilly and Gelb, 1982; Gronhaug and Gilly, 1991; Landon, 1977; Lee and Cunningham, 2001; Richins, 1980) and their estimate of the probability of success (Blodgett, Wakefield, and Barnes, 1995; Day *et al.*, 1981; Kolodinsky, 1995). Consumers' attitudes toward seeking redress are also important determinants (Bearden, 1983; Cho and Joung, 1999; Hirschman, 1970; Richins, 1980, 1982; Singh, 1990), as are the consumers' ability and motivation to complain, including expectations (Oliver, 1977). Kolodinsky (1995) also identified constraints (e.g., time available) and learning (e.g., previous complaining experiences) as factors influencing consumer complaining behaviors. There are situational characteristics that influence complaining behaviors, including degree of dissatisfaction and disconfirmation (Maute and Forrester, 1993; Oliver, 1986) and perceived alternatives (Maute and Forrester, 1993).

While there is an extensive amount of literature related to consumer research and complaining behavior in particular, most of it is *quantitative.*

There are only a small number of studies that have used a qualitative approach to analyzing consumer complaining behaviors. These studies range from the disappointment expressed by football fans of Brigham Young University for not being invited to particular college "bowls" (Wright and Larsen, 1997) to gender differences in how individuals voice their complaints (Garrett, Meyers and West, 1997). Others have looked at how the format of customer comment cards from service and retail industries can affect both qualitative and quantitative measurements regarding customer satisfaction and complaining behavior (Kraft and Martin, 1997). To our knowledge, no study has used both a qualitative and quantitative approach to analyze consumer complaining behaviors.

METHODOLOGY

Data on consumers who complain to the Federal Reserve System can be drawn from the CAESAR database and from responses to the Consumer Satisfaction Questionnaire. From the CAESAR database, we have information on the consumer's gender (if the consumer provides a full name, fully recognizing that some individuals complain on behalf of a household), region where the consumer lives, and the region of the bank involved in the complaint. We also know the product and nature of the consumer's complaint, how the consumer reached us (that is, whether the consumer complained directly to us or was referred to us from another agency), how long the consumer's complaint took to resolve, and whether the complaint was resolved in the consumer's favor. From the Consumer Satisfaction Questionnaire, we have information on some of the consumer's socio-economic and demographic characteristics (age, ethnicity/race, income, education) along with information on their efforts before complaining to the Federal Reserve and how satisfied they were with the Federal Reserve's efforts and various aspects of the complaint investigation.

Between October 1999 and September 2001, every consumer whose complaint was investigated and closed by the Federal Reserve received the Consumer Satisfaction Questionnaire. Due to mail disruptions in Washington in the fourth quarter of 2001 and the first quarter of 2002, distribution and receipt of complaints as well as questionnaires was curtailed. In addition to these mail-handling problems during the first quarter of 2002, a pending program review led to the decision to curtail the distribution of the questionnaire. Mailings resumed toward the end of 2002.

For this analysis, we focused on data from 2000 through 2002. During this time, 4212 questionnaires were distributed; some were returned due to delivery problems and 892 were returned from consumers; 779 of these were usable, for a response rate of 18.5 percent. Previous analysis of similar data (Hogarth, English, and Sharma, 2001) found that the only response biases were that those who responded were more likely to have had their complaints resolved in their favor than non-respondents, giving the data an upward bias. Respondents also were more likely to live in the West and less likely to live in the Midwest than nonrespondents.

QUANTITATIVE MEASURES OF SATISFACTION FROM CONSUMERS WHO COMPLAIN

Consumers who complain to the Federal Reserve System tend to be middle-aged (the median age was 53; see Table 1), have slightly lower incomes (about 70 percent of the U.S. household median), are more highly educated (96 percent have at least a high school diploma, compared with 78 percent of the U.S. population), and are more likely to be non-white (32 percent were non-white compared with 25 percent of the U.S. population). They are slightly more likely to be male than female; most live in the Southeast or Northeast but are more likely to complain about state-member banks in the Southeast region. About two-fifths complained directly to the Federal Reserve System (versus having their complaint forwarded from another agency). They are most likely to have a complaint about credit cards (43 percent) and about half had their complaints resolved in their favor. On average, complaints took 55 days to resolve.

The median amount involved in the complaint was $625 (Table 2), although the amounts varied greatly from $0 (for example, a customer service complaint) to over $1 million (for example,

Table 1
Characteristics of Consumer Satisfaction Questionnaire Respondents

(Proportions, means, and medians)[1]

Variable	All Respondents	Positive Comments	Negative Comments
N	779	89	98
Gender			
Male	55%	48%	59%*
Female	39%	46%	32%
Household complained jointly	6%	6%	8%
Age			
Mean	53.2	52.0	54.4*
Median	53	52	54
Income			
Mean	$55,546	$34,447	$65,642*
Median[2]	$30,000	$22,500	$30,000
Race (proportion who are white)	68%	74%	68%
Education (proportion with high school or more)	96%	94%	97%
Region where consumer lives			
Northeast	20%	22%	15%
Southeast	42%	49%	46%
Midwest	19%	18%	19%
West	19%	10%	19%
Region of the bank complained about			
Northeast	22%	26%	14%
Southeast	55%	55%	62%
Midwest	12%	13%	15%
West	11%	6%	8%
Consumer complained directly to Federal Reserve (vs. referral from other agency)	61%	53%	66%
Product complained about			
Credit Card	43%	45%	29%
Deposit Product	32%	29%	38%
Loan Product	17%	20%	26%
Other Product or Service	7%	6%	8%
Resolved in consumer's favor	48%	57%	28%*
Time to resolve			
Mean (in days)	55.0	58.6	65.3
Median (in days)	53	52	58

[1] Proportions, means, and medians are based on those responding.
[2] U.S. household median income in 2000 was $42,162; 2001 was $42,228.
* Differences between positive commenters and negative commenters significant at $p<0.05$ or better based on T-test or Chi squared.

complaints about mortgages or investments). Before contacting the Federal Reserve, two-thirds tried to resolve their complaint with the bank branch or headquarters and one-half contacted a state or local consumer protection agency. The largest proportion, 40 percent, found the Federal Reserve through referral from another agency. Nearly two-thirds (64 percent) of consumers indicated they would definitely contact the Federal Reserve again and 63 percent replied they would definitely recommend the

Table 2
Means and Proportions of Variables Related to Satisfaction

Variable	Mean or Proportion		
	All Respondents	Positive Comments	Negative Comments
Amount involved in complaint			
Mean, including zeros	$67,259	$49,158	$81,042*
Median, including zeros	$625	$500	$1,000*
Non-zero mean	$73,593	$53,312	$89,924*
Non-zero median	$870	$570	$1,740*
Mean, including values less than $1 million	$17,609	$10,331	$32,056*
Median, including values less than $1 million	$600	$500	$1,000*
Complaining actions taken before contacting Federal Reserve System the consumer (multiple response allowed)			
Complained to bank (bank branch or headquarters)	66%	74%	65%
Complained to other 3rd party (media, local or state consumer agency, Better Business Bureau, etc)	50%	55%	49%
Private actions (complained to family/ friends)	28%	28%	26%
"Exit" (changed bank, stop using bank)	27%	18%	31%*
Other action	15%	15%	18%
Took no other action, only contacted FRS	5%	3%	3%
Learned about Federal Reserve complaint program via (multiple response allowed):			
Referral from other agency	40%	40%	35%
Other, TV/media, magazines/newspapers	26%	25%	32%
Internet/computer	14%	18%	14%
Bank	13%	9%	11%
Lawyer	9%	7%	7%
Friend/relative	8%	6%	3%
Brochure/consumer resource handbook	7%	6%	7%
Satisfaction with (1-5 scale; mean and % rating as "5")			
Courtesy in letters	4.3 (55%)	4.7 (75%)	3.7 (25%)*
Courtesy over the phone	4.3 (54%)	4.8 (85%)	3.9 (27%)*
Ease of contacting Federal Reserve	3.9 (40%)	4.4 (59%)	3.3 (17%)*
Assistance compared to expectations	3.5 (40%)	4.6 (67%)	1.9 (4%)*
Time it took resolve complaint	3.5 (33%)	4.2 (50%)	2.1 (5%)*
Thoroughness of Federal Reserve investigation	3.4 (38%)	4.4 (64%)	1.8 (6%)*
Outcome of complaint	3.3 (38%)	4.2 (59%)	1.5 (5%)*
Overall satisfaction score (1-100 scale)	74	89	51*
Resolved in consumer's favor	82	92	55*
Not resolved in consumer's favor	66	85	49*
Degree to which (1-5 scale; mean and % rating as "5")			
Willing to contact the Federal Reserve again	4.0 (64%)	4.7 (86%)	2.5 (23%)*
Willing to refer others to Federal Reserve	4.0 (63%)	4.7 (86%)	2.5 (22%)*
Complaint was resolved to my satisfaction	3.8 (46%)	4.6 (71%)	2.7 (23%)*
Response was clear	3.5 (40%)	4.3 (64%)	2.1 (12%)*
Complaint involved financial hardship	3.4 (33%)	3.5 (42%)	3.2 (33%)
All issues raised in complaint were addressed	3.1 (38%)	4.0 (55%)	1.6 (8%)*

[1] Proportions, means, and medians are based on those responding.
* Differences between positive commenters and negative commenters significant at $p<0.05$ or better based on T-test or Chi squared.

Federal Reserve to others.

Satisfaction with the Complaint Program

Consumers were asked to rate their satisfaction with seven aspects of the Federal Reserve's Complaint Program on a 5-point scale, from very dissatisfied to very satisfied. When these items were summed and converted to percentages, the average overall satisfaction score was 74 out of a possible 100 (Table 2). Consumers were most satisfied with the courtesy of the Federal Reserve's staff (both in letters and over the phone); they were least satisfied with the outcome of their complaint. Consumers whose complaints were resolved in their favor had higher overall satisfaction scores than those whose complaints were not resolved in their favor (82 percent and 66 percent, respectively).

About one-third of consumers indicated their complaints involved some element of financial hardship. Two-fifths said that the Federal Reserve's responses were clear and all their issues were addressed. Previous multivariate analysis showed that higher levels of satisfaction with the complaint program were associated with having the problem resolved in their favor, complaining directly to the Federal Reserve (versus being referred), having higher levels of education, using other third parties, being willing to use the program again, and feeling that the program was responsive (Hogarth *et al.*, 2001). Satisfaction with the complaint program has also been associated with income and the time it took to resolve the complaint (Hogarth and English, 1997).

Satisfaction Among Commenters

About 28 percent of consumers who returned questionnaires provided additional comments regarding the complaint investigation process. Of these, about one-third included comments that were not related to the service provided by the complaint program (for example, consumers commented that "there ought to be a law about..."). The remaining two-thirds commented on the performance of the complaint program; these provide another way to look at some of the same attributes we evaluated in the quantitative section. Staff reviewed the comments and sorted them into positive and negative groups; the division was nearly equal (48 percent positive, 52 percent negative). We then reviewed the quantitative measures for these two groups.

Consumers with positive comments were more likely to be female than their negative counterparts (Table 1, columns 2 and 3). About half complained directly to the Federal Reserve, compared with two-thirds of those with negative comments. The positive commenters were slightly younger, had lower incomes, and were more likely to be white. They were more likely to live in the Northeast and less likely to live in the West. The positive comments were more likely to be associated with banks in the Northeast and less likely to be associated with banks in the Southeast. Compared with consumers with negative comments, those with positive comments were more likely to have had complaints about credit cards and less likely to have complaints about deposit or loan products. Given that credit cards are subject to more federal laws and regulations than deposit and loan products, it may not be surprising to find what appears to be a positive correlation between credit card complaints and positive comments. On average, respondents with positive comments had their complaints resolved in slightly less time (in 8 weeks versus 9 weeks for those with negative comments). As might be expected, a higher proportion of those with positive comments had their complaints resolved in their favor (57 percent vs. 28 percent of those with negative comments).

The median amount involved in the complaints of those with positive comments was $500, compared with $1,000 for those with negative comments (Table 2, columns 2 and 3). Higher proportions of those with positive comments had complained to their banks and to other third parties; a lower proportion changed banks. Those with positive comments were more likely to have been referred to the Federal Reserve from another agency and less likely to have found out about the Federal Reserve from the media.

The average overall satisfaction score for those with positive comments was 89 percent, compared with 51 percent for those with negative comments. Consumers with positive comments gave higher ratings on all satisfaction measures than those with negative comments, although it is worth noting that some of the negative commenters still rated some aspects of the program with a "5" (for example, 25 percent of the negative commenters rated the satisfaction with staff courtesy as a "5"). Overall, those with positive comments were more likely to rate their satisfaction with various aspects of the complaint program as "5's" (see the rows in Table 2 relating to "Satisfaction with..." and "Degree to which..."). The biggest differences in the satisfaction rating between the two groups were regarding the Federal Reserve's assistance compared with expectations and the thoroughness of the Federal Reserve's investigation. In both of these cases, consumers with positive comments were 16 times more likely than those with negative comments to state that they were "very satisfied" with each of these aspects. In a similar vein, consumers with positive comments were much more likely to report that the Federal Reserve's response was completely clear and that all of the issues raised in the complaint had been addressed. One interesting finding was that although consumers with negative comments had a higher dollar amount of money involved in their complaint they were less likely to report that the complaint did or could cause a financial hardship to them. Those with positive comments were also more likely to say that the Federal Reserve response was clear and addressed all issues, and that they would use and recommend the Federal Reserve to others.

QUALITATIVE MEASURES OF SATISFACTION FROM CONSUMERS WHO COMPLAIN

The positive and negative comments were reviewed independently by the authors and an intern to identify themes in the comments. All three reviewers independently read all comments and sorted them into themes. These independently-arrived-at themes were then examined jointly to establish common categories.

Negative Themes

The Fox is Guarding the Chickens. Consumers expressed doubts that the Federal Reserve System could conduct unbiased investigations of institutions under its jurisdiction. They saw the System as on the "side" of the banks, rather than on the side of the consumers.

> Your system allows the fox to take care of the chicken. You are not allowed to do enough research to do a good job.

> My experience with the 'Federal Reserve System' has just been a joke! [The bank] was allowed to police themselves in this matter and the facts that I presented were not considered, only lies from [the bank's] employee.

> I would appreciate a more personal response. The banks are believed to be infallible. This is true with any large corporation.

> The System of the Federal Reserve did not help me in anyway. Where I think the System should of done something and it did not. The system of Federal Reserve helps no one but the banks. I have asked for your help more than once and I got no satisfaction. I think the system should close down.

> I was once the manager in a large C.P.A. firm. I audited all types of business including banks. If I ever conducted a review and relied solely on the word of another party without documented proof I would have been fired! I am not impressed with the manner of review used by your people or the oversight, if any, pertaining to this review. I have often thought the Federal Reserve was too closely aligned with the banking industry! Now I am convinced of it!

> If you're not a millionaire or the complaint doesn't involve multi-million dollar issues, it seems like the Fed merely acts like a PR buffer for its client -- the banks. But I'll keep you informed.

> Ostensibly, your office does not consider [the] Bank's invasion of privacy, unethical business practices and violation of my civil rights as serious. I am extremely perturbed by your

office's condoning of this behavior and ponder if it too falls within the 'good ole boy system'?! I think the news media and state elected officials will also be concerned about this!

You Can't Fight City Hall. Consumers expressed futility with what they saw as the difference between the letter of the law (what is technically legal, or at least not illegal) and the spirit of the law (what is "fair" or ethical).

> Your website states to contact the Fed if you have been treated unfairly. While my bank's actions were legal, they were unfair. The response from the Fed only addressed legalities.

> I feel that you accepted everything [the] Bank told you. I do not feel you checked into the matter. Yes, they sent you those statements but I don't believe that almost everyone [who] sent payment in also got [it] posted the day after it was due. To me that is "bull," although who am I to think a little peon can take on a bank, right?

> A major issue with my complaint is that a banking institution can legally charge outrageous interest fees. Ex. 20.83% or more. The deceptive escalating interest should be stopped. I also feel that I'm at such a high rate stemming from a bankruptcy case I had 10 years ago.

> I can't believe that a bank that I paid money to in the form of account set-up fees could sell or give my account to another company without my consent. This other company is not regulated by banking authorities and my recourse is unclear.

> I would hope that FR would enforce or change any banking rules, laws, etc. that would prevent any banking institution from honoring previous clients accounts etc. if sold. What [the] bank did in my case, I feel is wrong and criminal. I will refuse to use them, ever.

Loss of Faith in the Banking System. Some consumers expressed concerns over their "faith" in the banking system.

> I am surprised that the Federal Reserve System, a publicly funded entity, would leave it to the banks to conduct their own internal investigation after receiving evidence of possible misconduct. The Federal Reserve has an obligation to conduct an independent investigation and not depend upon the banks that they regulate to inform the Federal Reserve of what is going on. If this be the case there would be no need for an independent regulatory agency such as the Federal Reserve. The lack of Federal oversight contributed to the banking crisis during the 1980's.

> I thought bank measures inaugurated by President Roosevelt were supposed to protect people against issues created by banks such as we have incurred.

> The [bank's] response was entirely inappropriate and unethical at the very least. It caused a definite question about the integrity of the banking system.

> [The bank] is apparently above the law. If a bank is doing business in a state, payment should be made in that state, not a state in the Pacific Northwest. Payment should be made or accepted [by the] postmark, not by the postal service or the [bank's] mailroom. P.S. this satisfaction questionnaire is offensive.

You're Not Listening to Me. Consumers commented on the perceived difference between the problem they were complaining about and the Federal Reserve's reply.

> When a bank deceives you when calling you, sends a letter with quotes "Please contact us for questions" then does not respond to your questions or concerns I do not think I would say "[the bank] has responded reasonably to your concerns" as your response to me says!

> I feel that all issues involved in complaint were not addressed. The investigation focused on

only one issue letting the banker justify his actions whereas other issues were involved.

Who every sent me an answer never read my letter. Total waste of my time and yours.

As indicated in the enclosed survey, I found my contact with the staff to be very satisfactory. They were courteous and timely with their responses. However, I found the response to my complaint to be rather superficial and really not responding to the basis substance of my complaint.

I Get No Respect. Consumers commented on the lack of timeliness, being treated like a "second class citizen" and being bounced around.

My complaint and comments to The Board of Governors was taken under advisement. When I asked if they would write and tell me the outcome their reply was that they didn't do that! When I asked if my congressman wrote them a letter would they reply, they said yes. I didn't realize that I was a second class citizen. As far as the Fed is concerned this is unacceptable behavior!

I do not believe the Federal Reserve took the time to properly review the complaint. The bank's response was filled with lies, outright lies. As a consumer it is amazing to me this type of fraud can be permitted. The last chapter of this complaint has yet to be written.
Every agency contacted claims no jurisdiction over my bank. Why do you even exist?

Unless you are extremely short-staffed – it should not have taken 6 months to answer my complaint. The bank was exonerated by you, however, the rental car company was not blamed although clearly, one of the two had to have been holding my deposit. I was told, very politely, to "go and sin no more!"

I find your response to my request for aid troubling and unresponsive. I find it unresponsive because after waiting for 6 months, I am told that you are not empowered to resolve disputes of this nature.

The investigation was slow due to non-responsiveness on the part of the bank involved; the issue is not resolved because, apparently, there is no mandate for state chartered banks to respond in a timely manner. This is now a six month issue with no resolution. This is unacceptable.

Positive Themes

Brand Recognition, or You Can't Ignore a 1000 Pound Gorilla. Consumers commented on the fact that a contact from the Federal Reserve opened doors that they, as individuals, could not.

Your response to my complaint against [the bank] was excellent. Had I not contacted you, I would not have received any satisfaction. I got my home equity loan after much haggling and only after you interceded.

I was truly surprised, especially since the amount involved was not significant, plus my pre-conceived feeling that government doesn't really care -- I was extremely impressed, and for the first time realize how important your power is. I had tried for months to [get] this problem addressed by the bank but was totally ignored -- you got their attention! Thanks!

I did not expect much but despite my many appeals to my Bank all were ignored. Immediately when you wrote them, they wrote. But apparently they had thrown away all information I had sent them. They totally ignored my reasons and made no mention of my waiting about a year. I have noticed many banks think they are above courtesy and paying attention to complaints. It was what I expected. They pay attention only to important people such as you folks. But thanks very much.

I couldn't believe the wonderful response and all the help I received from your office! I received my money back immediately. The bank wouldn't even respond to me but such a large office as yours gave me such a quick response. It was great to know after nine months of fighting that finally I found someone that would fight for me. I know that it wasn't a great amount of money but it was still very frustrating. Thank you very much!!! I really appreciate your kind help.

[The] Bank did not respond to my written or verbal complaints for months. Immediately after you contacted them, they decided to take care of my fraud problem. Until you became involved, [The] Bank did nothing but pass the buck. Thank you for your help.

Leave it to the Pros. Consumers appreciated the professionalism of the Federal Reserve staff, the thoroughness of the investigation, and the high quality of service they received.

I was treated fairly and with respect. I am very pleased with your staff. I thought I would have to wait a number of months or years before this office would take my case because of thousands of complaints they receive nationally, but to my surprise they took up my case less than a month after I sent them a letter. I really appreciate their assistance very much.

Unexpectedly thorough investigation, timely resolution, and eminently satisfactory disposition. My thanks to Senior Consumer Affairs Specialist [Mr. ____].

I really appreciate the timeliness and concerned response of the Federal Reserve. It is issues like this that lets the consumer know that they still do have a "voice" in this global world. For the record I would like to say that I misinterpreted [the] bank's offer and I sent them a letter of apology. Thank you for your concern.

I was delighted with your quick response and clear delineation of what I could expect from you. I dealt with Mr. _____ and he was very professional. I received a follow-up phone call to make sure I received my money back. I think you could promote yourselves more. I had called my local bank (not involved in the problem) to ask them what kind of regulatory agency I could call about my problem and they did not refer me to you. I took a convoluted path of phone calls to different Better Business offices in different states who referred me to the Office of Thrift Supervision (who are also in many different states) and one of their employees (finally!) referred me to you. I will sing your praises and I know that many people would have given up by the time it took me to find the right regulatory agency. Thank you very much!

Level of Effort, or Close but no Cigar. Consumers recognized the time and resources the Federal Reserve put into the investigation, even when the results were not in the consumers' favor.

I received no assistance from my bank in rectifying my account balance and was told by them that I needed to find their error or I was responsible. Unfortunately the FRB is unavailable to legislate customer service issues. I consequently am disputing over $800. Your agency was very nice although unable to assist me.

I appreciate your effort. The matter has been partially resolved by the bank reducing the balance, however the amount still owed is over double what my daughter actually charged. I am convinced that this is a scam and that this is the way some banks make money. I still say it should be against the law for these banks to target children by sending them cards in the mail. My daughter was a senior in high school when she received one. But my friend's daughter is 15 years old and is now on a mailing list for all credit cards. This should just not be allowed by law.

My problem has not been resolved as of this writing, however the prompt response from [the] Federal Reserve is commendable. The bank involved is still working on problem.

> Satisfied with investigation and prompt action resolving. However, Bank [X] kept 1047 shares of our stock for 4 months. We elected not to sell [the] stock because it was only supposed to take 1 month. Had we known it was going to take 4 months, we would have converted to cash prior to rollover. Had it taken 1 month, shares would have been worth $57/share. After 4 months they were only worth $47/share.

> My dissatisfaction is a result of the laws that protect the guilty and punish the innocent, not from the Federal Reserve's investigation into my complaint. Mr. ____ was very professional and helpful and I appreciate greatly his efforts.

Gratitude. Many of the comments were "thank you's" to the Federal Reserve, and sometimes to specific staff members, for their help.

> Thank you so much for what you did for me. I really don't know what I would have done without your help.

> Thank you very much for your help. You helped me settle a problem which could [have] had far reaching effects on someone's life. Thank you.

> The Federal Reserve System is very good people. They will help you any way they can. Thank God for them. Thank you.

> I am very, very, satisfied with the outcome of my investigation. The debt was paid in full several years ago, and the old checks discarded. If the bank researched this matter it would have been costly. Well over the amount in question. Thank you. Thank you.

> Whenever I spoke with someone from the Federal Reserve, VA they were always pleasant and helpful. Not exactly what I was expecting from a government agency. Thank you!

> I think that you are great. Keep up the good work. God Bless America!

NUMBERS VERSUS WORDS – WHAT DID WE LEARN?

The picture that emerges from the quantitative analysis is that consumers are moderately satisfied with the service of the complaint program – most of the ratings were solidly in the middle of the 5-point scale. Consumers were most satisfied with the courtesy of the Federal Reserve's staff; they were least satisfied with the outcome of their complaint. Regardless of this, nearly three out of five said they would contact the Federal Reserve again and would refer others to the complaint program, although it is worth noting that *less* than one fourth of those with negative comments stated that they would definitely contact the Federal Reserve, if necessary, in the future.

To some degree, the qualitative analysis reinforces the central tendencies seen in the quantitative data – comments were fairly evenly split between positive and negative. Among the negative comments, some related directly to the work of the complaints program (perceptions about timeliness, understanding the problem, the System's ability to conduct unbiased investigations) while others related to much broader issues (perceptions about unfair practices and the loss of faith in the integrity of the banking system).

Focusing on those comments that relate more directly to the work of the complaints program, some of the comments referred to the perceived difference between the problem consumers were complaining about and the Federal Reserve's replies. In the quantitative analysis, consumers rated the "clarity of response" at 3.5 out of 5, with two out of five rating this as a '5.' Consumers rated the thoroughness of the investigation at 3.4 out of 5, with 38 percent rating this as a '5.' Looking specifically at these two aspects of the Complaints Program by positive and negative comments further emphasizes this point. The qualitative comments add some particulars, but they do not appear to tell us anything that we don't already know from the quantitative section of the questionnaire.

In a similar vein, while consumers commented on the lack of timeliness and being treated like a "second class citizen," they also rated the timeliness as a 3.5 out of 5, with one out of three rating this as a '5.' Again the qualitative comments give us some insights but do not really tell us anything we could not learn from the quantitative analysis.

Many of the comments dealt with issues over which the Federal Reserve complaint program has no control – for example, comments about customer service or bank policies that are not subject to federal laws and regulations. Here, the issue is the difference between the consumer's expectations and what the Federal Reserve has the authority to do. As with the other qualitative data, the quantitative data show this same concern – consumers rated their "assistance compared with expectations" in the middle of the scale at 3.5 out of 5, with two out of five rating this a '5.' This result is especially critical for consumers who included negative comments, since only 4 percent of these consumers were "very satisfied" with this aspect of the complaint process.

At the beginning, we posed the question of whether the quantitative and qualitative data reinforce each other or are disparate. For our data, it appears that the answer is that these two data sources reinforce each other. At the least, some of the comments provide us with similar information to that gleaned in the quantitative portions of the questionnaire. The qualitative data provide additional insights to the quantitative data, pointing out specific areas within the areas of timeliness, thoroughness, and communication that could be targets for improvement. Moreover, the qualitative data allow us to analyze more intricately the bifurcation between the two sets of comments and where the largest differences in terms of satisfaction with the Federal Reserve Complaint Program exist.

It is difficult to know just how generalizable these results are to consumers' assessments of other products, services, and programs. It would be helpful for the research community to seek out other opportunities for exploring the similarities and differences in quantitative and qualitative assessments of consumer satisfaction.

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DISSATISFACTION AND DISTRUST

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ABSTRACT

We explored dissatisfaction to find out what we could learn about it from consumers' lived experiences. We learned that it is emotionally charged, that it can involve quick exit behavior, and that it can be both initiated by and experienced as distrust. This illuminates and raises important issues about the consumption environment. Distrust permeates it. The consumption world is a growing focus of consumers' life worlds. The issues raised have to do with respect in the consumption world and, by association, with well-being in people's lives.

INTRODUCTION

An esteemed and extensive literature exists on satisfaction, but relatively little on dissatisfaction. Much research ostensibly on dissatisfaction really examines the consequences of dissatisfaction. For instance, many start with dissatisfaction as a springboard to studying complaining behavior (e.g., Rottier, Hill, Carlson, Griffin, Bond, Autry and Bobbitt, 2003; Johnston 1998). Similarly, we know a little about antecedents to dissatisfaction - mainly that things that dissatisfy are different from the things that satisfy consumers (see for instance, Cadotte and Turgeon 1988; Bitner, Booms and Tetreault, 1990; Johnston 1995). Nobody has concentrated on consumers' dissatisfaction per se.

To understand thoroughly the gamut of consumer satisfaction, we need to attend to dissatisfaction. As focusing on the negative field of a drawing can help one see new images in the positive field, focusing on dissatisfaction can bring fresh understanding to satisfaction. Juxtaposing negative experiences against positive experiences may help us grasp the finer contours of both satisfaction and dissatisfaction.

We also need to step back from the most popular approaches to the topic and explore dissatisfaction from a different point of view. The dominant view in the broad satisfaction literature has been that degrees of (dis)satisfaction derive from the extent of (dis)confirmation of expectations with the product or service (Fournier and Mick 1999). The dominant approach has been to measure expectations and incidents in specific transactions (Szymanski and Henard 2001). Generally, research indicates that comparisons between expectations and outcomes effect (dis)satisfaction ratings, but there is more to it (Szymanski and Henard 2001). An exploratory look through consumers' lenses may yield new insights about how consumers experience dissatisfaction.

As part of a larger study on understanding consumer satisfaction, we set out to specifically explore dissatisfaction. The non-traditional method of memory-work transported us into consumers' lived experiences of dissatisfaction. This method allowed consumers to voice their stories of dissatisfaction. One theme they chose to explore was "nasty" shopping experiences. That choice in itself reveals something of the nature of dissatisfaction in these people's consumer lives.

This paper addresses four of these "nasty" stories in which the customers experienced "unwarranted distrust" from sellers. Together, these four stories tell of distrust, intense emotion, and quick exits embedded in their dissatisfying shopping experiences. Their stories speak to two realms of distrust. First, we learned that being on the receiving end of distrust raised strong emotions. Second, their experiences left them with an enduring sense of distrust that clouds all their engagements with the marketer-controlled consumption environment. Furthermore, these consumers responded to their emotional experiences by exiting the shopping environment quickly and completely.

We present two of the four written stories of "nasty" shopping experiences about unwarranted distrust. Supported by excerpts from the other two stories of unwarranted distrust and their groups' analyses of these experiences, we describe how these four consumers constructed dissatisfaction. The following pages explain the method and the stories through which these consumers reveal their lived experiences of dissatisfaction.

MEMORY-WORK METHOD

People live "storied" lives. We relate to others and understand ourselves through stories about our life experiences (Bruner 1986, 1990; Clandinin and Connelly 1994; Edson Escalas 1998; Kerby 1991). These stories are more than recorded sequences of events. Each is a construction of the social and cultural meanings attributed to the person's experiences in the context of that individual's life (Carr 1986; Edson Escalas 1998).

We used a qualitative feminist-designed research process known as memory-work (see Haug and Others 1987; Crawford, Kippax and Onyx 1992; Friend and Thompson 2000, 2003). Memory-work helps people articulate their stories in their own voices. While it captures cognitively accessible experiences, it goes beyond the superficial memorability of the experiences to explore them in rich detail. Notably, it does this through the consumer's own searching and telling rather than through probing questions from an interviewer. Thus, memory-work enables the consumer's voice to out-shout the investigator's voice (Hallam 1994, Sarbin and Kitsuse 1994).

Making participants co-researchers makes out-shouting the investigators easier. Investigators and research participants journey together through iterative analyses of the stories (Dupuis 1999). They give, share, listen, question, compare, and make collective sense of their own and others' stories. Distinctions between researcher and the researched blur (Crawford et al. 1992). The co-researchers collectively construct new knowledge through their analyses. New understandings do not "emerge" from the data as in some approaches (Dupuis 1999); it is extracted (Holstein and Gubrium 1995). The people who lived the stories extract the meaning, not strangers to their experiences.

As is typical of memory-work, our study involved two small groups of participants who each wrote a story text evoked by a "trigger" related to the topic – dissatisfying clothing shopping experiences. The first group generated and the second endorsed "a nasty experience" as the trigger for their stories. They followed prescribed guidelines: write in the third person; include incidental details; avoid interpretation, explanation, and biography (Crawford et al. 1992).

The research groups met to discuss their written stories. Each person read and reflected on her own story. As a collective, they questioned, found similarities, differences, patterns, inconsistencies, and contradictions. They discussed personal and social meanings and collectively unraveled and reconstructed the stories until they reached a coherent understanding of "a nasty experience." Then the investigators (the authors) further analyzed the session transcripts, re-examining the meanings and relating interpretations to the literature.

The four participant co-researchers whose stories we report were part of a group of women - including one of the authors - in Hamilton, New Zealand. They ranged in age from 34 to 52 years, were all middle class, tertiary educated, professional women. While all were residents of New Zealand, not all were native New Zealanders. All had lived overseas at some time and most had extensive international travel experience. They varied widely in their interests in clothes and clothes shopping.

PARTICIPANTS' CONSTRUCTION OF DISSATISFACTION AS DISTRUST

Distrust is exhibited on both sides of the counter – by the sellers as well as the customers. An edited version of Annabel's written story presented below describes an encounter triggered by "unwarranted" distrust. This theme is shared in the four stories. Helena's edited story below conveys distrust as a mode of dissatisfaction that continues to imbue these women's lived consumption worlds. We use excerpts from the other two women's stories and quotes from the two groups' collective discussions to support Annabel's and Helena's stories in illustrating these two realms of distrust. [Space limitations prevent us from including all four stories as written by the participants in their entirety. Upon request (lfriend@waikato.ac.nz) a full version of the four stories will be supplied.]

Annabel's "Nasty" Clothing Shopping Experience

It was the Fall of 1969 - Annabel's first year at University. Saturday had arrived and without any *social function to attend, Annabel and several of her new friends went shopping. There were several small cheap-to-reasonably-priced clothing stores in the strip mall, which was anchored with an up-market large department store. They worked their way down the strip enjoying themselves - trying on clothes and purchasing the odd outfit. Annabel had purchased a bright purple velour pantsuit at one of the cheaper stores. The top could be worn as a mini-dress (wouldn't her mother have died if she knew Annabel wore it as a mini) or over the highly flared trousers. The top was a short sleeve straight shirtdress, with a fabric belt attached by a big gold buckle that sat smugly on the hip. When they reached the grand department store they were still in their shopping mode looking for the right outfit(s) to dazzle up their social life. Annabel grabbed several garments and proceeded into the dressing room. Nothing worked, so Annabel got dressed and ventured back into the store. However, as she left the dressing room there was an attendant checking the number of garments that went in and out of the changing area with each customer. Since Annabel had no number tag, was shy and an inexperienced shopper in such a store, she nervously slipped by the attendant holding her breath that she would not be asked for her tag. "No, thank God." The attendant said nothing. Annabel met up with her friends who continued to look and try on the new Fall fashions. As Annabel and her friends left the clothing area and continued to browse, out of nowhere she was stopped by store security. In the middle of the store in front of other customers and her newly found friends he asked to examine her bag. Annabel in her shock and without really thinking, quickly handed over her bag that held her newly bought outfit. As he searched the bag no receipt was to be found. Annabel panicked and scrambled to find it. "What had she done with her receipt?" Eventually she found it. Tall, slim, well-dressed older African American women with glasses and a hat watched and listened about a meter away as the incident took place. "What was she staring at? Why was she listening? It was none of her business, anyway!" Annabel didn't and wouldn't dream of shoplifting. It had never even entered her mind that people would actually steal things from stores. Upon documentation of Annabel's purchase, she and her friends left the store vowing never to return.*

Helena's "Nasty" Clothing Shopping Experience

A panic buy: a very unpleasant shopping experience.

It was Helena's last summer in her University town; she was done with her job hunting and was finally leaving the US after seven years. She had just returned from visiting a friend in San Francisco. As Helena's tiny University town was not known for its exciting fashion collections, the visit to the West coast was also an excuse for shopping for some future working clothes. She returned from her expedition with two leotards, one unitard, three pairs of tights in different lengths and two sport bra tops, which were unsuitable garments for her future position. She had, however, admired a pair of nice, dark jeans toward the end of her visit, but had decided that they were too expensive considering that she had already bought all the exercise gear.

Safely at home and away from the temptations of the fitness fashion industry, Helena came to her senses again. After all, jeans were the one American product she respected as well made, yet they were inexpensive. It was well worth putting money into that kind of purchase. Moreover, according to Helena's fashion sense, jeans were formal wear and were, thus, very suitable for her future position as a lecturer. She remembered that this particular pair was sold in a nationwide department store chain that even the University town had. Helena drove to the store with her partner who, she felt, could validate her purchase.

The store did have the jeans. They looked very nice on Helena, her partner agreed. Helena bought the jeans with cash. At home, Helena wanted to admire her beautiful and rational buy again. When she took them out of the plastic bag, she realized that the shop assistant had forgotten to remove the huge white, plastic blob, which in normal circumstances would indicate a stolen product. Helena thought to take them back next thing in the morning and looked for the receipt from the bag. It wasn't there; in the wallet; it wasn't there, either; where the heck was it?? Helena panicked: now what? They will think she was a thief! She *explained the problem to her partner, who, in his male ignorance, asked why Helena just doesn't cut the thing off. Helena is close to tears: Is the partner stupid or what? Attempts to remove it would stain the jeans forever. Finally, it seemed to sink into her partner's head that there is a problem here, but he still could not quite understand why Helena was running around the house crying and frantically, still, looking for the receipt. Well, for Helena it was clearly a disaster. "Now they think I'm a thief! Why now, when I'm just leaving. We just asked the FBI for our criminal records to apply for permanent residencies. Now they will find out that I'm a thief. They will never let me out of the country.... I have no rights here...I'm a foreigner...I'm going to end up in jail!" Helena was almost hysterical. Her partner suggested that she call the shop and simply explain that they had made an error. But Helena did not have the receipt! How could she call them? Such an overly simplistic, hyper-rational suggestion could only come from the mouth of man! It was too late to call the department store anyway. Besides, her accent might make them suspicious over the phone.*

When forced to leave the matter for that day, Helena got even more anxious over the unfortunate jeans. To calm her mind, however, they came up with the following strategy: Helena will call the store first thing in the morning and explain that by accident the white plastic was not removed from her purchase. She was not to mention the missing receipt and experiment with what happens. She could hardly sleep during the night and only snoozed off to dream about her future life in jail.

In the morning, Helena called the store right away. Without mentioning the receipt, the assistant asked Helena to bring the jeans back to the store and they would remove the blob. She drove jerkily, nervously speeding to the store. It was a hot day. She sat alone in the car this time as her partner had gone to work. In the air-conditioned cool store, she explained her business to the first clerk, who took it to the second, who took it to the third. The third seemed to have a more managerial position. She said: "Just a moment, please" and held a meeting with another assistant moving further away from Helena. They whispered together briefly and then both looked at Helena. Helena tried to look pleasant, innocent, and unbothered as if the whole matter was trivial everyday business for her. Finally, the manager handed the jeans to the other shop assistant who came over to Helena. "We are very sorry about the trouble, madam," she said and started cutting off the evil blob. Helena tried not to show her relief. Although she felt like chatting furiously away and saying that it was no trouble at all, she, instead, calmly smiled and said: "It's okay" and thanked the clerk.

Outside the store, she felt like she was enjoying a huge caffeine high: she was light, happy, her senses were sharp and she was very aware of her surroundings. She was not going to jail after all. At home, when sipping her diet coke, her partner came home talking about office stuff. Then, suddenly, he remembered Helena's distress and asked how it all went. Helena explained that the counter where she paid for the jeans did not normally use such white blobs and did not have the equipment to remove them. It was clearly their mistake. Nobody had mentioned the missing receipt, either. Her partner laughed and said that he knew all along that everything would turn out well. He started teasing Helena at getting so hysterical over nothing. Helena felt hurt. The partner had never lived in a foreign country. What did he know about feeling helpless and lost in an unknown and mistrustful system?

Analysis

Annabel's and Helena's stories, like the other two (Desiree's and Sweetie's), reveal strong experiential links among distrust, intense negative emotion, dissatisfaction, and customer exit. Taken together these stories provide insights to plausible theoretical explanations for the relationships between these key concepts.

We first focus on distrust displayed by shop attendants as the "sellers" in these particular retail contexts. "Unwarranted" distrust is demonstrated in three of the stories (Annabel's, Desiree's and Sweetie's) when a shop assistant unjustly casts the customer as a shoplifter. In the fourth story, the customer (Helena) unwittingly takes her purchase home with the anti-theft device still attached. These customers each react very strongly to the demonstration and the living of distrust, and end the encounter feeling extremely dissatisfied with the entire shopping experience.

Distrust Triggers a "Nasty" Experience. These women's written stories and discussion describe how distrust triggers their dissatisfying nasty clothing shopping experiences. The seller's accusation of shoplifting in Annabel's story and the two others is a verbal declaration of distrust. While unexpected and unacceptable employee's behaviors such as rudeness, discrimination, and ignoring the customer appear to be main causes of dissatisfaction (Bitner et al. 1990; Johnston 1995), our research suggests that distrust, as a social phenomenon can be a key dissatisfier:

> W: So what constitutes these "nasties"? Being treated with distrust? Being treated badly? . . . The nasty has been how we have been treated. It's all to do with how we got treated by some other person.
> P: The relationship at fault.
> A: It's that interpersonal accusation that Annabel and Helena had done something they hadn't done. And, it was really a very wrongdoing.
> H: Yeah. It was for both of us, like, "How could they even accuse us of stealing?" We don't look like criminals. . . . .
> S: You, Annabel, are accused, but yours, Helena, is self-accused?
> A: But Helena could have been easily accused. If I were in Helena's shoes, I would have felt they might accuse me of taking the jeans. And, you know, I'm innocent. This is real. This is what society says about people who steal. It's a no – no. It's being judged. . . . [and] treated like a piece of dirt.

The declarations of distrust presumably follow some sort of evaluation of the customer. The sellers decided that certain behavior fell outside the norms for a 'trustworthy' customer (see Fullerton and Punj 2004). From these women's experiences, it is apparent that sellers perceive a range of consumption behaviors to transgress the norms of trustworthy conduct. Both Annabel and Sweetie chose to enter unattended dressing rooms and therefore did not receive number tags for the clothing they were trying on. Desiree tells how shop assistants accused her and her friend Marcia of shoplifting based on their "totally irrational" behavior while having fun trying on clothes. As noted in her story:

> *"What else do you expect us [sales assistants] to think? You've been in and out of there [dressing room] all morning – scheming and laughing. You've just about tried everything on in the shop between you. You have been acting so suspiciously, furtively trying to fix zips that are not broken. . . . It just all adds up!"*

In addition to behavior, Sweetie highlights in her story how individual sellers may also refer to the shopper's physical appearance to judge trustworthiness. She is aware that specific aspects of her appearance match norms for "trustworthy": *the tight, wet, just-washed-this-morning 'bun' hairdo (instead of the usual, frizzy pony-tail)...the Christian Dior designer-label on the outside of today's outfit (a Bangkok imitation).* Sweetie also is keenly aware that other visible characteristics match stereotyped expectations for the "Untrustworthy Customer", notably her Samoan skin color. "As a brown person, I'm naturally considered a shoplifter. . . . The brown skin is more important than anything else" [Sweetie]. In Annabel's experience, it is likely that her young age, her student dress, and the fact that she was one of a group of shoppers contributed to her being labeled "untrustworthy". Priscilla, one of the participants who had 20 years retail experience noted, "From my experience in retail, Annabel and her friends would have been watched. Students in their student gear in a grand department store; they are tagged. They are out of context. 'WOW – watch them!'" Helena noted in her story that having a foreign accent is another reason to be judged as "untrustworthy". It appears that people may use visible evidence to assess trustworthiness and untrustworthiness.

Shop attendants could build personal profiles of "Shoplifter" that they use in conjunction with formal criteria supplied by the store. Recent work by Fullerton and Punj (2004) suggests that sellers frame their expectations for consumer conduct on cultural values, legal norms, ethical codes, and personal experience. Thus, these shop attendants' Shoplifter profiles could include elements from wider social and cultural stereotypes for shoplifters, elements from the store's own culture, and elements from the seller's lived experience of shoplifters. The conversation that Sweetie overhears between the shop assistants is evidence of the variation in criteria for untrustworthiness that can occur across individual shop assistants:

> *Did you notice where that Maaori woman with the bun went?" asked an assistant-sounding voice.* ["Maaori" is the indigenous New Zealand population.] *Ear pricked. Maaori? Bun? – did she mean me? . . . "No, why?" replied another voice. "I can't see that green jerkin she was interested in," said the first. . . . "Probably pinched it – looks the sort," continued the first voice. (Pinched it? Me? What sort do I look like" I'll have you know I drive a Jaguar!) "Have you seen in the paper – it's all very organized – they go into shops in groups, some distract the staff – and the rest disappear with the till or the goods they want." "She seemed to be on her own, and looked all right to me," said the second voice doubtfully. (Thanks dearie – you I like!) "And, probably part of the plan – 'how not to look like a shop-lifter'," suggested the first voice. "They're experienced at trying to pull the wool across your eyes. There are probably others skulking around somewhere. Another thing they do is to pinch stuff and bring it back and try to 'get their money back'."* [Sweetie's "nasty" written story.]

The discipline needs more research to verify these notions about criteria for judging untrustworthiness. We especially need to explore the use of stereotyped demographic variables such as race, gender, and age as predictors of certain consumption behaviors.

Reactions to Distrust. In their narratives, the women react to unwarranted distrust very quickly and very intensely. Their strong reactions have cognitive, physiological, and affective components, and vary in composition from individual to individual. Annabel appears to close down cognitively in her experience of distrust – she describes herself as being in shock, being unable to think or remember. Sweetie responds cognitively to distrust as she anticipates, even before an attendant physically arrives: *'Browsing' for 10 minutes – and not a shop-detective in sight! No ferret staff watching every move. Unusual. Staff cut-backs, perhaps?* Then, when she overhears the conversation between the two shop assistants Sweetie mentally defends herself against the unwarranted distrust before it is declared: *'Police'? This is too much! All I've done is take the garment into the changing room and tried it on!* Helena's thoughts seem to be complex and far-reaching when she thinks through the possible repercussions for herself as a foreigner: *Now they think I'm a thief! We just asked the FBI for our criminal records to apply for permanent residencies. Now they'll find out I'm a thief. They will never let me out of the country...I have no rights here...I'm a foreigner...I'm going to end up in jail.* In contrast, Desiree is quick and pointed, "Gosh, what would my family think?" and "What did we do that made them suspicious?"

In addition to cognitions, the women described physical responses in their experiences. Annabel describes *panicked* and *scrambled* physical movements, which are echoed in Helena's memories of jerkily driving at abnormally high speeds. Helena recounts disturbed sleep patterns. Sweetie tells of an increase in her body temperature and perspiration; *God it's hot in here. . . . Did I remember to put on deodorant this morning,* and Desiree is aware of going red in the face, her heart going thump, thump, thump, and it sort of made her spine chill. *Desiree crawled up the ramp [out of the store] she was so . . . stunned;* whereas, *Marcia [Desiree's accused accompanist] froze on the spot . . . [and then] stormed up the ramp.*

Despite differences in their cognitive and physical responses, these four women's "nasty" stories share a powerful affective component. All women detail strong emotional responses in their experiences of unwarranted distrust. Specifically:

- humiliation (Desiree: *I've never been so humiliated.*);
- indignation (Desiree: *How dare you accuse*

us of this. Who do they think they are to judge us; Annabel: She was feeling indignant that it should happen to her. She didn't feel guilt.);

- disbelief (Desiree: She just couldn't believe it; Sweetie: *Did she mean me?*);
- surprise (Annabel: She was really surprised, taken back by it all; Desiree: She was so shocked that anyone of her standing should be accused of shoplifting; Desiree: It was absolutely horrifying.);
- guilt (Helena: She took on the guilt. It was totally her fault, because she didn't save the receipt. And, "Why didn't she check that they took that blob out?");
- embarrassment (Annabel: She was quite embarrassed by it all.);
- frustration (Sweetie: *I'm a bit tired of this kind of stereotyping,* that all brown people shoplift, – *in fact I'm darned sick of this kind of thing.);*
- outrage (Sweetie: *Seething. "Excuse me, are you the shop assistant who suggested I probably pinched this sleeveless cardigan . . . ? "For your information, I was just trying it on . . . but you didn't know because you weren't doing your job properly . . . ! Glare;* Marcia*: "You ignorant bitch! Stuff your clothes! Stuff your shop!" She picked up the clothes and threw them over, under and onto the counter.*);
- fear (Annabel: She had fear that she wasn't going to find the ticket and she might be taken away. There was fear of humiliation – of what would happen to her if she had to tell her mother; Helena: *They will think she is a thief! . . . I'm going to end up in jail!"*
- panic (Annabel: *Annabel panicked . . . "What had she done with her receipt?"* "What would she tell her mother?"; Annabel and Helena: Our minds have been going sixty to the dozen – panicking – trying to get out of the situations we're in; Helena: *Helena was running around the house crying and frantically . . . looking for the receipt.*);
- helplessness (Helena: She felt helpless.);
- distress (Desiree: Marcia just lost it, Desiree was distressed with the situation; Helena: *He remembered Helena's distress and asked how it all went;* There is distress here - in slightly different ways for everyone.);

These emotions are triggered by the distrust the women confront. Moreover, it is clear from their accounts that these affective responses dominated their experiences.

> F: The negatives absorb the focus of our stories.
> W: In previous memories of exhilaration or whatever, it often didn't matter what the service was like, or how we got treated.
> D: The shock and the horror of degradation colored all other senses.
> S: Usually in writing our stories we are very aware of detail. They are quite important things – the smells, the sounds, and the things that go on. None of us have really observed them?
> H: When Helena went to the store she couldn't observe anything. She couldn't remember really how she got there, and what happened - except she was driving really badly. She was so worried about not having the receipt that she couldn't see what others were doing, and what was going on in the mall – nothing. So when she came out, the relief was so huge. And, now again she could observe people.
> Sz: You were totally focused…
> H: On the worry – yeah, yeah.
> A: You were self-engrossed.

Emotion's overwhelmingly central role in the stories is interesting because the context of the encounters points to them being relatively low-involvement from a marketing perspective. The relationships are immature in relationship-marketing terms.

These stories are consistent with previous research that links emotion and dissatisfaction (e.g., Oliver 1996; Liljander and Strandvik 1997; Stewart 1998). It appears that unwarranted distrust engenders a vast array of swift and intense negative affect such as humiliation, embarrassment, outrage, anger, indignation, frustration, anxiety, fear, and helplessness. Recent work by van Dolen, Lemmink, Mattsson and Rhoen (2001) illustrates that negative emotions contribute to dissatisfaction, and more intense emotions have greater impact than less intense emotions on (dis)satisfaction. Further, Zeelenberg and Pieters (2004) argue that specific equally valenced emotions idiosyncratically affect (dis)satisfaction, and can help explain specific consumer behaviors.

The concept of the "psychological contract" offers a useful starting point for deepening our understanding of the dynamics between the experience of intense emotion and unwarranted distrust in a retail setting. Broadly speaking, psychological contracts are transactional (with well-described terms of exchange), or relational (less defined and more abstract), or both (Lewis, 1997). In the context of these shopping encounters, the customer's unexpressed expectation that she would receive the paid-for garment would constitute a transactional dimension to the psychological contract. Being treated with respect by the shop assistant could be an appropriate relational assumption implicit in the psychological contract that the customer brings to the interaction. A psychological contract is breached when the individual perceives that the other person has not met the implicit obligations or has broken the promises assumed under the contract. Research from psychology shows that because a violation is experienced at a "deep visceral level" (Chrobot-Mason, 2003, p. 27), the breach may be followed by particularly intense negative emotions such as anger and resentment, in response to feelings of betrayal and a loss of trust (Rousseau and McLean Parks 1993; Morrison and Robinson 1997; Chrobot-Mason, 2003). There would seem to be important links between the psychological contract literature and the lived experience of consumers confronted by unwarranted distrust. The intense emotions that the women reveal in their experiences of unwarranted distrust can be better understood if we conceptualize them as part of the perceived breach of a psychological contract, under which the consumer is expecting to be trusted and treated with respect and fairness by the seller.

Exit. These four women's written stories show that unwarranted distrust engenders such swift and intense affect that it commonly drives the customer to exit. Even when the clothing products are satisfactory (e.g., Sweetie's cardigan, Marcia's final choices), the emotional effect of the interaction with the store staff is so powerful that it propels the customer into the exit process. Thus, exit appears to occur before an evaluation of dissatisfaction (also see Friend and Rummel 1995; Zeelenberg and Pieters 2004). Future research needs to establish where (dis)satisfaction evaluation occurs in a consumption process impacted by negative emotion.

The stories illustrate a twist to the marketing maxim that "The customer contact person IS the service". While Desiree, Marcia, Sweetie (and Helena, in a different way) all "close" a relationship with an individual store employee, all participants project their dissatisfaction onto the store and exit from their relationship with the store. While none of the women detail the specific length of time, they imply the exit is long-term:

> S: Sweetie hasn't been in that shop for four years. She has never really gone back because if she ever saw that shop assistant, she'd be slinking off thinking, "She shouldn't have said that, or done that." . . . .Whenever, I think about that shop, I think, I wonder if that lady is around.
>
> A: Annabel and her friends didn't go back during their freshman year. I think we might have gone back our sophomore year, but Annabel never bought anything from them. It was the only shopping area within walking distance, and at the time students didn't have cars so we walked everywhere. This shopping area only had a few stores. And, Annabel was transferring to another university during that year. But never during her freshman year – probably because she thought they might recognize her.

Others have similarly observed that customers' retail relationships are basically with the salesperson, but partially transfer to the store in regard to loyalty (Beatty, Mayer, Coleman, Reynolds and Lee, 1996; Reynolds and Beatty 1999).

It is clear that the customer exits driven by the distrust in these shoplifter incidents involve some important public elements. For instance, Sweetie vents during her verbal confrontation with the assistant; Annabel's peers talk about avoiding the store; Helena talks about it with her partner.

It is also apparent that the private elements of the exits are more intense and profound than theorists had acknowledged previously. They affect our way of life and well-being. This is unmistakably illustrated in the discussion of Sweetie's story and experience:

> S: [Sweetie's "nasty" story is written] like a play, [in that] this is an embellishment of life. When you see a play, you see a little picture of life – where things happen. [But writing it as a play] also allow you to distance yourself - without putting the emotion into it, without becoming too intense about it.
> F: It is just an act you can leave?
> S: Mm, Mm. . . . [But] just like Desiree was saying about her ["nasty"] experience, you relive it. And it's one of those things that stick in my mind – letting myself down [in the way I responded].
> F: Have you forgiven yourself?
> S: Not so much, not forgiven, but it plays on my mind that I let myself react. To me it's a bit immature for an old lady. But I don't regret it. But it plays on my mind, and I think of it.

In a sense, the attendant "exits" the relationship before the customer. The attendants made their judgments and acted to impede interaction. The accusation of shoplifting declares the attendant's distrust of the shopper and effectively denies the shopper entry to an exchange relationship. The group's discussion of Desiree's story about her and a friend being accused of shoplifting illustrates that this rejection implies that the customer is not trustworthy enough nor of sufficient moral character to continue the encounter and foster a business relationship:

> D: Marcia and I were just so blown away with the fact that we were just such outstanding members of society – upright, principal people. We were just having fun. . . . How could anyone dare to accuse me - someone who's so upright and honest?

The work of Young and Daniel (2003) acknowledges situational barriers to developing trust in interpersonal relationships, but does not explore the construction of relational barriers such as those suggested by the experiences of these participants. The women in this research have subsequently chosen to exit in the face of the entry barrier erected by the shop:

> *She'll wander around, and then realize there are several pairs of 'beady eyes' watching every move she makes – the kind of attention which encourages her to hive off to another shop to do her actual shopping!* [Sweetie's "nasty" written story.]

There are tangible entry barriers, too. In the story that hinges on the anti-theft device (tangible evidence of sellers' distrust in customers), Helena is extremely reluctant to re-enter the store without her receipt. A receipt would provide tangible evidence that she is trustworthy and not a thief. Without the receipt she must face the prospect of having to defend her moral honor and disprove the store's solid "proof" that she is a shoplifter.

> H: In the beginning, Helena started assertively, "Oh my God, they have forgotten this thing - blob. What a bad thing to do. Don't they know what they're doing?" But when she can't find the receipt, she feels **totally helpless.** Then it started to be her fault. Everything after that is her fault. . . . . I think Annabel's was a lot like Helena's because somehow they couldn't cover themselves. And then they were accused, or at least Helena thought she would be accused, and there was no way she could prove her innocence. At least Annabel could prove it with the magical receipt.
> P: Receipts! - The power of receipts - WOW.
> A: Yeah, it was like, "Oh, they are not going to find me innocent." There was fear there too - what happens if I can't find the receipt? What are they going to do to me? What am I going to do? What will I tell my mother?

The *huge white plastic blob* physically represents the store's entry barrier to a continued successful relationship with Helena:

A: The evil blob! (All laughing.)
H: It was evil.
S: It did become very evil to Helena's whole life...
P: Yeah, she dreamt about it.
A: It was the blob's fault. It was causing all the problems. It was evil. If that blob wasn't there it couldn't stain the jeans. It couldn't stain Helena's reputation.

There appears to be no research that explores entry barriers to marketplace relationships. On the other hand, the literature theorizes about relationship exit barriers and promotes them as ways to retain customers (e.g., Stewart 1997,1998; Buttle and Burton 2002).

Dissatisfaction as Distrust. Scholars have suggested that consumers live (dis)satisfaction via the emotive components of their consumption experiences (Oliver 1989, 1996; Fournier and Mick 1999). Previously identified (dis)satisfaction modes are: contentment; pleasure; surprise (delight or outrage); novelty; relief; awe; trust; helplessness; resignation; and love (Oliver 1989, 1996; Fournier and Mick 1999). Our stories are consistent with these views, but also show that we need to understand much more about the complexity and intensity of emotions that occur in consumer experiences and how they contribute to dissatisfaction. For example, Helena's story would seem to illustrate satisfaction–as–relief in that she is not formally accused of shoplifting. Nevertheless, she classifies her story as a "nasty" experience rather than a satisfying one. Desiree's friend, Marcia, clearly experiences dissatisfaction as surprise (Oliver 1989) expressed in her outrage. However, surprise alone does not explicate her experience of dissatisfaction. Much work remains to understand the complexity of these response modes (Oliver 1996; Fournier and Mick 1999).

In our exploration of links between distrust and dissatisfaction, we identify distrust as a response mode of dissatisfaction as well as a trigger. All four women's stories of unwarranted distrust encapsulate this dissatisfaction-as-distrust and show it to be multi-faceted and complex. All four women live dissatisfaction-as-distrust as a "loss of freedom" and a "loss of privacy" in their shopping experiences and ways of being. They are unable to partake fully in the consumption experience, as they are being watched and judged, essentially robbed of their privacy. They also feel a "contamination of self"" – of being stained, of being made to feel dirty. Following on from these losses and contamination, there is a "fear of future accusation" and a "fear of reliving their experience and its intense emotions and physiological responses". People who are not accused, but present when others are accused – even strangers – also experience dissatisfaction as fear of accusation and reliving intense responses. Even though no one ever accused Suzie of shoplifting, she notes in the group discussion how she experienced dissatisfaction-as-distrust in one of her shopping experiences:

Sz: Well, I saw three policemen today in the grocery shop with people they had pulled aside as shoplifters. I tried to watch what they were doing to these people, and I thought if they come and get me, I'd be a dead duck now. I felt guilty. I was so embarrassed for these people. I was so embarrassed, and hot and bothered.
P: I assume the same thing when the law is around. It must be conditioning.
A: There must be a fear that we're going to be accused of those kinds of things that we haven't done. We must learn that somehow.
P: Fear of authority.

Helena specifically notes how she lives dissatisfaction-as-distrust as *feeling helpless and lost in an unknown and mistrustful system.* Helena's feeling of "being helpless" in her experience of dissatisfaction-as-distrust is similar to the dissatisfaction-as-helplessness proposed by Fournier and Mick (1999). Contrasting with satisfaction-as-trust (i.e., reliability in something that you depend on), Fournier and Mick detail dissatisfaction-as-helplessness as having a negative dependency where there are no acceptable or obtainable alternatives. As a consequence of being distrusted, Helena and the other group members view retailers as having power over them and other women. Women depend on retailers to trust them as "reliable" customers:

> H: I was prepared to tell them [the sales assistants, if they asked for the receipt,] something like, "I'm a reliable customer. I have a Ph.D. . . . ."

Women also depend on retailers to purchase clothing they need:

> P: Women assume the passive role in retail. Retailers in these stories have got the power. We feel they have got the power.
> H: And what f...ing power do they have? They are just like us. We give them the power, right?
> P: Without the clothes, they've none at all.
> H: [But for Helena, it was very difficult for her] to go into the store as the salespeople's equal, and explain that you guys made a mistake. Helena was feeling that she was at their mercy . . . . We give them the power, and then we take on guilt.

Distrust as a mode of dissatisfaction is more than helplessness. These stories also illustrate it as "being lost" or "alienated in a distrustful system". Because of their experiences, these women, in different senses and degrees, felt like foreigners or outsiders to the system. They were made to feel that they did not belong and consequently felt alienated and lost in the system.

This multifarious mode of dissatisfaction extends far beyond responses of negative affect. Consumers feel distrust as an intense emotional, physiological, psychological, sociological and moral phenomenon. All of these facets appear to have implications for the consumers' self, well-being, and quality of life.

SUMMARY AND CONCLUSION

In summary, these stories demonstrate that distrust can lead to intense emotion, which contributes largely to dissatisfaction. Customer exit is an unequivocal expression of that dissatisfaction. The points of distinctiveness in the stories remind us that in 'real life,' people experience distrust, dissatisfaction, and exit as dynamic, multifaceted, and highly specific phenomena.

Distrust is rapidly becoming part of our social reality. It is signaled by suspicion and a lack of confidence between people (Govier 1992) and is entangled with the marketer-controlled consumption environment. When sellers create a composite customer to satisfy in a standard way, they 'deface' and dehumanize consumers. In this faceless state, consumers lose the right to respect and are assumed to be untrustworthy. This may be characteristic of retail environments where standardization rather than customization is the norm and would indicate that standardization has gone too far.

These stories illustrate that distrust occurs on both sides of the counter – exhibited by the customers as well as the "sellers." As both buyers and sellers bring more cynicism and distrust into their market relationships, retaining customers becomes increasingly difficult. Marketers and satisfaction scholars must tackle the distrust issue urgently because of the impact it has on exchange relationships. We suggest pursuing issues of relational barriers to entry, psychological contracts (Lewis 1997), and interactional justice (Goodwin and Ross 1992).

These four women's narratives provide some exciting insights to the destructive impact distrust can have on market relationships. But much work is needed before we understand fully the nature of distrust, its role in dissatisfaction and relationship deterioration. Furthermore, we need to expand our knowledge about the various outcomes of the distrust and dissatisfaction processes, and the consequences for both the customer and the seller. This would also give a theoretical base for designing marketing strategies to address the pressing issues of customer dissatisfaction, service recovery, customer retention, and relationship management in an environment characterized by growing distrust.

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APPLICATION OF RESEARCH ON CONSUMER COMPLAINT RATES TO THE ESTIMATION OF THE FINANCIAL IMPACT OF PROSPECTIVE PRODUCT DEFECTS

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ABSTRACT

The complaint rate, which is defined as the proportion of consumers that complain after experiencing a dissatisfying experience, is an important input for determining the financial impact of prospective product defects. A defective product is one that suffers from a specific, significant design or manufacturing defect. We describe an approach for estimating the complaint rate in a hypothetical example involving defective wood preservative used to treat outside decks. It is assumed that the defect will eventually be discovered by at least some consumers. We rely heavily on studies of consumer complaint rates, recall campaign response rates, and class action response rates.

INTRODUCTION

When a manufacturer produces and sells a product, it faces the possibility that the product will be defective and consequently, that it will be liable for financial damages. Therefore, it is vital for a manufacturer to determine its financial exposure arising from prospective product defects. A first approximation of the financial exposure for the firm can be obtained by knowing: 1) the number of products sold; 2) the average cost of repairing or replacing a defective product; 3) the probability of failure (or failure rate); and 4) the complaint rate, i.e., the proportion of consumers with defective products who complain in order to obtain repair, replacement or restitution.

The complaint rate is the most difficult of these four variables for the manufacturer to predict because for a variety of reasons not all consumers with defective products will complain. Ideally, we would have sufficient data available to develop multivariate models to estimate complaint rates by product type, product value, consumer characteristics, and other variables. These data do not yet exist and so we are limited to approximations of the proportion of consumers who are likely to complain about defective products. In order to contribute to our understanding of the factors influencing complaint rates and to provide initial estimates of the proportion of consumers likely to complain about defective products, this research provides a summary of extant literature regarding complaint rates, recall campaign response rates and class action response rates. This information can be used to provide rough but useful estimates of likely complaint rates.

To provide context, the discussion is tied to the following hypothetical situation: A firm manufactures a wood preservative, which is used by builders to treat residential decks. Later it is determined that when applied as recommended by the preservative supplier, the wood preservative does not always protect treated surfaces for as long as the 10-year guarantee. A statistician is hired to analyze data from 1,000 homes that have decks that were treated with the supplier's preservative four or more years ago but are still under warranty. She determines that the failure rate within the warranty period for decks treated with the preservative is 25%, (where failure involves rotting or crumbling wood to the point of entire decks or parts of decks needing to be replaced).

In this situation when homeowners see their decks begin to rot some will complain to the developer or deck builder. The developer may seek recovery from the deck builder subcontractor, who in turn, seeks recovery from the preservative supplier. In this simplified example and consistent with the discussion above, the preservative supplier's financial exposure for replacing or repairing the defective decks can be estimated as the number of decks treated with the preservative multiplied by the average repair cost multiplied by the failure rate multiplied by the complaint rate. For the purposes of this paper, it is assumed that the probability of product failure is known. It is also assumed that appropriate sales data are available to determine the number of decks treated with the preservative, and the average repair cost per deck. As noted above, the focus of this paper is on the complaint rate, which is the remaining piece of information needed to estimate the preservative supplier's financial exposure.

Of course, this example is highly simplified. It is not unlikely that all three parties, i.e., the developer, deck builder and preservative manufacturer, will incur additional out of pocket expenses in the form of costs for product liability lawsuits, personal injury lawsuits from consumers who fall and indirect costs in the form of negative effects on their reputations due to either or both of negative media coverage or negative word of mouth. Product defects, product liability lawsuits filed by individuals or on behalf of classes and the ensuing negative publicity may essentially ravage entire industries as in the "EIFS" cladding example or severely impact a specific manufacturer as it did with Audi. Both of these cases are discussed later.

The remainder of this paper is organized as follows. Section II discusses the most important factors that are likely to influence the complaint rate while Sections III and IV discuss selected studies of consumer complaint behavior as well as the implications of these studies for the wood preservative example. Sections V to VII consider response rates for recall campaigns and class action suits and how they relate to our wood preservative example. Section VIII discusses the impact of negative publicity on complaint rates, and Section IX offers brief concluding remarks.

Conceptualizing the Factors Influencing Consumer Complaint Rates

At a conceptual level it is likely that a consumer's propensity to complain about a defective product will be influenced by the following five variables: a) expectations regarding the useful life of the product; b) the ability to identify the cause of the product failure; c) the ability to identify the party from which restitution can be obtained; d) the financial loss of the consumer from the product failure versus the cost of complaining; and e) the demographic and socioeconomic characteristics of the consumer. Each is discussed below.

First, as a result of marketer activities and experience, consumers develop expectations about the useful life or products. Warranties and guarantees establish minimal expectations about product life while experience may establish a "typical" (and probably, longer) product life; e.g., consumers expect the useful life of an automobile to be longer than its warranty. In the deck example, it is likely that the complaint rate will be directly related to the number of years the expected or guaranteed life of the deck exceeds the time when the defect occurs (i.e., a disconfirmed expectations assumption). Nonetheless, turnover in home ownership may cloud expectations about the expected life of the deck and decrease the complaint rate.

Second, to the extent the defect is unobservable or there is ambiguity in the ability to identify the cause of the defect, the complaint rate will decrease. In the deck example, "dry rot" may mask the failure and the climate, the amount of traffic on the deck, how the deck is used, and the extent to which consumer performs routine cleaning and maintenance, will all influence whether the consumer perceives the product failure is due to a defect or due to "wear and tear" and contributory negligence and consequently, may influence the complaint rate.

Third, the consumer needs to know how and to whom to complain. If the consumer is a "Do-it-yourselfer" and perceives the deck is defective in some way he must: a) know or be able to determine it is under warranty; b) know or be able to determine the brand of preservative; c) know or be able to determine where the product was purchased; d) be able to show it was applied properly and e) have proof of purchase. If the consumer had the deck built he must: a) know or be able to determine it is under warranty; b) know or be able to determine the name of the builder; and c) be able to locate the builder. The builder may have gone out of business or the business may have changed names. To the extent consumers lack knowledge about the validity of a complaint or about to whom to complain, the lower the complaint rate.

Negative publicity in the form of news stories about the alleged defect is likely to increase the complaint rate. Not only does such publicity raise awareness of a potential defect, it also provides information that helps consumers identify to whom they should complain and may spawn class action lawsuits that provide another venue for complaints. An example of the effects of negative publicity is the complaints about fiberglass "stucco" cladding applied to residential structures during the late 1980's and 1990's. When not applied correctly the "EIFS" (External Insulation and Finishing Systems) cladding frequently caused rotting of the interior (typically) plywood siding due to accumulated moisture requiring very expensive replacement and repairs. See, for example, Jackman (2001) "$1 Million Awarded for Faux Stucco on Va. House;" Schwolsky (1996) "Troubleshooters Target EIFS;" National Association of Home Builders, (1998) "Caution Advised in Using EIFS Systems" and www.eifsinfo.net and www.EIFSweb.com. The ensuing negative publicity undoubtedly increased the percentages of consumers who had their homes inspected for EIFS-related defects. Furthermore, because of the rotting problems, fiberglass EIFS has virtually been replaced by "hard coat" stucco, a cement based product. Thus, the long-term reputational effects of negative publicity may be very difficult to overcome.

Fourth, it can be expected the larger the consumer's financial loss from the product failure, the more likely the consumer will complain. The total amount of financial losses includes the cost of deck repairs as well as personal injuries from falls or damage to other property because of the deck failure.

Finally, it appears likely that higher SES (socioeconomic status) consumers will be more knowledgeable about the available avenues for complaining and thus, more likely to complain, than will be lower SES consumers. The next section of the manuscript reviews consumer complaint studies and where possible compares the findings to these five factors. We begin with a summary of consumer's overall likelihood of complaining.

REVIEW OF CONSUMER COMPLAINT STUDIES

Table 1 outlines several representative studies that quantify the propensity of consumers to complain when they are dissatisfied. Since we are concerned with estimating the financial liability that a manufacturer may incur because of a defect, we have categorized the studies in terms of the "Overall Propensity" to complain and the "Restitution Propensity" to complain. The "Overall Propensity" heading refers to the percentage of consumers taking any action, public or private, after experiencing dissatisfaction. "Restitution Propensity" to complain includes voicing a complaint to a retailer (or manufacturer), contacting the Better Business Bureau, and hiring a lawyer. We assume that the primary motivation of these complaints is to obtain restitution through a refund, a repair of the defect, replacement of the product or some other form to make the consumer "whole." Private action, conversely, refers to actions such as refusing to buy the product again and spreading negative comments.

"Restitution Propensity" is the probability of complaining publicly when a consumer is dissatisfied with a product or service and as noted above, includes complaining to a retailer or manufacturer or contacting a lawyer for purposes of obtaining restitution. In the wood deck preservative example, if there are a total of 100 people who are dissatisfied with their decks and 40 contact the builder and demanded repair or replacement of the deck, the restitution propensity to complain would equal 40%. Thus, the restitution propensity can be viewed as an estimate of the percentage of defective products (e.g., decks) that may need to be repaired or replaced. By definition, the restitution propensity to complain can never be greater than the overall propensity and is very likely to be lower.

Table 1 indicates that the "overall propensity" to complain ranges from 0% for national newspaper services in Andreassen's (2001) study to more than 96% for credit cards in Hogarth, et al.'s (2001) study. The overall propensity to complain is less than 100% in all of the studies that we have reviewed. Thus, for a given type of product or service, there are always some consumers that do not take action in response to a dissatisfying experience.

Table 1
Studies Assessing a Consumer's Propensity to Take Action if Dissatisfied

Study	Product Class	Overall Complaint Propensity[a]	Restitution Complaint Propensity[b]	Size of Base[c]
Warland, et al. (1975)	General[d]	68.5%	32.0%[e]	425
Day/Landon (1976)	Durables	77.1	34.5[f]	275
	Non-durables	73.5	21.5[f]	275
	Services	84.0	34.5[f]	275
Best/Andreasen (1977)	Car	58.2	46.8[g]	827
	Air Conditioner	56.8	51.4[g]	175
	Washer/Dryer	50.8	44.3[g]	254
	Home Repair	63.1	46.0[g]	537
	Car Repair	61.1	48.4[g]	1277
	Appliance Repair	57.9	51.4[g]	563
Gronhaug/Zaltman (1981)	General	65.9	65.9[h]	1266
Bearden/Mason (1984)	Durables	n/a	64.0	175
	Services	n/a	72.0	292
TARP (1986)	Large Ticket Durable Goods	n/a	40	n/a
	Medium Ticket Durable Goods	n/a	50	n/a
	Large Ticket Services	n/a	63	n/a
	Small Ticket Services	n/a	55	n/a
Bolfing (1989)	Hotel/Motel Services	72.0	48.8	629
Singh (1990)	Grocery Shopping	n/a	76	176
	Automotive Repair	n/a	85	155
	Medical Care	n/a	47	166
Hernandez, et al. (1991)	VCRs	77.8	43.2	424
Kolodinsky (1995)	Automobile Repair	91.0	76.0	122
	Medical Services	78.0	61.0	93
Andreassen (2001)[i]	Fast Food	8.3	n/a	48
	Insurance	59.4	n/a	32
	Postal Services	35.3	n/a	17
	Regional Newspapers	27.6	n/a	76
	National Newspapers	0.0	n/a	55
	Telecommunications	40.0	n/a	15
	Personnel Transportation	10.6	n/a	47
	Bank	41.9	n/a	86
	Service Stations	24.3	n/a	37
	Car Dealers	65.1	n/a	63
	Charters	46.2	n/a	78
	Grocery Chains	26.5	n/a	68
Hogarth, et al. (2001)	Credit cards	96.6	85.5	166

a Propensity to take public or private action if dissatisfied.
b Propensity to complain to obtain restitution if dissatisfied.
c Size of base is the number of dissatisfied consumers in the sample.
d Results were not determined according to specific product classes.
e Figure is for "Complained to store manager, salesman clerk, president of corporation" only.
f Figures are for "I contacted the store to complain" only.
g Figures are for voicing a complaint to a seller (either a local retailer or service outlet, or a manufacturer) only.
h The "overall propensity" and "public propensity" figures are the same because the researchers apparently did not distinguish between "no action" and private action (see footnote 2 of the article for the source of this ambiguity).
i The author does not indicate whether a complaining, dissatisfied customer took public action, private action, or both.

The "restitution propensities" to complain, which are also shown in Table 1, are more difficult to interpret because some of the figures are for any type of action to obtain restitution (e.g. complain to BBB and retailer) while others are probabilities of taking only one specific type of action, (such as complaining to the retailer) so the overall restitution propensity to complain is likely to be underestimated. The data show that the average propensity to take action for the purposes of obtaining restitution is somewhat less than 50% for durable goods (i.e., simple, unweighted mean = 48%) and approximately 60% for services (simple, unweighted mean = 60%). Table 1 also shows that the minimum propensity to complain to obtain restitution when dissatisfied ranges from a minimum of 22% to a maximum of approximately 85% (Singh (1990), automobile repair and Hogarth, Hilgert, Kolodinsky and Lee (2001), credit cards).

The complaint behavior studies also provide findings relevant to four of the five conceptual factors likely to influence complaint behavior: the financial loss to the consumer, ability to identify the cause of the failure, the difficulty of complaining, and consumer demographic and socioeconomic characteristics. None of the studies addressed the issue of the difference between the expected useful life and the time at which the defect appears. The response rate to product recalls, which is discussed subsequently, indirectly addresses this issue.

First, many studies find a positive relationship between complaint propensity and the value of the product or service (e.g., Huang 1994). In addition, researchers have found a positive correlation between propensity to complain and the severity of the problem/magnitude of the loss (e.g., Day and Landon 1977; Hogarth, et al. 2001). Second, other research findings include the fact that the likelihood of complaining increases if the problem is clear-cut rather than a matter of judgment (see *Advertising Age*, June 21, 1976, p. 27). Third, the perceived restraints or unavailability of complaint channels inhibit consumer complaining (see, e.g., Bearden and Mason 1984). Other researchers have noted that the time and expense associated with complaining are significant and that the perceived costs and benefits of complaining, beyond product/service expenditures, are critical components of the complaining process (e.g., Day and Bodur 1978). Consistent with these studies, a more recent study by Kolodinsky (1995) found that time constraints influence complaint rates. She found that hours of market work and the presence of young children decrease the probability of taking any type of complaint action.

Several researchers have found a positive association between complaining behavior and income and occupation level (e.g., Bearden 1983; Bearden and Mason 1984; Day and Landon 1976). The upset/action group also tends to have higher socioeconomic status (see, e.g., Warland, Herrman and Willits,. 1975). Many researchers also note that complainers are younger, in general (e.g., Bearden 1983; Bearden and Mason 1984). One study (Gronhaug 1977) finds, however, that with respect to dissatisfaction with durables and nondurables, the demographic measures possessed no descriptive or explanatory power. Thus, although on balance the majority of studies have found a direct association between socioeconomic status and complaining behavior, the findings are not completely consistent. No study that we are aware of has found an inverse correlation between complaining behavior and socioeconomic status.

IMPLICATIONS OF CONSUMER COMPLAINT STUDIES FOR THE WOOD PRESERVATIVE EXAMPLE

The literature on complaint rates sheds light on two main topics relevant to our wood preservative example. It highlights factors that directly impact complaint rates and it provides estimates of complaint rates. As noted above, the data from Table 1 indicate that estimated propensity to complain to obtain restitution for durables and services ranges from roughly 22% to 85%, with an overall mean of about 50%. Thus, the complaint literature provides a starting point for assessing the expected complaint rate in our deck example, but this estimate must be adjusted to account for the various factors that influence consumer complaints.

The literature indicates that four of the five factors that we conceptualized as influencing complaint behavior are indeed related to complaint rates. That is, the literature supports the conclusion that the magnitude of the consumer loss or the value of the product is directly related to the propensity to complain. Additionally, the existing literature also by and large supports the conclusion that the complaint rate is directly related to socioeconomic status. Since it can be relatively expensive to replace decks or parts of decks in a given household, we would expect a relatively high proportion of homeowners with defective decks to complain, everything else being the same. This is especially so when considering that homeowners have higher socioeconomic profiles than does the public at large. For example, according to the "American Housing Survey for the United States" conducted by the U.S. Department of Commerce and U.S. Department of Housing and Urban Development in 2003, median household income per year was $41,775, while median household income for *owner occupied units* was $52,803. Thus, two of the factors that are related to complaint behavior are likely to increase the percentage of consumers who would complain about defective decks.

The other two factors, i.e., the ability to identify the cause of the product failure and the ease of complaining, that are related to complaint rates are likely to decrease the complaint rate. As noted above, it has been shown that if the problem is clear-cut (i.e. obvious, clearly identifiable), the complaint rate increases. If the problem is more ambiguous and a matter of judgment, the complaint rate, everything else being equal, declines. In the case of wood preservative, it is reasonable to assume that the problem is at least somewhat ambiguous. Factors such as weather, number of years since the deck was completed, amount and type of use, determining whether the alleged defect is in the lumber itself or the preservative or related to faulty construction, may make the identification of causal factors difficult.

The research also shows that complaint rates are affected by the ease of complaining and the availability of complaint channels. When a dissatisfied consumer has some difficulty determining the appropriate complaint channel, the probability of complaining is reduced. In short, if a homeowner with a defective deck has some difficulty determining how to complain and who to complain to, complaint rates would decrease.

It is clear that the ultimate complaint rate in our wood preservative example is going to be affected by countervailing factors that historically have been shown to be correlated with complaint rates. Considering that some of these countervailing factors were operational in each of the eleven complaint studies and that the propensity to complain to obtain restitution averaged approximately 50% for durables and services, and never fell below 22%, this suggests that the deck construction company and ultimately the wood preservative supplier can expect a complaint rate of no less than 30%. In terms of the earlier example, our hypothetical preservative supplier can expect to have complaints from at least 7.5% (i.e., 25% failure rate x 30% complaint rate) of the homeowners about rotting decks. Estimating the likely upper bound on the complaint rate in the deck example is difficult from the complaint rate studies for one important reason: the complaint rate literature deals primarily with defects that are recognizable within a short period of time after product purchase. For example, Best and Andreasen (1977) focused on appliance repair and car repair, while other studies of specific durables have focused on automobile repair (Singh 1990, Kolodinsky 1995). Recall response rates, which is the subject of our next section, provides some insight into consumer responses when the consumer may not recognize the defect for some time or perhaps not at all. This data supports our estimate of at least a 30% complaint rate and also provides some insight into the upper bound on complaint rates.

REVIEW OF RECALL RESPONSE RATE STUDIES

Murphy and Rubin (1988) collected data on 128 consumer product recalls initiated by the Consumer Product Safety Commission (CPSC) between 1978 and 1983. The dependent variable in their study is the percentage of the outstanding product that is successfully recalled in a campaign. The recall rate, while ranging from 0 to 100%, had a mean of 54.4%. There was a great deal of variation in recall rates; one-third of the sample had recall rates below 20% or above 89%. Murphy and Rubin explain about 90% of the variation in recall rates using six explanatory variables. These variables are 1) the number of months separating the end of distribution and start of recall; 2) method used to notify consumers; 3) percentage of items in retail inventory; 4) percentage of items in hands of consumers; 5) dummy for repair kit given/sent to consumers to repair the unit; and 6) dummy for item if it is scuba diving or mountain climbing equipment. Variables that were not significant included the number of months the product was distributed before a recall occurred; hazard rating ranking the severity of risk of injury; and product price.

A study by Hoffer, Priutt and Reilly, (1994) examined 108 National Highway Traffic Safety Administration (NHTSA) recalls between 1984 and 1986. The average recall rate after twelve months of initiating a recall campaign was 48.5%. The range was from 6% to 99%. Presumably, nearly 100% of owners are contacted by mail, as automakers are required to contact each state for current registered owners. Only two variables of interest were found to be significant: model year (older vehicles had lower recall response rates) and severity of defect (more severe defects witnessed higher recall response rates). The finding that older vehicles had lower recall response rates suggests that the time path of product failure (and of product ownership) is important.

Another study of NHTSA recalls was completed by Rupp and Taylor (2002) and examined which factors were associated with the highest recall response rates. Their sample included 465 recalls of which 283 appeared in the Wall Street Journal (WSJ) between 1980 and 1998. Although Rupp and Taylor did not provide response rates, their study showed that "high hazard" (i.e., more serious defects) recalls, those which were announced in the WSJ, those involving automobiles manufactured by the "U.S. Big Three," and whether it was the inaugural year of an automobile model were positively related to recall response rates. Whether a vehicle was three or more years older was inversely related to recall response rates. Thus, the Rupp and Taylor's results are consistent with those of Hoffer, et al. (1994) in terms of severity of the defect and vehicle age.

It is helpful to mention a few specific recall campaigns for which data are available. In a CPSC questionnaire, it was found that one company reported a 65% success rate for stoves and an 80% success rate for lawn mowers (McGuire 1974, p.21). In a Sears dishwasher recall, at least 59% of the affected units were repaired (see Diamond and Greyser 1977, p. 2). In the next section, response rates following resolution of class action suits will be discussed.

REVIEW OF RESPONSE RATES FOR CLASS ACTION SUITS

Table 3 presents response rates for various types of class action suits according to Newberg and Conte (1992). It is clear that the type of case and the method of notification impact the response rates. Several important caveats need to be mentioned. First, when class members are notified via mail, the quantity of undeliverables can seriously undermine response rates. For example, in *Liebman v. JW Petersen Coal & Oil Co*, (73 F.R.D. 531) of the initial 27,000 notices sent out, 8,533, or 32%, were undeliverable.

Second, response rates do not always reveal the true picture. That is, since each response may correspond to a different-sized monetary claim, there is a tendency for larger claims to be submitted and for very small claims to be ignored. Two examples help illustrate this point. In *Corona Construction v. Ampress Brick Co*, (376 F. Supp. 598) the notice of settlement was communicated by both publication and direct mailings to 2,400 purchasers. While only 188 claims were filed, they represented 55% of the sales during the damage period. In *Golden v. Gulf & Western Industries, Inc.*, (355 F. Supp. 574) proofs of claim were submitted by about 70% of the shares included in the class of 34,000 stockholders (see Fuchsberg 1973, p. 157). Because larger stockholders were probably more likely to respond than smaller stockholders, the response rate for the class was likely far below 70%.

IMPLICATIONS OF RECALL AND CLASS ACTION SUIT RESPONSE STUDIES FOR THE WOOD PRESERVATIVE EXAMPLE

Recall response rates, which measure the

Table 2
Factors Affecting Complaint Rates and Their Expected Impact on the Wood Preservative Complaint Rate

Factors Affecting Complaint Rates	Expected Impact on Wood Preservative Complaint Rate
Type of Product (Durable, Service)	Positive
Value of Good or Service	Positive
Severity of Problem/Magnitude of Loss	Positive
Nature of Problem (Clear-Cut vs. Ambiguous)	Negative
Ease of Complaining/Availability of Complaint Channels	Negative

Table 3
Response Rates When Common Fund Distributed Pro Rata Among Those Filing Proofs of Claim

Case	Type of Case	Notification	Claims Filed as % of Total Class Members
Antibiotic Antitrust Actions	Antitrust	Mail	8.18
Butkus v. Chicken Unlimited Enters	Antitrust	Mail	24.00
Folding Carton Antitrust Litig	Antitrust	Mail	43.87
Gypsum Cases	Antitrust	Mail and Publication	15.30
Liebman v. JW Petersen Coal & Oil	Antitrust	Mail	34.80
Entin v. Barg	Securities	Mail and Publication	38.84
Seiffer v. Topsy's Intl Inc	Securities	Mail and Publication	43.06
Karan v. Nabisco	Employment	Mail and Publication	52.45
Payne v. Travenol Laboratories	Employment	Mail	41.07
Revor v. Imperial Inventors Intl Inc	Consumer	n/a	48.13
Weston v. Traid Corp	Consumer	n/a	16.67

Source: Newberg, H. and A. Conte, *Newberg on Class Actions*, 3rd ed., vol. 2, 1992.

proportion of outstanding product that is successfully recalled, average around 50%. Note that for the first three factors outlined in Table 2, type of good, value of good or service, and severity of problem, a recall campaign is similar to the defective deck problem faced by a homeowner. In both cases, the product is a durable good, and the defect is not revealed for some period of time. Furthermore, the value of the product and severity of the problem are both, on average, relatively high for recalls and the rotting deck wood situation. It also should be noted that the Hoffer et.al. (1994) study found a positive relationship between the severity of the defect and recall response rates. This finding is consistent with consumer complaint studies.

The complaint rate for defective decks may be less than the recall response rate due partly to the factors outlined in the last two rows of Table 2: the nature of problem and ease of complaining. In the case of recall campaigns, the problem and its cause are certainly not ambiguous; the problem is clear-cut and typically affects thousands of vehicles in exactly the same way. Compared to a recall campaign, the defective deck problem is more ambiguous. Consequently, one would expect a lower propensity to take public action, everything else being equal. In addition, for recall campaigns, a complaint channel is readily available, making it straightforward to take action. The consumer is notified by the manufacturer and simply has to take the vehicle to a dealer to repair or replace the recalled item. In the case of a rotting deck, the consumer has to initiate the complaint and the complaint channel is not as obvious, which would also tend to reduce the likelihood of complaining.

Another reason that the complaint rate in the defective deck example may be smaller than the average recall response rate is that there is a time lag between the purchase of the deck and the onset and realization of a defect. The recall rate literature found a negative relationship between the age of a vehicle and recall response. Similarly, complaint rates for rotting deck wood might be lower due to the time it takes for the defect to be revealed.

A related issue is the potential for homes to change hands. It has been estimated that houses change hands, on average, every seven to eight years (Engstrom and Huber 1997, p. 100). On the one hand, such turnover may cause the homeowner to be one or more steps removed from deck construction and decrease complaint rates, everything else being equal. On the other hand, turnover often involves inspections, which may lead to the discovery of the defective wood. Because of these two counterbalancing forces, it is difficult to determine the precise effect of turnover on complaint rates.

The response rate in class action suits, based on the figures in Table 3, averages around 35%. Note that this figure is lower than the average response rate of 50% for recalls. There is a straightforward explanation for class action response rates being lower than product recall response rates. Class action suits lack straightforward complaint channels in the following sense: class members need to file proofs of their claim. It may be very difficult to provide the appropriate proof to validate a claim. As a result, it is not surprising that class action response rates appear to be lower than product recall response rates.

All other factors being equal it appears that an upper bound in our hypothetical example for consumer complaints to the preservative supplier will be no more than 50%. The complaint rates for household repair problems, in which defects are more immediately noticeable, are approximately 50%, recall response rates when the consumer is notified of a defect are also 50%, and class action response rates are even lower. Given the inverse impact of elapsed time on the response rates for recalls, and the ambiguous nature of causation regarding a rotting deck, consumer complaints to the developer are likely to be diminished.

THE IMPACT OF NEGATIVE PUBLICITY ON SALES, MARKET SHARE, REPUTATION, AND COMPLAINT RATES

In determining the expected complaint rate, it is important to take into account the potential impact of negative publicity. If a program such as *60 Minutes* (or a local consumer action story) were to have a segment on rotting decks, the complaint rate would be expected to increase substantially. Besides the fact that many more homeowners would check their decks for signs of rotting, homeowners would be much more vigorous in determining the manufacturer and builder and taking action if problems were found. Publicity often generates complaints from consumers who do not even have a significant problem. It is reasonable to expect adverse publicity may come from sources such as an article in *The Wall Street Journal* or in other newspapers or periodicals, a story on *60 Minutes* or *20/20* or local consumer action programs; and class-action attorneys.

Before outlining several examples of the damaging effects of negative publicity, it is helpful to discuss mass media and negative information generally. The following quotation highlights the increasing influence of mass media and negative information:

> Mass media have made it possible to diffuse negative information quickly to larger audiences. The diffusion of negative information is of particular significance to marketing managers because bad news typically has a higher profile in both print and broadcast media . . . Media observers have noted that the mere mention of an issue on the news makes a story important, possibly memorable, and perhaps worthy of being passed along to others. (Weinberger and Romeo 1989, pp. 44-5)

In short, the influence of mass media has increased dramatically in recent years, becoming a particularly effective conduit for the promulgation of negative information.

There is evidence that even relatively mild negativity can have serious effects. It has been written that most studies conclude that negative information is potent and, in some instances, more influential than positive information (Weinberger and Romeo 1989, p. 45). Researchers in psychology and consumer behavior have suggested that the potential vividness of negative information enhances subsequent recall of the message, while recall of mitigating circumstances is limited. This effect is strengthened by the tendency of mass media and word-of-mouth to be vivid and to avoid detailing circumstantial factors (see Weinberger, et al. 1991, p. 23).

Researchers have also found that the source and credibility of negative information are important. For example, in a study of negative product safety news, Weinberger, Romeo and Piracha (1991) note that television generates the greatest impact on the public and that negative television visuals magnify effects on viewers. Further, they find that a credible source has an immediate and severe effect on sales. There is a great deal of evidence linking adverse publicity to sales and market share declines.

The negative impact of adverse publicity on *future* sales and market share confirms the notion that there will be increased complaint rates on *past* installations of decks. In a sense, the only difference between the impact of publicity on future sales and its impact on complaint rates (arising from past sales) is *how* consumers respond. In the former case, consumers simply shift their purchases away from the company facing the adverse publicity. In the latter case, consumers, who cannot adjust *past* purchases, are likely to complain in response to bad publicity. One well-known example of the impact of adverse publicity follows.

The Audi 5000

The Audi 5000 was introduced in the U.S. in 1978. Beginning in March 1986, Audi started having problems with the 5000 model; the National Highway and Transportation Safety Administration (NHTSA) was petitioned to recall all Audi 5000s with automatic transmission for sudden acceleration syndrome. The model was recalled on March 19, 1986, and Audi's share of its submarket dropped from 14.9% to 10.5% in the months following the announcement.

A key question is whether the recall itself was responsible for the decline or whether adverse publicity was the culprit. Had there been no publicity, potential Audi owners would not have been aware of the problem because only existing owners would be notified by mail. Instead, Audi faced a scathing report on the 5000 model from *60 Minutes* in November 1986. The report included images of death and destruction and also claimed that Audi appeared arrogant by blaming the public for the acceleration problem. In January 1989, NHTSA cleared the Audi 5000 of the responsibility for sudden acceleration syndrome.

Although Audi won in a legal sense, Audi sales were impacted for many years. Audi, which had sold over 74,000 vehicles in the United States in 1985, sold an average of 14,000 cars in the U.S. from 1991-1995 (Beels 1998). Mary Sullivan (1990) completed a rigorous evaluation of the effects of the sudden acceleration controversy on Audi. Her analyses showed that the depreciation rates of Audi models which were not implicated in the controversy also were adversely affected as the Audi 4000 depreciated 9.8% more and the Audi Quattro depreciated 6.8% more than might be expected from 1986 through 1989 (Sullivan 1990, p. 325).

Other Negative Publicity

Martha Stewart's insider trading case provides a more recent and prosaic example of her assumptions about the likely effects of negative publicity. More generally, Peltzman and Jarrell (1985) demonstrated the adverse effects of the public notification of impending investigations by the FTC and other regulatory agencies on stock prices of the named firms. Finally, even erroneous negative publicity can have severe adverse consequences. The 1989 report by *60 Minutes* highlighting a link between Alar and cancer led to a one-third decline in sales of apples and cost the Washington apple industry $130 million in lost sales (see Dodd and Morse 1994, p. 18).

CONCLUSION

The objective of this research was to summarize the available evidence regarding research on consumer complaint rates and recall and class action response rates in order to estimate the likely complaint rate for product defects which are not revealed until after several years of product use. Although as noted in the introduction the data does not yet exist to allow development of a multivariate model to estimate complaint rates by product type, we can begin to develop a rough approximation. Extant research indicates that restitution complaint propensities range between 22% and 85%. Restitution complaint rates are positively related to the initial value of the good, the average cost of repair, the good being either a durable or service, and publicity about the defect. Restitution complaint rates are inversely influenced by the ambiguity of complaint channels and the ambiguity of identifying the cause of the defect. In general, complaint rates are positively related to socioeconomic status of consumers. Based on our reading of these results, we estimate the minimum restitution complaint rate for our deck example is 30%.

Since it is likely there will be a range in the severity of the problem affecting any individual consumer's deck and a range in the time span when the problem is identified, it is clear that not all consumers will complain. Thus, the upper limit on restitution complaints is likely to be much less than 100%. In our opinion, analysis of product recall responses rates and class action lawsuit response rates can be used to estimate an upper limit on the defective deck complaint rate, because typically the product recalls and class action notices are initiated many months or even years after the purchase. Additionally, since recalls typically involve safety issues with a range of severity and class action lawsuits involve consumers who have differing financial incentives to respond, a range in consumer response rates can be expected. These data lead us to estimate that no more than 50% of consumers who have a defective deck will complain publicly.

One important way in which the results from our research can be used is in product defects cases, such as described in the deck example. Damages experts can use these results, adjusted for characteristics of the situation, to estimate a range for compensatory damages. Then, these results can be used both by plaintiffs and defendants to determine reasonable outcomes for proposed settlements. While our range of estimates lacks the statistical rigor (e.g., confidence intervals) one desires it appears to be the best we can do given current limitations in publicly available data.

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PREMIUM PRICE BLUES: CUSTOMERS VOICING PRICE COMPLAINTS, BUYING AND NOT BUYING

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ABSTRACT

This qualitative, observational study examines customer price complaints and purchase or purchase avoidance responses in a setting involving a super premium ice cream shop. Unprompted customer comments concerning price were recorded. Satisfaction with price is linked to purchase. The study finds a high proportion of customers expressing dissatisfaction with premium prices. Purchase avoidance is very high among dissatisfied customers who ask about or know the price before ordering. Most of the other dissatisfied customers learn of the price after ordering/purchasing the product. The results suggest that a social norm of commitment to purchase overcomes dissatisfaction since customer commitment is generated by the structure of the transaction.

INTRODUCTION

Price has long been recognized as a key attribute in the decision to purchase or not purchase a product or service. Basic and applied research interest in consumer satisfaction/ dissatisfaction with price is demonstrated by the studies that have explored that topic (for two examples and general literature reviews see Bei and Chiao 2001 and Varki and Colgate 2001). A number of products and services are positioned as premium price offerings. To our knowledge, consumer satisfaction/dissatisfaction with and response to premium prices has not been explored. The purpose of this article is to report on a study of consumer satisfaction/dissatisfaction with premium prices and purchase or avoidance of purchase given price dissatisfaction. Our study focuses on a premium-priced product but one whose cost is not large, as compared to a premium-priced automobile or home. Almost everyone in the mall could have bought the ice cream if they wanted to.

This study contributes to the literature regarding customer satisfaction/dissatisfaction with price in several ways. First, we find additional evidence that supports current understanding of price dissatisfaction and customer responses. Such evidence includes reference prices and dissatisfaction, the classic disconfirmation model, and it's prediction that dissatisfaction results in purchase avoidance. We extend the dissatisfaction-intentions relationship to dissatisfaction-behavior. Second, this research presents findings that are evidently new to the literature. We find that given dissatisfaction with price, the probability of purchase depends on whether price is known to the customer before or after an implicit commitment to purchase is made. Thus the impact of price dissatisfaction is moderated by a social norm of commitment to purchase. In turn, commitment to purchase is linked to the structure of the transaction in terms of when during the purchase process the consumer learns of the price. Also, since we did not find research in the literature that focuses on premium prices, we believe this article presents new findings on that topic. This study documents responses to price dissatisfaction for a particular brand at the retail point-of-sale. In summary, the findings will add to the richness of the satisfaction literature by presenting new understandings and suggesting areas for future research.

BACKGROUND

Setting and Industry

For this study we define price is the amount of money the customer pays for a product or service. In this study, the brand is a high-priced super premium ice cream marketed by a scoop shop located in a regional urban shopping mall.

There are only two major super premium ice cream brands with scoop shops. Both brand manufacturers have a relatively limited number of scoop shops. These products are highly rated in terms of physical attributes and are very consistent in terms of the major attributes. The high product standards yield a taste that consumers desire (due to more butter fat, fewer artificial ingredients, better quality control and careful testing) and require higher expenditures for materials and labor. The super premium manufacturer passes these costs on to the retailer resulting in a higher price at super premium scoop shops than at other ice cream scoop shops. Many customers who usually consume less expensive brands resist paying the higher prices associated with the super premium brands. In addition, due to aggressive price discounting to move product through grocery stores, the price of ice cream in the super premium scoop shops is higher than the grocery store's super premium ice cream prices. There are customers who love the product but do not like the scoop shop price.

Relevant Literature

The literature on customer dissatisfaction with price is extensive. Several studies are relevant to our work. Price satisfaction / dissatisfaction is determined by perceived price fairness (Bei and Chiao 2001, and Campbell 1999) and how competitive a price is (Varki and Colgate 2001). Fairness/unfairness is related to the consumer's perception of the firm's pricing motives (Campbell 1999). In turn, both price satisfaction/dissatisfaction and fairness/unfairness are significantly related to intentions (Campbell 1999, Varki and Colgate 2001). The customer is likely to judge a price as less expensive in a high-priced context (Adaval and Monroe 2002) and more expensive if the price exceeds the customer's reference price (Niedrich, Sharma and Douglas 2001).

METHOD

Our general interest was in learning how customers respond to premium prices, not to test hypotheses drawn from a well-established literature stream. The literature suggests that very little is known about customer experience with premium prices. Thus an inductive, ethnographic method consisting of observation of consumers at the point of product selection and purchase was used (Hudson and Ozanne 1988, Hunt, 1991).

Setting

A super premium quality (and high-priced) ice cream shop located in a major urban shopping mall is the site of data collection. The Scoop Shop (pseudonym) is a franchised outlet of a major super premium brand of ice cream. The business is operated as a "scoop shop" (industry term). The Scoop Shop consists of a counter that customers approach to place an order. A worker takes the customer's order, prepares the order and takes payment. The Scoop Shop is located on the ground floor Food Court of the mall along with other shops offering food and drinks. In this article we use the term worker for any person in contact with a customer.

Observations

Workers were offered a small financial incentive ($.25 per interview) to complete a short observation form on every customer that expressed opinions about the price of the ice cream. As a result, the data collection method is that of an observer rather than the self-report technique. Some of the observations were made as the result of a purchase and other observations were made as a result of an inquiry about the price and/or a close look at the menu board that posts prices for various offerings. In this paper, we use the term customer for both buyers and prospective buyers.

A training session was conducted with each worker. Sheets with the guidelines from the training session and copies of the observation forms were located in a convenient place under the cash register for quick access. The data collection took place over the summer months with various workers (all trained in data collection for this study), recording the statements that they associated with price, including the comment and a description of the person who made the statements. A copy of the data collection form with representative customer comments appears as the Appendix. The observation forms were reviewed for completeness daily by the first author for the first two weeks of the study, then weekly. If any questions arose, the worker was asked to elaborate on the material. Workers were asked to record verbatim the customer statement about the price plus four demographic variables (gender, race, age and dress). Observation forms were completed on 100 situations (customer(s) or potential customer(s)) of which 98 were suitable for analysis.

Several of the customer and worker comments and behavioral recordings obtained from the observation forms appear throughout the remainder of this article. The comments have been left in the same form as they were written (except for omitting the brand name). The people writing the comments were standing up and often hurried. As a result the quotations are not necessarily grammatically correct (a number at the end of each quotation corresponds to the observation number).

Classification of Comments

The total set of 98 observations was independently read and classified by both authors on three variables. The first variable is price satisfaction or dissatisfaction, the second is purchase or purchase avoidance and the third variable is "does the consumer know or not know the price before placing an order?" Each variable is discussed below.

Price Dissatisfaction/Satisfaction. In general, dissatisfaction is negative affect (Oliver 1997). Price dissatisfaction is negative affect concerning price and is operationally defined as customer comments and or behavior indicating that the customer feels the price is high, too high, unjust to the buyer, unreasonable, unfair or unacceptable. Often the comments clearly express dissatisfaction as in this example recounting an exchange between an elderly woman and a worker.

> Customer: "How much is a small yogurt?" Worker: "1.99". Customer: "That's a rip-off!" Worker: "No, it's a fair price". Woman to her friend: "Can you believe they want $ 2.00 for this and extra for the toppings?" The friend looks embarrassed. The woman walks away (27).

Satisfaction is positive affect (Oliver 1997) and price satisfaction is positive affect concerning price. Price satisfaction is operationally defined as customer comments suggesting that the price is acceptable or that the customer is pleased with the price or plans to repurchase at the Scoop Shop. An illustration of price satisfaction is a man who walks up in a good mood and says:

> " I want a scoop of chocolate in a waffle cone. The worker prepares the order, rings it up and says, "it's $ 2.74". He says: "Wow! I haven't been out in a while". The worker just smiles as the man counts out his money, gives the worker $3.25 and says: "Your tip is included". Worker: "Thanks, have a nice day, enjoy it". He comes back and lets the worker know it was good stuff (48).

Purchase and Purchase Avoidance. Purchase or purchase avoidance is operationally defined on the basis of the consumer or worker comment or the worker account of the consumer's behavior. Most observations report if a purchase is made or avoided. An example of purchase avoidance is a man who asks:

> "How much is a large Coke®?" When the worker tells him, he scrunches up his face and just walks away (4).

Price Know/Unknown Before Order Placed. The third classification is whether or not the customer appears to know the price before an order is placed. The service process starts with a prospect approaching the counter. Some customers know the price from prior experience with the Scoop Shop. The Scoop Shop procedure is for workers to first take the order, fill it and, unless asked, only give the price when payment is requested for the completed order. Many prospects learn of the prices of items by asking a worker or reading the menu board. For these customers, price is known before an order is placed or avoided and classification is relatively easy. A second group of potential customers do not check the price before they place an order. These customers are difficult to classify in terms of whether price is known or unknown before placing an order. Customers who express surprise or shock when they learn of the price during or after worker fulfillment of the order are classified as price unknown. The remaining people were classified as price known. While this procedure was not perfect, it seems reasonable for this study.

Reliability of Classification. Both authors independently classified each observation for each of the three variables – YES, NO, OR "can't classify." Development of the classification rules included five steps. First, the authors reviewed many of the observations to learn of consumer and worker responses. Based on an initial understanding of responses to premium prices we decided that price dissatisfaction/satisfaction, purchase/purchase avoidance and price known/unknown before placing an order are important phenomena. The second step was to develop written classification rules based on the initial review of the comments. A third step was to classify the first 19 valid observations using the preliminary classification rules. Next, we compared our independent classifications of the 19 observations and refined the classification rules. The new classification rules were used to classify the remaining 79 observations. Agreement between the two authors was 86% in terms of price dissatisfaction/satisfaction and purchase/ purchase avoidance. The third variable of price known/ unknown before ordering was more difficult to classify with 77% agreement. The last step in the classification process was to discuss each classification about which we did not agree. The discussion made it easy to resolve our classification differences. One classification problem was that four observations contained price comments and behavior from more than one consumer. We solved this problem by adding additional consumers to the data set. As a result, the 98 observations yielded 102 responses. It was not possible to code each consumer comment on all of the variables, which resulted in missing data. If data is missing for one variable, the observation is omitted from analysis regarding that variable. Thus the numbers of observations for each analysis may vary.

ANALYSIS AND RESULTS

Premium Prices and Price Dissatisfaction

Of the total sample, only 10 of the 96 customers have responses coded as price satisfied and 86, or 90%, are price dissatisfied. The Scoop Shop owners estimate that about 25% of all those who approach the counter, including customers and prospects, complain about price. The price-dissatisfied percentage from this study is higher than the estimate of the Scoop Shop owners as the sample only includes customers commenting on price. Comparative data is lacking; however, it is clear from the comments that premium prices result in price dissatisfaction for many customers.

Price Satisfaction/Dissatisfaction and Purchase/Purchase Avoidance

As shown in Table 1, all ten of the price-satisfied customers made a purchase. In contrast only 42% (36 of 86) of the dissatisfied customers made a purchase, and 58% (50 of 86) of price-dissatisfied customers avoided making a purchase. The differences are significant (Chi-Square probability =.000). The results show that purchase avoidance is the most common response to price dissatisfaction. A question at this point is why do 42% of price dissatisfied customers buy?

When Price Becomes Known in the Service Process: Customer Commitment, Price Dissatisfaction, Purchase and Purchase Avoidance

The thesis of this section is that whether the customer knows the price before or after the order is placed impacts customer commitment, and, in turn, that commitment influences purchase and purchase avoidance. In this section we present behavior categorized by different sequences in which customers learn of the price. Of the 102 observations, 91 could be classified as price known/unknown and price satisfied/ dissatisfied. The classification and the number of customers in each category appear in Table 2.

Price Satisfaction/ Dissatisfaction and Price Known/Unknown

As shown in Table 2, whether customers knew the price or not before they ordered had little impact

Table 1
Price Satisfaction/Dissatisfaction and Purchase/Avoid Purchase

	Price Satisfaction/ Acceptance	Price Dissatisfaction	Total
Purchase	10 100%	36 42%	46
Avoid Purchase	0%	50 58%	50
Total	10 100%	86 100%	96

Chi Squared = 12.113; significant at the 0.00 level.

Table 2
Price Known/Unknown Price and Price Satisfaction/Dissatisfaction

	Price Known	Price Unknown	Total
Price Satisfaction/ Acceptance	5 9%	4 12%	9
Price Dissatisfaction	53 91%	29 88%	82
Total	58 100%	34 100%	91

Chi Squared = 0.289; not significant.

Table 3
Price Known/Unknown and Price Satisfaction/Dissatisfaction and Purchase/Avoid Purchase

	Price Known		Price Unknown	
	Satisfied	Dissatisfied	Satisfied	Dissatisfied
Purchase	5 100%	9 17%	4 100%	24 83%
Avoid Purchase	0	44 83%	0	5 17%
Total	5 100%	53 100%	4 100%	29 100%

Table 4
Price Dissatisfied Consumers: Price Known/Unknown and Purchase/Avoid Purchase

	Price Known	Price Unknown	Total
Purchase	9 17%	24 83%	33
Avoid Purchase	44 83%	5 17%	49
Total	53 100%	29 100%	82

Chi Squared = 33.723; significant at the 0.00 level.

on the price satisfaction or price dissatisfaction. Of the respondents who did not know the price before the order was prepared, 12% were price-satisfied compared to 9% for the price known group. The Chi Squared probability is not significant. It appears that the level of satisfaction /dissatisfaction is not significantly different for the price know/unknown customers.

Price Known/Unknown, Satisfaction/ Dissatisfaction And Purchase/Avoid Purchase

An Overview of When Price is Known. If the customer was dissatisfied with price, but learned of price after ordering, (the price unknown group of Table 3), a high proportion, 83% (24 of 29), made the purchase. In contrast, if price is known before ordering and the prospect is dissatisfied, only 17%

(9 of 53) buy. We see that the entire price satisfied group of customers buy. Table 3 is presented as descriptive data since some cell sizes are too small for a statistical test.

Satisfaction/dissatisfaction are often studied as post-purchase phenomena. Thus it is important to note that in this study some customers were dissatisfied with price before purchase as the focus of this study was on price satisfaction/ dissatisfaction, both pre and post-purchase.

Price Dissatisfied Consumers and Purchase/ Avoid Purchase

Returning to Table 3, it can be seen that a contrast is possible by confining the analysis to only the 82 dissatisfied customers (53 + 29) and the results are presented in Table 4. As shown in table 4, if the customer knows of the price before an order is placed and is dissatisfied with price, a high proportion of prospects, 83% (44 of 53), do not purchase. In the case of customers who learn of the price after the order is placed (often after the order is prepared) and are price dissatisfied, only 17% do not purchase. The contrast is striking and the differences are significant (Chi-Square probability = .000). The results suggest that the timing of when price becomes known as the service process unfolds is a major factor impacting purchase/purchase avoidance among the price dissatisfied.

The finding that 83% of dissatisfied customers who learn of the price after ordering buy in contrast to only 17% of the price known (before ordering) could possibly be related to a lower level of price dissatisfaction in the price known group. However, our review of the dissatisfaction comments in the two groups suggests that both groups had equivalent, strong levels of price dissatisfaction. Many of the comments in both groups suggest feelings of a price that is "too high", beyond or far beyond what is justified for the product. In the price known group a man in the 55+-age class illustrates a beyond justified price as he asks:

> "How much for a pint of vanilla caramel". Worker: "$4.99 plus tax". He points to the triple scoop cup and says: "How much for this little thing?" Worker: "$4.52." He shakes his head and says:" Y'all have too high a price for your ice cream". He walks away and is not happy (22).

A similar comment from the price unknown group is an older man who asks for a yogurt in a waffle cone, the worker hands him the cone and says:

> "that's $2.74." Customer: "Lord-a-mighty that's a terrible price! Do you think this money grows on trees?" "Who owns this place?" Worker: "I do". Customer says as he pays: "Well, write me when you retire to Hawaii" (85).

DISCUSSION

Discussion will focus first on the theoretical implications of the results, highlight new findings and discuss how current understanding of customer satisfaction and responses to price relate to premium prices and customer behavior. The second major topic is implications for managerial action.

Theoretical Implications

Reference Prices and Dissatisfaction. The results find a high proportion of customers are dissatisfied with the Scoop Shop's premium prices. An explanation for premium price dissatisfaction is suggested by the concept of a reference price, the price against which a customer compares the focal price, and a price above the reference price will be judged as too high (Niedrich, Sharma and Wedell 2001). The classic disconfirmation model posits that outcomes below expectations result in dissatisfaction. It is reasonable to assume that the reference price is the expected price, thus a price exceeding the reference price will result in dissatisfaction. A common theme of many dissatisfied Scoop Shop consumers was surprise that the price was so high. Those results suggest a price exceeding the reference price, negative disconfirmation and dissatisfaction with price. The results suggest two contributions to the literature. First, the reference price concept is useful in understanding customer response to and dissatisfaction with premium prices. Second the disconfirmation model applies to premium prices.

Purchase Avoidance. A second major finding is that price dissatisfaction is associated with purchase avoidance, a result predicted by the disconfirmation model (Oliver 1997) as negative disconfirmation leads to lower intentions and repurchase. Taken together, premium price dissatisfaction and purchase avoidance suggest that the classic disconfirmation model applies to premium prices. Recently Fournier and Mick (1999) have called for a contingent, multi-process model of satisfaction and found that in some situations the classic disconfirmation model applies while in others it does not. Our results have found a situation where the classic model applies. However, as we shall argue below, other processes are part of the picture.

Structure of the Service Process and Purchase Commitment

In this section we interpret data showing that dissatisfied customers who learn of price after the order is prepared feel a commitment to buy and most do so. Drawing from Schouten and McAlexander (1995) we define customer commitment as making consumption decisions to uphold values even if a sacrifice is necessary to do so. Schouten and McAlexander (1995) note that some working-class families are strongly committed to a biker subculture and make a major financial sacrifice in buying one or more Harley- Davidson motorcycles.

Our analysis finds that if the customer knows of the price before an order is placed and is dissatisfied with price, a low proportion of prospects, 17% purchase (Table 4). Before the order is placed customers feel little commitment to purchase. In contrast, 83% of price dissatisfied customers who learn of the price <u>after</u> the order is placed purchase (Table 4). The contrast suggests that an implicit social norm of purchase commitment is strongly felt by the dissatisfied and price unknown customers and 83% complete the purchase. In effect the commitment norm "overrules" dissatisfaction (Table 4).

In our society, placing an order is making a promise to the seller that I will buy. We interpret the sequence of consumer and worker behavior and the resulting purchase commitment norm as being generated by the structure of the transaction that is the pattern of operations employed by the Scoop Shop. Recall that if the customer asks for a product the Scoop Shop worker prepares the order, presents it to the customer and then voices the price and requests payment. Many customers only learn of the price at that point. The customer has made a commitment to purchase a perishable product. Many dissatisfied customers voice their dissatisfaction, but purchase. Customers who know the price before the order is prepared have a lower commitment to purchase and a high proportion of those consumers do not purchase.

Next we consider, “walk-offs”, those people who did not know the price until presented with the prepared order and refused to purchase. Of the 29 customers who learned of the price after the order is prepared, five, 17% were "walk-offs" (Table 4). We examined the five observations to see if ambiguities in the classification could possible impact the results. The five observations were clear in suggesting that the "walk-offs" did not know the price until presented with the completed order and told the price.

We speculate that the “walk-offs” were so surprised by what they feel is a completely unreasonable price that the purchase commitment norm is either not felt or overwhelmed. A second speculation is that anger on the part of the walk-offs drove their behavior. A third possibility is that these people have weak purchase commitment norms. A fourth speculation is that the unreasonable price is taken as a justification for walking off. Combinations of the four are also possible. An observation that speaks to those possibilities is that of an older man:

> " ‘$2.15? For this little thing? That’s too much. He handed it back to me & said ‘I’m not going to pay for that…I thought it would be bigger than that’…He wouldn’t pay & walked off” (52).

We believe that the transaction structure-purchase commitment and purchase-purchase avoidance findings and theory make a new

Table 5
Price Dissatisfied Consumers: Purchase/Avoid Purchase and Race

	Caucasian	African American	Total
Purchase	26 53%	7 25%	33
Avoid Purchase	23 47%	21 75%	44
Total	49 100%	28 100%	77

Chi Squared = 5.729; significant at the 0.017 level

contribution to the satisfaction/dissatisfaction literature. Transaction structure is included in some studies, however seldom as an intervening variable identified to explain the reason why different results are found.

Demographics and Actions of Price Dissatisfied Consumers

In this section we report on testing the demographic measures (gender, race, age or dress) as possible independent variables to better understand the actions of price dissatisfied customers. The number of price satisfied and all demographic categories were to small to include in this analysis. The four age categories were reduced to two, adult and 55+. Dress was also reduced to two categories, professional/casual (see appendix for a description of the categories).

The following were tested using 2 by 2 tables: each demographic variable with purchase/avoid purchase as the dependent variable for three groups of dissatisfied customers; all dissatisfied customers, the price unknown subset of the price dissatisfied observations; and the price known subset of the price dissatisfied observations. Four demographics for three groups gave 12 tests (see Table 5 as an illustration).

Only one comparison found a significant difference between customers with different demographics. Among dissatisfied customers, African Americans (Table 5) were found to be significantly less likely to purchase compared to Caucasians. This observation may be the result of shopping norms. One speculation is that price-shopping norms may differ widely based on race and this area could be one of interest for future studies.

Extending the Literature From Intentions to Behavior

A finding from several studies in the literature is that price dissatisfaction results in lower intentions to buy. Campbell (1999) reports that perceived price unfairness lowers shopping intention. Bei and Chiao (2001) report the same finding. Varki and Colgate (2001) found evidence in a data set that perceptions of how competitive a bank's fees and charges are impacts likelihood of intentions to switch or recommend the bank. A second data set did not support that finding. While the finding of a price dissatisfaction-intentions relationship is important, the issue of the extent to which intentions are acted upon is not answered by studies that do not extend to behavior. Our study found that dissatisfaction did impact behavior, but the intervening variable of purchase commitment is important.

Suggestions for Future Research. Several possibilities for future research are identified by this study. An implication of this observational study and it's setting is the likely impact of the face-to-face consumer-marketer relationship. It is reasonable to assume that purchase commitment is strengthened by the face- to-face interaction. The sequence of activities has customers who place an order doing so face-to-face with a Scoop Shop worker and even with price dissatisfaction, 83% purchase. A hypothesis for future research is that purchase commitment is stronger in face- to-face interactions than in less personal settings.

Another idea for future research is to contrast patterns of operations. In fast food counter sales two basic patterns of operations are employed that could have a different impact on consumer commitment. The Scoop Shop sequence is pay after. A worker states the price after the completed order is presented to the customer and payment is requested. Many fast food counter sales business use an opposite sequence of pay first. That is, after the consumer places an order, it is priced and payment is requested. The order is not prepared until after payment. If a pay-first consumer is price dissatisfied, we assume that purchase commitment is relatively low as the order has not been prepared. A hypothesis for future research is that a higher proportion of price dissatisfied pay-first consumers compared to pay after will be purchase avoiders.

Limitations. This study has several limitations. A major limitation is that observations were only made on customers who voiced an opinion on price. The observations do not include satisfied or dissatisfied customers who did not speak up. Thus most of the sample is of complainers. Another limitation is that some of the observations were difficult to classify in terms of the price known/unknown before placing an order. The sample size is small and only represents one location. The findings can't be generalized to the whole population.

MANAGERIAL IMPLICATIONS AND CONCLUSIONS

Our findings suggest several interesting managerial implications. Price is an area of unrelenting conflict between suppliers, retailers and customers. Customers would like to have a lower price resulting in downward pressure on price. The amazing growth of discount retailers and the concurrent decline of traditional retailers document the widespread desire for lower prices. At the same time, there is always upward pressure on prices from suppliers and employees who want more money for their efforts. A premium price is associated with a premium product and forms part of a premium brand image. Executives expect that some customers will find a premium price to be unfair. However, a danger is that too many customers will find the price unacceptable. Furthermore, customers may feel the high price implies that the company has undesirable motives (Campbell 1999).

Price perception may be linked to the stage in the product life cycle. For a super premium item, the price is always high, but the feeling associated with the high price should differ according to the stage of the life cycle and the particular market. For a customer to say "The price was high, but worth it" is substantially different from a customer who says "The price was high and I'm not sure it was worth it." In the former case, the likelihood that the customer will buy again is much higher. In the latter case, the likelihood of buying again is relatively lower.

Some factors suggest that ice cream scoop shops are in the decline stage of the product life cycle in several geographic locations. The number of children as a percentage of the population is down compared to prior decades. Although not all frozen ice-cream type products are high fat, many people associate high fat with the super premium ice cream image and the number of people who are concerned about not eating high fat products has grown in recent years. Finally, increased competition from supermarkets in terms of lower prices has changed the reference price for many customers. The end result is more price dissatisfaction. The challenge is how to build a customer base and reduce price dissatisfaction. While the scoop shops can influence the perception, to a large extent these retailers are dependent on the actions of the national brand manufacturer to justify the price. Without strong support, the retailers will face continuing price dissatisfaction.

This paper documents customer responses to premium prices in a single location. It is not known if our findings generalize to other settings or if premium prices for other products/services result in behaviors not observed in this study. Future research could explore such possibilities.

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Appendix
A Sample of the Data Collection Form with Comments

Comments on Price:
For each comment please circle number corresponding to: gender, race, age, if they appear to be working class or professional, and the person's behavior.

Lady asked how much a waffle cone was when told it was $2.74 with tax; she said That's ridiculous! That is really high. I could buy a Whole half gallon for that!" I said Yes, but its not a Brand X? Would you like to taste one of our flavors? She said yes and later did buy an ice cream but continued to complain about the price.	1 Male **2 Female** **1 White** 2 Black 3 Other 1 Teenager 2 Young Adult **3 Adult** 4. 55+ **1 Professional** Dress 2 Blue Collar 3 Casual Other________
Looked at menu board and asked what a small was? I showed her and she picked up the cup and said $1.99 for this small cup? I said yes. She then asked how much a yogurt with gummy bears was and I said $2.47 with tax. Two of the girls bought single cups but still couldn't believe the cups were so small.	1 Male **2 Female** **1 White** 2 Black 3 Other **1 Teenager** 2 Young Adult 3 Adult 4. 55+ 1 Professional Dress 2 Blue Collar 3 **Casual** Other________

POST PURCHASE BEHAVIORAL INTENTIONS: AN EMPIRICAL STUDY OF DISSATISFIED RETAIL CONSUMERS IN MEXICO

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ABSTRACT

US retailers are increasingly interested in entering the consumer market in Mexico. Demographic and purchasing trends are highly favorable. However, there is relatively little information available on post-purchase satisfaction, dissatisfaction and complaining behavior among Mexican consumers. The present study presented four purchasing scenarios to a stratified sample of adults in the centrally-located Mexican state of Queretaro. The four scenarios described an unsatisfactory experience with a convenience good, a shopping good, a durable good, and a service. Respondents were asked to indicate which of six consumer complaining behavior (CCB) responses they were likely to pursue on a five point scale. Results indicated that complaining to friends and family was the most likely result with very little attention given to responses involving third parties. Even complaining to the local store or seller was not a common response. US retailers must teach Mexican consumers that complaining is a useful endeavor. Otherwise, US retailers will not be able to capture information from dissatisfied consumers. Such information is critical in generating customer loyalty; particularly from firms that have a different cultural orientation.

INTRODUCTION

Passage of the North American Free Trade Agreement (NAFTA) in 1994 fundamentally changed the trading relationship between Mexico and the United States. Besides the obvious impact on national accounts - imports and exports - between the two countries, U.S. retailers gained an unprecedented opportunity to deal directly with the Mexican household consumer. Unfortunately, this new level of consumer intimacy, even with one of our closest geo-political neighbors, demands an understanding of Mexican consumer behavior that simply does not exist.

While there is a strong tradition of consumer research in the United States, not nearly as much is known about the Mexican consumer. Historical factors such as Mexico's level of economic development, governmental controls, political volatility, and a large proportion of their population residing in lower socio-economic circumstances have limited academic/business appeal and access. As a direct result, few empirical studies have been published on consumer behavior in Mexico.

Despite the lack of information, U.S. retailers have a growing interest in this young and vibrant market (Triplett 1994, Frastaci 1999, Yelkur 2000). David Hirschman, VP of the Association of American Chambers of Commerce in Latin America, is quoted as saying, " U.S. companies are bullish on Mexico for the mid-to-long term." (Green 1997). As evidence of this fact, the US giant retailer Wal Mart has made a major commitment to head south with other retailers following suit (Francese 1993, Green 1997, Rangel 2000).

Business decisions regarding the specific timing of business entry into Mexican retail markets will depend in part upon the stability of the peso, the growth rate of household income, the availability of household credit, employment levels, and the emergence of a vigorous middle class. However, successful business entry depends upon understanding the Mexican consumer at the most fundamental level: satisfying his or her needs.

Customer satisfaction is not a single event, but a process. The process encompasses both consumption and post-consumption activities. The focus of this particular study is to gain an understanding of post-purchase behaviors of Mexican retail consumers that are related to purchase dissatisfaction. Gaining insights into this area of consumer behavior will be immensely valuable to US businesses attempting to capture a share of this emerging retail market.

CONSUMER COMPLAINT BEHAVIOR (CCB)

Understanding postpurchase consumer behavior attempts to discover how people feel and/or behave after buying certain goods or services. Most consumers will engage in some sort of negative behavior if the product or service acquired is not what was expected or is not what was promised by the seller. Fornell's (in Vavra 1997) model used disconfirmation of perceived quality, value, and expectations as the determinants of consumer dissatisfaction (see also Churchill and Suprenant 1982; Oliver 1980; Tse and Wilton 1988; Woodruff, Cadotte and Jenkins 1983). Behaviors resulting from disconfirmation might include refusing to buy the product in the future, complaining to the seller, warning friends, initiating negative word of mouth communications, seeking recourse from private or government agencies, complaining directly to the manufacturer, or initiating legal actions (cf. Bearden and Teel 1983, Day and Landon 1977, Day 1980, Singh 1988 and Rogers, Ross and Williams 1992). All of these behaviors are collectively called consumer complaining behavior (hereafter referred to as CCB). They are a somewhat diverse but not mutually exclusive group of responses as consumers may proceed in sequential fashion from simple to more involved complaining behaviors depending on the results sought.

Gathering knowledge about how, when, and where consumers express their dissatisfaction is very important to marketers because it allows them to capture the events responsible for consumer disconfirmation, address the sources of disconfirmation and thereby place themselves in a position to preserve/restore brand/store satisfaction, and to prevent consumer dissatisfaction and/or defection in the future. Forward thinking retailers will funnel all complaints into a centralized collection and analysis system where they can become market research data. The popular phrases "a complaint is a gift" and "thank heavens for complainers" express the importance of addressing failures in the customer value delivery system.

DETERMINANTS/ANTECEDENTS OF CCB IN THE UNITED STATES

Numerous authors have studied consumer complaining behavior in the United States. While it is a useful starting point for studying other national markets, it is important to remember that cultural differences can produce markedly different responses to similar events.

Complaint behavior in the US has been linked to a variety of situational factors. Landon (1977) offered the following set:

1. The level of dissatisfaction of the consumer
2. The importance of the product to the consumer
3. The amount of benefit to be gained from complaining
4. The personality of the consumer
5. To whom the blame of the problem is attributed
6. The attitude of the consumer toward complaining
7. Previous experience with the product and with complaining

Other generalizations have been made about consumer dissatisfaction and complaint behavior by Richins (1983).

1. Those who complain when dissatisfied tend to be members of more upscale socioeconomic groups than those who do not complain.
2. Personality characteristics, including dogmatism, locus of control, and self confidence, are only weakly related to complaint behavior, if at all.
3. The severity of dissatisfaction is positively related to complaint behavior.
4. The greater the blame for the dissatisfaction placed on someone other than the one dissatisfied, the greater the likelihood of the complaint.
5. The more positive the perception of retailer responsiveness to a consumer complaint, the greater the likelihood of a complaint being lodged.

Young high income and educated people tend to complain more; although some poor individuals with low education may also react to dissatisfaction (Broadbridge and Marshall, 1995). It now appears that the greater the access to communication media like the web, the more people voice dissatisfaction especially by negative word of mouth comments (Allen 2001).

Those who don't complain state (in ranked order) that:

1. They didn't think it was worth the time or effort
2. They decided no one would be concerned about their problem or resolving it.
3. They did not know where to go or what to do. (Technical Assistance Research Programs Institute study in Lovelock, 2001)

In general, the models of CCB identify two major reasons for complaining (Krapfel 1985):

1. Consumers will complain in order to recover an economic loss such as exchanging the product for another one or getting their money back.
2. Consumers will complain to rebuild their self-image.

Finally, Tom Peters (1988) provides these economic impacts of dissatisfied customers:

It costs five times more to get a new customer than to retain a current one.

Twenty-six of 27 customers fail to report a bad experience.

Ninety-one percent of dissatisfied customers won't return.

Thirteen will tell 20 or more people further polluting your reputation.

CONSUMER PROTECTION AND CCB IN THE UNITED STATES

There are different laws and organizations that protect consumers' rights in the United States. In principle, the early laws that protected consumers were designed to promote competition. They were "consumerist" primarily in the sense that the government assumed consumers would achieve the highest average standard of living when the economy was organized on a competitive basis rather than on a controlled basis. Later laws addressed specific conditions that were more closely aligned with consumerist concerns, e.g. financial disclosures, product usage warnings, nutritional labeling, age appropriateness, etc. and provided for a variety of remedies.

U.S. consumers have grown to expect certain rights associated with consumption. These rights, first articulated by President Kennedy are: to be informed, to have choices, to be safe, and to be heard. Most consumers look for and patronize manufacturers, distributors, and retailers that will provide satisfying goods and services as well as take action to resolve any problems that arise. When problems are identified, consumers want them to be resolved; they want to receive satisfaction. Even if consumers are not aware at the time of purchase that specific warranties or guarantees exist, they still expect the seller/manufacturer to fulfill their (the buyer' s) expectations. Manufacturers, distributors, and retailers are usually quick to fulfill these expectations as customer retention - based on satisfaction - has been closely linked to long term profitability (Best , 2004, p. 15)

From a cultural perspective, the act of complaining and seeking redress is acceptable among U.S. consumers. They know that they have express and implied rights to show their satisfaction or dissatisfaction with any good or service, and also to receive a response to their complaint. It might even be considered a consumption related ritual. Unfortunately, this understanding of CCB in the United States may not be of much use to retailers going to Mexico. The value of the following study is that it explores CCB among Mexican retail consumers under conditions of post purchase dissatisfaction in their native marketplace and made no *a priori* assumptions.

BACKGROUND OF CONSUMER COMPLAINT BEHAVIOR IN MEXICO

Administrative Agencies

The Federal Law for the Protection of Consumers took effect in 1976. This was the first modern national consumer protection law established in Mexico. Two pro-consumer organizations were created under the provisions of this law: the National Consumer's Institute and the Federal Consumer Advocate's Office (PROFECO).

Unfortunately, the initial Federal Law did not protect consumers' rights as expected. Reforms resulted in the consolidation of the two organizations in 1992. Under this arrangement, PROFECO became the dominant entity and the National Consumer's Institute operated as an adjunct of PROFECO. It was hoped that the reconfigured PROFECO would be better equipped to defend and regulate all activities concerning consumer rights. Consumer access to PROFECO was provided through offices in the major cities of all 32 Mexican states.

PROFECO. The main objective and function of the PROFECO is to protect the rights of consumers, and to give consumers the means and knowledge of the laws to protect themselves. Immediate assistance is gained via an 800 telephone number. Major assistance activities include offering consumers information about products and services that are of better quality and price; teaching consumers to utilize their income and household resources better, and informing consumers of their rights and the laws that protect them. The PROFECO provides other types of information that helps consumers enrich their lifestyles. The PROFECO also has a special center where it conducts investigations into contract fulfillment, verification of product claims, nutrition, and product research and development. They assist in cases that go to arbitration by providing information and names of arbitrators.

The PROFECO reaches out to consumers with T.V. and radio programs and a monthly magazine. There appears to be a growing awareness of the role and scope of the PROFECO's consumer-related activities (Palacios 2001).

Relevant Findings and Literature on Consumer Complaining Behavior in Mexico

Current Status of Complaining. Palacios (2001) says there still is not a well established culture of consumer complaining in Mexico. It has been only in the last five years that consumer complaining has noticeably grown. Actual numbers are hard to come by since the PROFECO has had various modifications and has not kept good records. However, complaints in the Mexican state of Queretaro during the last 5 years have increased by 50% to an average of 230 to 300 complaints monthly, roughly 12 to 15 complaints a day. The complaints are principally against telephone companies, cellular companies, gas distributors, language schools, contractors, and service providers (mechanics, carpenters, welders, among others). There are a large number of complaints against stores which offer a discount or promotion that is not fulfilled, or that offer guarantees for electric appliances that are not honored.

From a temporal perspective, the majority of complaints in Queretaro occur in August right before school starts when consumers spend heavily on school tuition, books, uniforms, and other related expenses. In December consumers are more likely to complain about toys and unjustified price increases during the Christmas season.

There is not much information on consumer complaining behavior other than that offered by the PROFECO. Most consumer behavior literature found on the subject in Mexico is translated from foreign authors, mostly from the United States. Since there are no journals published in the country like *Journal of Marketing, Journal of Marketing Research or Journal of Consumer Marketing,* original material published in Mexico on the subject of CCB is not readily available.

Role of Market Structure on Complaining Behavior. The lack of consumer complaining behavior in Mexico may result from the fact that a number of large companies enjoy monopoly market positions. Both the telephone company (Telmex), and Pemex, the state owned oil company, are legal monopolies. There are other virtual monopolies in Mexico like Bimbo (bread), and Gerber (baby food).

These companies do promise certain service and quality but they have no direct incentives to provide consumers with an opportunity for registering complaints or to make consumer-friendly responses when complaining does occur.

For consumers, switching to another source is only a limited option. Generally, if there is another company that sells the same product or service, it too offers about the same quality, price, and service levels. Therefore, consumers may feel there is no purpose in leaving one business for another.

There are companies who actively attempt to generate customer satisfaction; mostly transnational companies like Kellogg's, Coca-Cola, and New Holland who have a corporate culture of responding to consumer concerns. Most Mexican companies don't have mechanisms to deal with consumer complaints.

Mexico has had an economy dominated by scarcity where people were conditioned to purchase what was available. As a consequence some suppliers of products and services choose not to provide quality products or services to the customer. Many believed that they did not have to respond if people complained. In addition, prior to NAFTA, the central government controlled foreign products entering the Mexican market. This situation suppressed competition so manufacturers and providers of services were not forced to improve their offerings to compete with others selling similar products or services.

The Role of Culture in Complaint Behavior. Latin American markets have experienced much change in the last 50 years. Besides integrating new ideas and attitudes from other countries, Latinos (a term that is not much in favor in Mexico) have learned to accept new products, services, and ways of doing business. This process has been difficult for Latin Americans in general who have a different behavioral frame of reference than those of most North American/ European cultures (Strahle, Hernandez, Garcia and Sorensen, 1992; Villareal-Camacho 1983). Part of this difficulty can be explained by the dimensions articulated by Hofstede's Cultural Typology: power distance, individualism, masculinity and uncertainty avoidance. Mexico scored high on power distance (81), low on individualism (30), high on masculinity (69) and high on uncertainty avoidance (82) (Hofstede 1991 and 2001).

Placed in a consumerist context, cultures with *high power distance* acknowledge or even expect that power will be distributed unevenly amongst members of society. This disparity means many consumers would not expect to challenge corporations or even merchants when poor quality goods and services were provided. Complaining would be viewed as a futile effort since those without power are not entitled to redress or even acknowledgement by those with more social power.

People in individualistic cultures are primarily concerned with their own interests. They act on their own and are less concerned about the harmony of the society. It is acceptable to let their complaints be heard by others; there is no shame in expressing their feelings in public. In *collectivist* cultures, members' "attitudes toward events, actors, and objects depend on how they relate to the individuals' needs to belong..." (Lui and McClure, 2001). Collectivist culture members interact closely within a group, the in-group, which is defined as "...family and friends and other people concerned with my welfare..." (Triandis, 1995). Most information is kept within the in-group and there is not much interchange of information with out- groups. When negative emotions are to be expressed they are done in the intimacy of family and friends.. Collectivist cultures will avoid interaction with out-groups, which could be the complaint department in a store (Triandis, 1995).

In *masculine* societies, the men are expected to be more assertive, competitive and concerned with material success while women are expected to be more nurturing. In the marketplace, this suggests that men would be more likely than women to complain as this is an assertive behavior that concerns redressing economic matters or regaining loss of esteem.

The fourth dimension, *uncertainty avoidance*, has to do with the extent to which members of a society are uncomfortable with unclear, ambiguous, or unstructured situations. Since there is no tradition of consumer complaining and consumer satisfaction in Mexico, the outcome of complaining would be an uncertain event and thus something to be avoided.

These cultural characteristics are all evident in the following study of postpurchase CCB among adult Mexican retail consumers.

OBJECTIVE OF THE STUDY

This study is an exploratory investigation into the consumer complaining intentions of dissatisfied Mexican consumers under a variety of purchase conditions. Liu and McClure (2001) expressed the importance of understanding different cultures influences for businesses that want to go global. With information from this study, companies and researchers can know what to expect and how to deal with a different type of consumer than that of a developed country like the United States.

It is of particular interest to understand CCB in emerging economies (underdeveloped countries) because of the potential global impact these countries will have on long term demand for a variety of retail goods and services. Most of the population in developing nations is very young; in Mexico 50% of the population is under 25 years old.

INVESTIGATION SITE

The following study examined consumer complaint behavior in the state of Queretaro in the Bajio region of Mexico. The state capital, also called Queretaro, was believed to be quite representational of the emerging but still somewhat undeveloped Mexican economy. Queretaro is in the center of the country, well away from the U.S. border, resort towns and the mega-cities where consumer responses would be more likely to reflect outside influences. It is a middle-class, industrial city of 700,000 where retailers like Costco, Kentucky Fried Chicken, McDonald's, and Blockbuster have their place along with international manufacturing companies, such as General Electric, Massey Ferguson, Gerber Products, New Holland, Meritor, Daewoo, and Kellogg's de Mexico. Mexican national industries like Pemex, Telefonos de Mexico, Vitro, and Mabe are also found there. Manufacturing activity focuses on food processing (dairy products, canned fruit and vegetables, baby foods), as well as chemical (fertilizers), automotive, and farm vehicle industries. The city of Queretaro contains a good cross section of the general population of Mexico, and supports three major economic sectors: agriculture, industry and services.

METHODOLOGY

The research method used is a close replication of CCB studies presented by Slama and Williams (1991), Rogers, Ross & Williams (1992), and Huang (1994). As in the original studies, all published in the *JCS/D&CB*; consumers were given a survey describing four different purchasing scenarios, each with a noticeable element that would cause dissatisfaction with the purchased good or service. Consumers then evaluated seven specified complaining behaviors they would likely pursue in each scenario using a five-point probability or intention scale (see Survey Questionnaire). A score of +2 means it was a *very likely* response, +1 means *somewhat likely*, 0 means *not very likely*, -1 means *unlikely*, and –2 means *very unlikely*.

Likelihood responses were recorded for all seven behavioral responses because consumers often engage in multiple acts when facing a dissatisfying purchase situation. Six of the seven behaviors were active responses such as telling friends or family. The remaining behavior was passive in that the customer indicated the likelihood that they would "Do Nothing" in response to a dissatisfying purchase experience. The likelihood score of this behavior must be numerically interpreted in reverse to be consistent with the other behavioral likelihoods. For example, the consumer who is *very likely* (i.e. +2.0) to "Do Nothing" is also the same person who is *very unlikely* (i.e. –2.0) "to tell friends and family."

In many respects, these response choices. e.g. stopping patronage or complaining; approximate those reflected in the body of Albert Hirschman's book, *Exit, Voice, and Loyalty.* Hirschman (1970) introduced *Exit* as the behavior of switching from an unsatisfactory offering to one that is more satisfying. Remaining a customer but complaining in various forms was called *Voice.* In either case, the seller should examine the reasons that customers exit and listen to their complaints. A positive response to both should increase customer *Loyalty.* Hirschman's work is generally viewed as a manifesto for improving customer retention and satisfaction although it was normed on U.S. cultural values and not those found in other countries (see for example, Ping 1993).

All of the product purchase scenarios used were quite similar to those proposed by Huang (1994), but adapted to products and services that most Mexicans use. An examination of Table 3B suggests that, for validating research results, dissatisfaction with each of these products or services generated a unique set of responses. The scenario adaptations for the subject market are discussed below:

The fast food used in the above mentioned studies was changed to a typical Mexican food that people buy to take home. Mexican fast food differs from United States style fast food. Mexicans stop by street vendors to eat tacos, tortas or other typical foods right on the spot or to take them home. What is known to U.S. consumers as a fast food restaurant (McDonald's, Kentucky Fried Chicken and Dominos Pizza) in Mexico is quite expensive and people go to them more as a treat than as a convenience. For this question the fast food restaurant was changed to a torta (a type of hot sandwich) stand.

The toaster in the original studies was replaced by a television. It is an appliance of much broader household application than a toaster as toasted bread is typically not an important part of the food menu in Mexico.

The use of a jacket and an auto repair service in this instance did not change from the original study. However, it is important to note that textiles are readily available and relatively inexpensive in Mexico, thus the jacket example was written to ensure that it was a shopping good as planned in the research design. Auto repair in Queretaro is a high risk service purchase because there are fewer standards and there are many independent mechanics who may not have the expertise or tools needed to complete a repair. Also, the cost of auto repair is usually negotiated afterwards which greatly increases the probability of dissatisfaction.

Reference prices used for the jacket and the auto repair were in the high average range to ensure that perceived economic loss would be a contributing factor in complaint behavior. Torta prices were not mentioned as tortas are an inexpensive item. TV prices were not mentioned either as televisions are widely available in many price ranges and are readily found in most households.

The research questionnaire was developed with information obtained from two group sessions with people of both sexes, different ages groups, and three different social classes. All session participants were able to easily relate to the test products or services. Product prices used in the study were based on actual market values.

THE SAMPLE

One hundred and eighty consumers were interviewed using a stratified sampling technique. Since shopping malls are not yet as common in Mexico as in the U.S., a "street intercept" (rather than a mall-intercept) technique was used to obtain respondents. In terms of gender, 93 were men (52%) and 87 were women (48%). Fifty-two percent of the total interviews are from the lower classes, 39% from the middle class, and 9% from the upper class. These percentages represent the approximate distribution of social classes in the country of Mexico (INEGI). The majority of the interviews were given to people between 20 and 40, this is not a surprise since the majority of the Mexican population is under 25 year old (see Table 1). The majority of the interviews were given to consumers with a low income, followed by fewer in the medium income range, and even less with higher income levels (See Tables 2A and 2B). This approximates the distribution of incomes within the general population (INEGI). Most respondents (over 90%) indicated that they had engaged in consumer complaint behavior at least one time over the previous six month period (see Table 3A) suggesting they were familiar with their complaining options.

The questionnaire (see Attachment 1) was only administered to people that were economically active. People with incomes usually spend money and have positive or negative reactions to their purchases. Students in Mexico typically aren't employed--depending instead on allowances from their families--so most buy cheap products that they suspect are of low quality anyway. Students are not as likely to complain so they were not interviewed in this study.

Table 1
Age Distribution of Respondents by Sex

	Women	Men	Overall
20-30	46%	53%	49%
31-40	30%	22%	26%
41-50	7%	14%	11%
51-60	7%	4%	6%
61-70	5%	4%	4%
over 70	6%	3%	4%

Table 2A
Monthly Income

$155-311	58%
312-466	
467-778	
779-1555	26%
over 1556	16%
	100%

Table 2B
Monthly Income by Sex

	Women	Men
$155-311	70%	46%
322-466		
467-778		
779-1555	21%	31%
over 1556	9%	23%

Table 3A
Frequency of CCB During the Last 6 Months

	Women	Men	Overall
1 time	33%	26%	29%
2 times	26%	16%	21%
3 times	18%	24%	21%
4 times	7%	11%	9%
more than 5	9%	14%	12%
None	6%	10%	8%
	100%	100%	100%

RESULTS

General CCB

In response to the questions about general, i.e. non-product specific, complaining behavior (Table 4A, first column), respondents indicated that it was *not very likely* (-0.38) that they would "Do Nothing" when dissatisfied with a purchase. When given six action choices, "Telling Family and Friends," i.e. negative word of mouth communication, was the most likely manner by which consumers would voice their dissatisfaction. "Stop Buying" was second in terms of likelihood ranking but neither of these two choices registered as high as *somewhat likely* (i.e. +1.0) on the five point scale used in the study. Complaining to the store was *not very likely* (-0.38). More formalized complaining measures (subsequently called higher order CCB; those that involved third parties such a writing a newspaper or contacting PROFECO) had a much lower likelihood of occurring, approaching *very unlikely* (range of -1.62 to –1.81).

Table 4B elaborates on these basic findings using frequency distributions. Almost 50% (79/180) were *somewhat or very unlikely* to Do Nothing. While this establishes a baseline of respondents wishing to complain, their intended actions were mostly limited to two behaviors. In particular, it shows that roughly 80% of the respondents would be

Table 3B
Frequency of Complaint Factors by Product

FACTORS CONSIDERED WHEN COMPLAINING				
Torta	Jacket	Repair	TV	
36%	25%	20%	20%	The importance that the product has to purchaser
29%	30%	28%	16%	The price paid
24%	28%	29%	17%	Fulfillment of expectations
11%	16%	23%	47%	How dissatisfied purchaser feels

Table 3C
Frequency of Complaint Factors by Product and Sex

FACTORS CONSIDERED WHEN COMPLAINING BY SEX								
Women	Men	Women	Men	Women	Men	Women	Men	
Torta		Jacket		Repair		TV		
40%	32%	28%	23%	16%	23%	16%	24%	The importance that the product has to purchaser
27%	31%	31%	29%	28%	29%	16%	15%	The price paid
23%	24%	25%	32%	32%	26%	18%	16%	Fulfillment of expectations
10%	13%	16%	16%	24%	23%	49%	45%	How dissatisfied purchaser feels
100%	100%	100%	100%	100%	100%	100%	100%	

Table 4A
Mean CCB Response Scores by All Purchases and by Specific Purchases

	General Purchases	Torta	Jacket	Car Repair	Television
Do Nothing	(0.38)	(0.67)	(0.57)	(0.69)	(0.84)
Stop Buying at that Store	0.51	0.48	1.12	1.36	1.09
Tell Family and Friends	0.83	0.68	1.19	1.35	1.42
Complain to Store	(0.38)	0.43	0.25	1.17	1.23
Complain to PROFECO	(1.62)	(1.79)	(1.36)	(0.81)	(0.20)
Write Newspaper	(1.79)	(1.82)	(1.81)	(1.73)	(1.61)
Contact Lawyer	(1.81)	(1.91)	(1.77)	(1.70)	(1.62)

Note: Use scale of +2 *Very Likely* to -2 *Very Unlikely* whenever mean CCB scores are reported. "*Do Nothing*" should be interpreted in reverse, e.g. –1.0 would mean, "it is unlikely that I would do nothing" about an unsatisfactory purchase." Mean CCB scores are rounded to the nearest whole number for discussion purposes, e.g. 1.37 would be *somewhat likely.*

Table 4B
CCB Frequency by Likelihood

GENERAL CCB FREQUENCY						
	Very Likely	Somewhat Likely	Not Very Likely	Somewhat Unlikely	Very Unlikely	
Do nothing	9	22	70	50	29	180
Stop buying	36	57	57	19	11	180
Tell family and friends	61	56	40	14	7	178
Complain to store	18	31	41	47	43	180
Complaint to PROFECO	4	7	11	22	140	180
Write to newspaper	1	4	5	9	160	179
Contact a lawyer	4	1	4	11	160	180

Table 4C
Mean CCB Likelihood Scores by Sex - All Purchases

	Men	Women
Do Nothing	(0.34)	(0.41)
Stop Buying at Store	0.58	0.43
Tell Family and Friends	0.73	0.93
Complain to Store	(0.09)	(0.70)
Complaint to PROFECO	(1.62)	(1.62)
Write to Newspaper	(1.82)	(1.77)
Contact a Lawyer	(1.78)	(1.83)

very unlikely to involve third parties in their CCB and that even complaining to the store was not a very popular option; just 27% (49/180) were *very or somewhat likely* to do that. About one-half of all respondents (93/180) would be *very or somewhat likely* to stop buying in response to a dissatisfying purchase.

Mean CCB likelihood scores varied across each of the four products used in the study (Table 4A, columns 2-5). When comparing the mean CCB of individual products to the mean CCB of General Purchases, respondents indicated a greater likelihood of lower order complaining about specific products in most cases. Apparently, visualizing dissatisfaction with a specific product in a research setting is more likely to prompt complaining behavior compared to a set of nonspecified products. The overall CCB pattern for the four products followed a typical level-of-consumer-involvement hierarchy. The propensity to complain tended to increase with the significance of the purchase. This relationship was anchored by the convenience good (torta) at the low end of concern, moving to the shopping good (jacket), then the service (car repair) and then the durable good (television). However, the likelihood of complaining to a third party about any of the four products was still quite low.

When asked what factors would trigger CCB for each product (Table 3B), no clear causal relationships emerged. A generalized sense of

Table 5
Likelihood of Specific CCB by Sex - All Purchases

	SPECIFIC COMPLAINT BEHAVIORS									
	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
	Very Likely		Somewhat Likely		Not Very Likely		Somewhat Unlikely		Very Unlikely	
Do nothing	3%	6%	15%	10%	37%	41%	26%	29%	18%	14%
Stop buying	16%	24%	33%	31%	33%	30%	11%	10%	6%	5%
Tell family and friends	33%	35%	38%	25%	20%	24%	7%	10%	2%	6%
Complain to store	3%	16%	13%	20%	22%	24%	34%	18%	28%	22%
Complaint to Profeco	1%	0%	5%	3%	3%	9%	13%	11%	78%	77%
Write to newspaper	1%	0%	3%	1%	0	6%	8%	2%	87%	90%
Contact a lawyer	2%	1%	0	2%	0	3%	8%	4%	90%	89%

Note: Multiple responses are possible for any purchase; columns do not add up to 100%. Rows are equal to 100% if women and men are added separately.

Table 6
Mean CCB Scores by Age and Sex - All Purchases

	21-30		31-40		41-50		51-60		61 and Above	
	M	F	M	F	M	F	M	F	M	F
Stop Buying	.38	.69	.35	.50	.83	.77	.67	1.50	.34	.00
Tell Family	.93	.94	.85	.55	1.00	1.08	.50	1.50	1.66	(.50)
Tell Store	(.93)	(.16)	(.23)	(.10)	(1.33)	0.31	(1.00)	.75	(1.00)	(1.68)
Tell Profeco	(1.43)	(1.59)	(1.73)	(1.60)	(2.00)	(1.54)	(2.00)	(.50)	(1.91)	(2.00)
Write Paper	(1.58)	(1.73)	(1.92)	(2.00)	(1.83)	(1.85)	(2.00)	(1.50)	(2.00)	(2.00)
Get Lawyer	(1.53)	(1.67)	(2.00)	(1.80)	(2.00)	(1.92)	(2.00)	(1.25)	(2.00)	(2.00)

Note: The last two age groups were collapsed due to small cell size. Mean CCB is weighted average of both groups.

Table 7
Mean CCB Scores by Income and Sex - All Purchases

	$155-311		$312-466		$467-778		$779-1, 555		Over $1,556	
	M	F	M	F	M	F	M	F	M	F
Stop Buying	.50	.30	.33	.50	.88	.20	.62	.61	.38	.63
Tell Family	.45	1.06	.83	1.13	1.0	.45	.97	1.06	1.14	1.25
Tell Store	(.85)	(.85)	(.33)	(1.50)	(.53)	(.75)	.24	(.72)	.29	.25
Tell PROFECO	(1.6)	(1.64)	(1.50)	(1.88)	(1.59)	(1.65)	(1.62)	(1.89)	(1.52)	(.88)
Write Paper	(1.90)	(1.76)	(1.83)	(2.00)	(1.88)	(1.85)	(1.69)	(1.89)	(1.81)	(1.13)
Get Lawyer	(1.75)	(1.82)	(1.67)	(2.00)	(1.71)	(1.80)	(1.79)	(1.89)	(1.71)	(1.13)

dissatisfaction (bottom row, Table 3B) reflected the widest wide range of percentage responses (11% to 47%) but even this was not indicative of cause and effect. When the complaint factors were examined by sex and product (Table 3C), there were still no observable relationships. This suggests that the causes of CCB and subsequent remedies must be approached on a product by product basis.

General Complaining by Sex, Age, and Income

When general complaining behavior was

examined by sex, men consistently reported a higher number of complaints (3 times or more) over a 6 month period than women (Table 3A). Men were slightly less likely than women to Do Nothing Table 4C). In regards to the type of general complaining behavior for all purchases (Table 4C), men were more likely to Stop Buying at the Store or to Complain to the Store. Women were more likely to Tell Friends and Family. The mean scores for both sexes were below the *somewhat likely* level for lower order CCBs. They approached *very unlikely* (-1.62 to -.183) in terms of higher order CCBs for both sexes.

When mean likelihood scores are disaggregated (Table 5), the data again suggests that sex of the respondents had little effect upon the occurrence of each specific CCB although small differences can be noted. These are the same patterns that were observable in Table 4C. As before, neither sex wanted to complain to third parties like the PROFECO, a newspaper, or a lawyer.

Sex was crossed with Age (Table 6) and then with Income (Table 7) to produce two tables of response likelihood scores. Younger males and females (i.e. under 30 years of age) are *somewhat likely* to tell their friends and family, but otherwise are not very active complainers (Table 6). Between 31-40, Tell friends and family is still *somewhat likely* by males and marginally so for females. Other forms are *not very likely.* Between 41-60, both men and women are *somewhat likely* to stop buying from the seller/manufacturer and to tell friends and family. Women in this age group are more likely than men to Tell the Store about an unsatisfactory purchase. Female CCB declines rather markedly after age 60 to lower levels. In contrast, men seem more willing to maintain a complaining posture—although a low profile one--past age 60. Neither sex seems inclined to involve third parties in CCB at any age.

Choosing the "Stop Buying" option approached the *somewhat likely* stage (range of 0.20 to 0.88) across all sex-income combinations (Table 7). There was more variance for both the "Tell friends and family" and "Tell the store." choices. The latter CCB responses are generally positively correlated with increases in income for men, the same is not true for women. The highest likelihood CCB levels of taking action and complaining are associated with incomes over $1,556 per month.

Complaining Behavior Associated with Specific Products

Results found in the last set of tables (Table 8) should be combined with Table 4A for interpretation. The unsatisfactory car repair and the unsatisfactory television set evoked fairly consistent and likely intentions to "Stop buying at that store", to "Tell friends and family" and to "Complain to the store." The torta and the jacket evoked lower CCB intentions. This would be consistent with the theory of consumer involvement. Only the television was deemed important enough to involve a third party and that was not very likely (-0.20) to occur. Individual findings are described below:

Tortas. Regarding the convenience good, the torta, respondents approached the position of being *somewhat unlikely* (0.67) that they would Do Nothing (see Table 4). Some would stop buying that particular food, talk to family and friends about their experience, or complain to the store but all of these responses (0.48 and 0.68 and 0.43 respectively) were mostly lower for tortas than any of the other three products. It is interesting that respondents apparently wanted to complain about an unsatisfactory torta, but in reality they did not do very much about it. Tortas are purchased mainly from transient street vendors where CCB is more difficult to implement.

Damaged Jacket. When responding about the shopping good, the jacket with a ripped shoulder, respondents tended toward complaining action; they were *somewhat unlikely* (0.57)to Do Nothing It was *somewhat likely* that they would stop patronizing the store that sold the jacket and tell friends and family (1.12 and 1.1.9 respectively) about their dissatisfaction. Again, taking stronger action was not indicated, with Complain to store being *not very likely* (0.25) and the other responses being *very unlikely* (range of -1.36 to -1.81).

Car Repair. Regarding the intangible service repairs, many respondents indicated that they would register their complaints about the car repair by not

Table 8
Frequency of CCB for Each Product Used in the Study

FREQUENCY OF SPECIFIC CCB FOR JACKET PURCHASE						
	Very Likely	Somewhat Likely	Not Very Likely	Somewhat Unlikely	Very Unlikely	
Do nothing	12%	8%	21%	28%	31%	100%
Stop buying	49%	27%	14%	8%	2%	100%
Tell family and friends	53%	26%	13%	6%	3%	100%
Complain to store	49%	34%	38%	34%	25%	100%
Complaint to PROFECO	7%	11%	13%	27%	42%	100%
Write to newspaper	4%	2%	5%	7%	82%	100%
Contact a lawyer	2%	4%	7%	7%	80%	100%

FREQUENCY OF SPECIFIC CCB FOR FAST FOOD PURCHASE						
	Very Likely	Somewhat Likely	Not Very Likely	Somewhat Unlikely	Very Unlikely	
Do nothing	9%	8%	24%	21%	37%	100%
Stop buying	34%	22%	17%	14%	13%	100%
Tell family and friends	39%	23%	17%	8%	12%	100%
Complain to store	36%	19%	13%	16%	16%	100%
Complaint to PROFECO	2%	1%	3%	7%	88%	100%
Write to newspaper	2%	2%	2%	3%	92%	100%
Contact a lawyer	0%	2%	1%	2%	95%	100%

FREQUENCY OF SPECIFIC CCB FOR AUTO REPAIR						
	Very Likely	Somewhat Likely	Not Very Likely	Somewhat Unlikely	Very Unlikely	
Do nothing	18%	6%	12%	18%	47%	100%
Stop buying	62%	14%	13%	7%	4%	100%
Tell family and friends	62%	21%	10%	5%	2%	100%
Complain to store	63%	12%	9%	8%	7%	100%
Complaint to PROFECO	16%	8%	11%	12%	54%	100%
Write to newspaper	1%	2%	4%	7%	86%	100%
Contact a lawyer	3%	1%	6%	4%	86%	100%

FREQUENCY OF SPECIFIC CCB FOR TV PURCHASE						
	Very Likely	Somewhat Likely	Not Very Likely	Somewhat Unlikely	Very Unlikely	
Do nothing	14%	5%	15%	13%	52%	100%
Stop buying	50%	24%	15%	8%	3%	100%
Tell family and friends	62%	23%	11%	3%	1%	100%
Complain to store	62%	15%	12%	7%	4%	100%
Complaint to PROFECO	29%	8%	14%	8%	39%	100%
Write to newspaper	6%	1%	4%	6%	83%	100%
Contact a lawyer	4%	3%	6%	2%	85%	100%

going back to the mechanic and telling family members and friends about their negative experience. It was also *somewhat likely* that they would complain to the provider of the service. There also are some that would involve the PROFECO, but the majority still didn't consider third parties (PROFECO, newspapers and lawyers) to be an appropriate vehicle in their complaint behavior.

Television. As for the durable TV purchase, there was a stronger tendency to want to complain; it was *somewhat unlikely* that they would Do nothing when dissatisfied (0.84). Three quarters of the respondents were *somewhat or very likely* to stop buying the product in question and complain to the store. Negative word of mouth communications would be used more often for the television than the other three products, however, it didn't reach as high as *very likely*. Still there was only a very weak tendency to complain to the PROFECO or involve other third parties.

DISCUSSION OF THE RESULTS

Finding One. Respondents consistently preferred not to involve third parties in their complaint behavior. On the surface, this suggests a very serious consumer lack of confidence in government and business

This result might actually be positive news for U.S. retailers. It means that there is no widespread tradition of resorting to third parties before attempting to gain satisfaction from the seller. This would allow entering retailers to take a proactive approach to generating and capturing consumer complaints. It also suggests that entering retailers should not rely on information from third parties to help them discover areas of customer dissatisfaction or even look for historical CCB trends in third party archives.

Finding Two. About half of the respondents would complain to the offending retailers. Even though there are more businesses competing for business, more products to choose from, and a growing awareness that consumer satisfaction is a reasonable expectation, Mexican consumers are unsure of the effectiveness of complaining. Some even reported it as a waste of time.

This belief might reflect the high power distance found in Mexico. Consumers do not expect that store managers (who have power) will pay much attention to customers (who have no power). In contrast, many U.S. consumers plainly adhere to the "customer is always right" philosophy and U.S. retailers respond accordingly. One of the main priorities of US retailers in Mexico would be to establish credibility in the complaining process. In-store signage or promotions that claim "customer satisfaction guaranteed" is not of much use if the signs are not believed, much less tested for truth.

Finding Three. Complaint behavior in Mexico was most evident in the "negative word of mouth" response. Not only is this the most common response, it is the most damaging response since word of mouth communications are generally highly credible regardless of its veracity. It is important that retailers learn to combat this phenomenon because this type of complaining does not provide them with actionable feedback. Providing an attractive, alternative "voice" is extremely important.

Finding Four. In-group complaining is a strong tendency. Telling friends and family (the in-group) is very consistent with behavior in a collectivist culture. Mexico is a collectivist culture, where most people act on behalf of their social group instead of acting for themselves as in an individualistic culture. This is the group that can be trusted, retailers (the out-group) cannot. Having to complain to the business or to a third party means that the consumer has to get involved with an out-group who is not part of their social group.

Given this tendency to engage in negative word of mouth complaining instead of confronting the provider or using third parties as intermediaries, US retailers have two choices: (a) establish themselves as part of the "in-group" through calculated relationship marketing or (b) teach younger consumers that individualistic behavior is acceptable; perhaps by demonstrating that the entire social unit will benefit when retailers are given a chance to compensate for unfulfilled expectations. However, the latter course of action would require very diligent attention to a customer satisfaction program. Unfortunately, this is a pattern that will be difficult for retailers to change since it is a culturally ingrained behavior.

Finding Five. Not returning to the business is also a tendency. The survey results showed that dissatisfied respondents would be *somewhat likely (0.51)* to stop buying at an establishment or using a particular service for all but the tortas.

The nature of complaining behavior about the tortas might be a bit puzzling to US retailers. These results appear to be related to structural variables rather than complaining variables. In Mexico there is quite a bit of informal commerce generated by street vendors and at informal markets i.e. tianguis. When consumers buy on the street and are unsatisfied with their purchase, it is difficult to go back and complain since a street vendor changes places, and some markets are set up only on certain days. The consumer is left with no guarantee that they will again find the vendor, or that they will get any response to their complaint since there is no invoice, receipt, or any written form that proves that the product was bought from a particular vendor. Likewise, there is little information to provide to friends and family. This also explains, at least in part, why third party involvement is the least likely in the case of tortas. Since US fast food retailers are likely to be franchisees with fixed retail locations and hours of operation, consumer CCB should be greatly facilitated if complaint initiation and service recovery programs are implemented.

However, it should be noted that the typical Mexican household spends about one-third of its income on food; much more than in the US. Any unsatisfactory food purchase is likely to be of more significance in this environment than in the United States. Food retailers should take appropriate steps to deal with this reality.

Not returning to a business after an unsatisfying purchasing experience does not favor the retailers seeking return patronage. This form of " silent withdrawal" response leaves retailers with no feedback about the sources of consumer dissatisfaction, loss of future revenues from that customer, and with the cost of replacing a lost customer with a new one. Retailers should implement mechanisms to encourage consumers to let them know what made them unhappy, so that services and products can be improved. Also, they need to train retail employees on how to handle complaints from customers in a manner that will encourage consumers to voice their dissatisfaction.

Finding Six. Younger shoppers are more likely to complain than older shoppers but still follow the example of their elders. As a culture, Mexicans do considerable talking but take little action, unless the matter is of great importance and there is a high probability of success; likely an adjunct of uncertainty avoidance. This has been explained as follows:

> For a long time, Mexicans were restricted to hardly any competition among brands or companies. They got used to complaining to family and friends since they knew that little would be done by businesses. People, especially younger ones, are starting to understand that complaining will lead to results, especially when they hear favorable comments on resolutions that the PROFECO has obtained. But generally, it is not yet a habit for people to believe that if they complain they will get an answer. It seems that young people follow the customs of their elders, not complaining directly to the store, manager, or manufacturer, or to third parties. Like older people, they complain by negative word of mouth (Hernandez 2001).

Retailers who can provide convincing evidence of their good will in resolving complaints, particularly among younger shoppers, should be able to establish store loyalty. This will require careful management of a system that encourages complaining among young shoppers and resolves them in a prompt, effective manner. Effective recovery from complaints generally results in a more loyal customer and protecting the lifetime income stream that would be generated by that customer.

Finding Seven. Not surprisingly, it appears that higher price of and/or higher involvement with the product or service, e.g., television and car repair, increases the chances that consumers will complain. Mexican consumers tend to plan for such purchases. Food and textiles are relatively inexpensive goods on a per unit basis and thus are not as involving as the more important television (social role) or car repair (performance and financial risk). The television and auto repair are important purchases. Consumers give thought to what they are going to buy and take the time to study the characteristics of these higher cost items. The likelihood of telling friends and family, complaining to the store, and stopping buying is noticeably higher for both of these products. This behavior is similar to that found in Mexican-American consumers when they are not satisfied with their more expensive purchases. (Cornwell and Bligh 1991). However, third party involvement was still quite unlikely. Retailers can respond to this finding in two different ways: the first is to determine which goods are more likely to be high involvement purchases and take particular efforts to encourage CCB so that consumer problems can be addressed for these items. The second course is to teach consumers that satisfaction can and should be obtained for all types of goods, not just those that are the most important purchases.

Finding Eight. Consumer complaining behavior is not strongly correlated with sex of the respondent. In general, Mexico would be classified as a masculine-oriented society but because women do much of the shopping, the typical male dominance patterns are not as prevalent in CCB. Therefore, American retailers should direct their customer relationship management programs at women as well as men.

The findings of this study clearly demonstrate that American retailers should not simply export an American style customer satisfaction program into Mexico. Any such program should reflect the structural and cultural differences found between these two markets. By using the results from this study, U.S. retailers should be in a much better position to formulate an effective customer relationship management program among its Mexican customers.

LIMITATIONS AND FUTURE STUDY

Any time behavioral intentions are used as a proxy for behavior, there is an opportunity for misrepresentation of actual market phenomenon. However, trying to find a sample of Mexican retail consumers with an identical set of four disappointing purchase situations would be nearly impossible. Replication of this study with a different marketbasket of goods and services would help validate these descriptive findings. Income, age, and gender were all considered but because of the skewed distribution of age and income in Mexico, only small samples were available above age 40 and a monthly income above $700. Subdivision by gender would have made them even smaller. Further studies would need to have much larger samples and/or highly stratified samples to provide valid statistical tests of significance using these variables.

This study provides a platform for further studies; particularly comparative studies with other underdeveloped countries in Hofstede's typology (1981). Also, it could be redefined for a specific product or service that a company is interested in promoting globally. Understanding consumer complaint behavior from different cultures will lead to a better understanding of consumer satisfaction and help develop effective strategies to better serve customers.

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Appendix
Survey Instrument

1. Indicate the frequency with which you complain when dissatisfied with a purchase or service: (Indicate how likely it is that you would take each of the following actions by circling a number to the right of the item using the following scale)

+2 Very likely +1 Somewhat likely 0 Not very likely -1 Somewhat Unlikely -2 Very unlikely

Do nothing about the incident
Stop buying at the store/using the service/ buying the brand
Tell family and friends about your bad experience
Complain to the business manager and/or complain to the manufacturer

Complain to the PROFECO
Write to a newspaper
Contact a lawyer or take legal action.

2. Imagine that last week you purchased a jacket for $50.00. This week the shoulder seam ripped out beyond repair. You are certain that it ripped because of poor workmanship and not because of your actions. The store management where you bought the jacket refused to exchange it or refund your money: (Indicate how likely it is that you would take each of the following actions by circling a number to the right of the item)

Do nothing about the incident
Stop buying at the store and/or stop buying the brand
Tell family and friends about your bad experience
Complain to the store manager and/or complain to the manufacturer
Complain to the PROFECO
Write to a newspaper
Contact a lawyer or take legal action

3. Assume that you buy a *torta* to take home, You specifically ask that no chile be but on it. After you pay for the *torta*, you realize that there is a lot of chile on it, You tell the clerk, and you are told that nothing will be done for you: (Indicate how likely it is that you would take each of the following actions by circling a number to the right of the item)

Do nothing about the incident
Stop buying at that establishment
Tell family and friends about your bad experience
Complain to the person in charge
Complain to the PROFECO
Write to a newspaper
Contact a lawyer or take legal action

4. You take your car into a garage to repair an oil leak. After paying $150, you notice that the car is still leaking oil. You take the car back, and you are told that they will fix the leak again but at an extra charge: (Indicate how likely it is that you would take each of the following actions by circling a number to the right of the item)

Do nothing about the incident
Stop going to that garage
Tell family and friends about your bad experience
Complain to the person in charge
Complain to the PROFECO
Write to a newspaper
Contact a lawyer or take legal action

5. You buy a TV. When you get home you find that the there is no sound. At the store where you purchased the TV they tell you that they can't do anything. Indicate how likely it is that you would take each of the following actions: (Indicate how likely it is that you would take each of the following actions by circling a number to the right of the item)

Do nothing about the incident
Stop buying at the store and/or stop buying that
Tell family and friends about your bad experience
Complain to the store manager and/or manufacturer
Complain to the PROFECO
Write to a newspaper
Contact a lawyer or take legal action

6. In the last six months, how many times have you complained
1 time _____
2 times _____
3 times _____

4 times _____
5 or more 5 times _____

7. When you complain, it depends on: (number from one to four, one being the most important, two second and so forth)
_____ The importance that the product has for you
_____ The price paid
_____ Your expectations of the product/service were not fulfilled
_____ If the product/service does not satisfy your needs
_____ How dissatisfied you feel

8. Female _____ Male ____

9. Your age range

20-30 _____
31-40 _____
41-50 _____
51-60 _____
61-70 _____
71 or more _____

10. Your monthly income range

USD$155 - 311 _____
322 - 466 _____
467 - 778 _____
779 - 1555 _____
1556 or more _____

AN EMPIRICAL TEST OF CONTINGENCY THEORY

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ABSTRACT

In a test of Fournier and Mick's (1999) contingency theory of consumer satisfaction, this work identifies two predictors of a relatively more emotional (as contrasted with rational) satisfaction experience. Two stages of work were undertaken. First, an exploratory investigation suggested that consumers do find a rational-emotional continuum meaningful for describing the nature of their satisfaction with a self-identified product. This early stage also suggested two context-specific predictors of differences in the rational-emotional nature of satisfaction. A subsequent large-scale survey focusing on packaged goods provided empirical support for a relatively more emotional experience with relatively more hedonic (as contrasted with utilitarian) product categories and with brands that permit a greater degree of self-expression.

INTRODUCTION

While satisfaction is one of the most fundamental notions in marketing, currently there is little agreement regarding its underlying nature. The traditional paradigm considers satisfaction a cognitive evaluation, the consumer as "rational man," comparing pre-consumption expectations with post-consumption performance, i.e., *cognition = satisfaction* (Oliver 1980). This model suggests that consumers are satisfied when their expectations about the product are met or exceeded. This paradigm has found considerable empirical support (see Anderson and Fornell 1994 and Iacobucci, Grayson, and Ostrom 1994 for reviews).

In recent years there has been increased interest in the role of affect in satisfaction. Some authors have investigated consumer emotions such as surprise, joy, and agitation as independent variables affecting cognitive satisfaction judgments, i.e., *affect → satisfaction* (e.g., Evrard and Aurier 1994; Jayanti 1998; Jun et al. 2001; VanHamme and Snelders 2001). Another group of researchers has treated such emotions as dependent variables affected by the consumer's more objective cognitive assessment of satisfaction, i.e., *satisfaction → affect* (e.g., Carley, Forrester and Maute 1994; Oliver and Westbrook 1993). Of late, there has been emphasis on one seemingly important consumer emotion, delight, investigated primarily as a criterion variable (e.g., Kumar, Olshavsky and King 2001; Oliver and Rust 1997; Swan and Trawick 1999; Williams and Anderson 1999). The key practical implication from this work is that *both* cognition and affect may play a role in satisfaction.

A few researchers have also considered that (at least in specific instances), emotional response *is* satisfaction, i.e., *affect = satisfaction*. Hausknecht's (1988) early experiment suggests that satisfied consumers experience the emotions: interest, joy, and surprise. Oliver (1989) subsequently proposed five emotional satisfaction modes: contentment, pleasure, relief, novelty, and surprise. The practical implication suggested by this modal definition of affective satisfaction is that enhancing a particular emotional response(s), by definition, increases consumer satisfaction.

Recently, in a thought provoking study involving case studies of consumers' experiences with technology products, Fournier and Mick (1999) offered a cogent resolution to these different conceptualizations of the nature of satisfaction. After extensive analyses of rich, qualitative data, these authors concluded with the simple, but profound, suggestion that the satisfaction experience is best thought of as a *blend* of cognition and emotion, dependent upon the consumption context. Fournier and Mick called for a *contingency paradigm* to guide future thinking and research on satisfaction. The key implication of this contingency theory is that marketers must first understand the consumption context and then attempt to enhance *satisfaction as it actually is experienced in that context.*

The research presented here is an empirical test of the fundamental tenets of Fournier and Mick's (1999) contingency theory. Generally, this work assessed the meaningfulness to consumers and the potential usefulness to marketers of conceptualizing the nature of the satisfaction experience (i.e. its character, its essence) as a rational-emotional continuum. Specifically, this work sought answers to the following questions:

1) do consumers find a rational-emotional continuum meaningful to describe the nature of a particular satisfaction experience (i.e., purely emotional, purely rational, some combination of the two);

2) can the consumption context contribute to a better understanding of the relative roles that cognition and emotion play in satisfaction with particular brands.

EXPLORATORY STUDY

This investigation began with extensive work with 92 student respondents to assess the meaningfulness to consumers of describing the nature of their satisfaction with a self-identified product along a continuum ranging from "purely rational" to "purely emotional." An additional objective was to identify what, if any, particulars of the consumption context were likely to result in relatively more emotional satisfaction.

The data were gathered from the author's two undergraduate classes, Marketing Research and Consumer Behavior at the University of Georgia during the Summer of 2002. The data were collected at the beginning of the semester, before any class readings or discussion of satisfaction. While these respondents had been exposed to the notion of satisfaction in a Principles of Marketing class, they were completely naive regarding the author's thinking or study objectives.

The general approach to asking the questions was unstructured/undisguised with respondents answering the questions in their own words. The questions were asked sequentially using an overhead projector to prevent bias from later questions on the responses to questions asked earlier. Respondents first were asked to identify a product with which they were "very satisfied" and answer questions in reference to this particular product. Subsequently, respondents answered questions about the types of brands and product categories they thought generally would be associated with both highly emotional and highly rational satisfaction experiences (extensive detail on this early-stage work is available from the author upon request).

This early work suggested that consumers *do* find it meaningful to describe the nature of their satisfaction with a self-identified product (no constraints on choice) as highly rational, highly emotional, or some combination of the two. In open-ended answers:

- 51% of respondents described their satisfaction in purely rational terms (e.g., "it does everything I thought it should be capable of doing with no exceptions");

- 17% described their satisfaction in purely emotional terms (e.g., "I couldn't be happier");

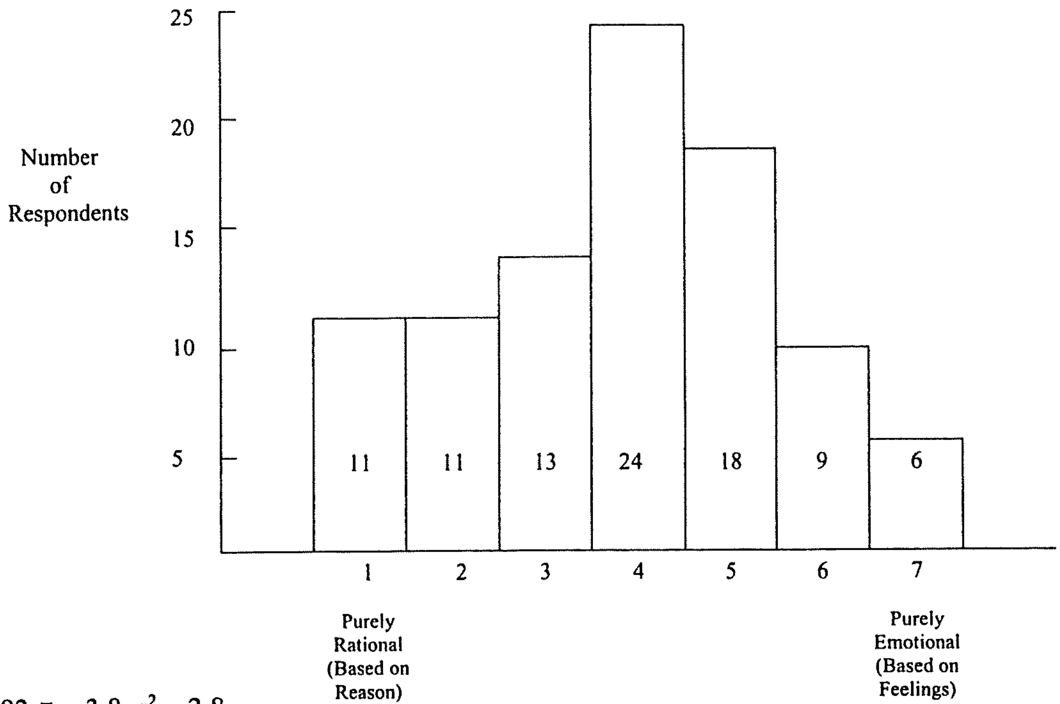
- 15% described their satisfaction with a mixture of rational and emotional terms (e.g., "my vehicle fits my needs for a car as well as fits my personality");

- 16% used words that precluded a rational-emotional determination (e.g., "this club is awesome").

The results from a quantitative measure (scale of 1 to 7 with higher numbers indicating relatively more emotional satisfaction) provided additional support for the meaningfulness of a rational-emotional continuum for describing respondents' satisfaction with a particular product. A histogram of the responses to this simple quantitative measure suggested a normal distribution ($\bar{x}=3.8$, $s^2=2.8$; see the Figure).

When asked to generalize about those products for which satisfaction is primarily emotional in nature, the most common answer (24% of respondents) was a reference to the "hedonic" nature of the product, specifically and/or by example (e.g., "products that make you feel good without serving some basic function, movies, beer, etc."). When asked to generalize about those products for which satisfaction is primarily rational in nature, the (parallel) most common answer (27% of respondents) was the notion of "functional" products, specifically and/or by example (e.g.,

Figure
Histogram for Quantitative Measure*



* n=92; $\bar{x}$ = 3.8; s^2 = 2.8

"those that make a task easier").

A second variable thought by some respondents to be associated with a more emotional satisfaction experience (mentioned by approximately 10%) was the amount of "self-expression" permitted by the brand (e.g., "products that represent me"). There also was the parallel suggestion by several that satisfaction tends to be more rational in nature when there is little brand differentiation (e.g., "a product where all kinds or brands of that product are the same"), perhaps limiting the potential for a an emotional response to any particular brand.

The insights garnered from the exploratory study suggested the need for quantitative data to test the hypotheses generated. As such, a second study, a large-scale survey of real-world consumers, was undertaken.

LARGE-SAMPLE SURVEY

The main study of this investigation was a cross-sectional survey of non-student adults, age 21 and up. Volunteers from the author's Fall 2002 and Spring 2003 Marketing Research classes acted as paid field researchers in gathering completed questionnaires from friends and family members. Approximately 1/3 (of over 300) volunteered, suggesting that no student felt compelled to act in this capacity.

Extensive preliminary work with students suggested that $1 per questionnaire was a sufficient incentive for those interested in contributing to a "real and important" marketing research project. Furthermore, students indicated that $1 was "too little" encouragement for students' completing the questionnaires themselves as a means to make extra money.

Extensive written instructions, complete with a lengthy oral discussion, stressed the importance of data purity. Students were instructed that it was *critical* that the questionnaires were completed independently by each consumer respondent, without discussion with other respondents or with the student volunteer. These volunteers then signed a statement indicating that they understood the instructions as they went out to the field. These data-gatherers also signed a separate statement that they had complied with the instructions and had not completed any questionnaires (or items) themselves when they turned in their work.

This approach to data collection produced complete questionnaires from a sample of 334 real-world, adult consumers. The achieved sample was predominately white-non-Hispanic with a good mix of men and women of varied ages and household income levels (see Table 1 for details on the demographic makeup of the sample).

Table 1
Demographic Makeup of Achieved Sample
Quantitative Study

	Frequency	Percent
Age		
Under 25	81	24.3
25-39	85	25.4
40-54	117	35.0
55 and Over	51	15.3
Total	334	100.0
Marital Status		
Single	113	33.8
Married	187	56.0
Divorced	19	5.7
Widowed	9	2.7
Other	6	1.8
Total	334	100.0
Sex		
Male	154	46.1
Female	180	53.9
Total	334	100.0
Race		
White-Non Hispanic	294	88.0
Black	16	4.8
Asian	11	3.3
Hispanic	9	2.7
Other	4	1.2
Total	334	100.0
Annual Household Income		
Less than $50,000	135	40.4
$50,000 - $150,000	144	43.1
Over $150,000	55	16.5
Total	334	100.0

Hypotheses

The criterion construct in the investigation was the relative role of emotion in the satisfaction experience (labeled EMOTIONAL SATISFACTION), conceptualized as a continuum ranging from "purely rational" to "purely emotional." The midpoint of this continuum was conceptualized as "equally rational and emotional."

The predictor constructs investigated were the hedonic nature of the product category (labeled HEDONIC PRODUCT) and the self-expression permitted by the brand (labeled SELF-EXPRESSIVE BRAND). For use in this study, HEDONIC PRODUCT was defined as the relative pleasure provided by the product category, conceptualized as a continuum ranging from "utilitarian" to "hedonic." The midpoint was conceptualized as "equally utilitarian and hedonic." SELF-EXPRESSIVE BRAND was defined as the degree to which the brand is perceived as an extension of the consumer's self.

In an early paper, Hirschman and Holbrook (1982) discussed the notion of hedonic motives in consumer behavior. They presented a convincing argument for the importance of this (more subjective) consumer objective, particularly for "products whose selection and use are based upon satisfying emotional wants, rather than fulfilling utilitarian functions" (p 94). Subsequent empirical work has provided support for the hedonic motive in the consumption experience. For example, Kivetz and Simonson (2002) found that a substantial proportion of consumers chose a hedonic luxury prize over a cash equivalent in forced-choice experiments, suggesting the inherent need of some consumers to "indulge." Similarly, Dhar and Wertenbroch's (2000) experimental work reported that owners of more hedonic automobiles placed a greater monetary value (relative to market prices) on their cars than did owners of more utilitarian cars.

The results of the exploratory study suggested that the hedonic/utilitarian distinction also plays a role in determining the nature of consumer satisfaction in a particular consumption context. As discussed above, in an open-ended question, roughly 1/4 of the respondents identified a hedonic product category as the key predictor of a primarily emotional satisfaction experience. Also, in a separate open-ended question, approximately 1/4 of the respondents identified a utilitarian product category as the principal factor contributing to a primarily rational satisfaction experience.

The general suggestion from the literature and the exploratory phase of this investigation can be summarized in the expectation that consumers will have a relatively more emotional satisfaction experience in the consumption of relatively more hedonic product categories. As such, the following formal hypothesis is offered:

> H (1): HEDONIC PRODUCT has a positive effect on EMOTIONAL SATISFACTION.

Belk (1988) extensively discussed the notion that possessions can be perceived as an extension of the self. He suggested that possessions might be seen as contributing to one's social self and/or reflecting one's private self. Bhat and Reddy's (1998) empirical work extended this thinking to the symbolic power of brands as a shorthand for conveying the consumer's self-perceived prestige and/or expressing the consumer's personality.

The findings from the exploratory work suggested that the self-expression permitted by the brand also affects the nature of consumer satisfaction. About 10% of the respondents indicated that a primarily emotional satisfaction experience stems from the perception that a *particular* brand is an extension of the consumer's self (i.e., it enhances the social self and/or reflects the private self). Parallel observations by several respondents suggested that the satisfaction experience is primarily rational for product categories where there is little brand differentiation.

As such, the general expectation suggested by the literature and the exploratory study is that consumers will experience relatively more emotional satisfaction in the consumption of brands that permit greater self-expression. The formal statement of the hypothesis to be tested is, thus:

> H (2): SELF-EXPRESSIVE BRAND has a positive effect on EMOTIONAL SATISFACTION.

Study Context

The decision was made to test the hypotheses in the context of the consumption of a specific brand of consumer packaged goods for several reasons. First, as the exploratory study suggested that consumer satisfaction tends to be brand specific (98% made reference to and/or identified a particular brand in their report on "product" satisfaction), it was appropriate to focus on product categories that tend to be "heavily branded," (i.e., the brand name plays a big role in the choice among alternatives). Second, the restriction to this one type of consumption experience should minimize the (gross) error variance stemming from respondents' reporting on very disparate product categories (e.g., durables/ nondurables, services/goods), while retaining sufficient natural variance in the constructs to permit formal hypothesis testing. Finally, these types of products were expected to provide the most rigorous test of the hypothesized relationships linking the particulars of the consumption context to the relative role of emotion in the satisfaction experience. To clarify, finding significant effects in these (relatively) low-involvement situations seemed considerably *less likely* than in (relatively) high-involvement consumption experiences (e.g., consumer durables such as automobiles, service providers such as physicians).

Respondents are also reporting on a brand with which they are satisfied. That is, this study purports that EMOTIONAL SATISFACTION is a random variable *within* a population of satisfied consumers, one that can assess the relative roles of cognition and emotion in the satisfaction experience.

Survey Instrument and Construct Measures

An iterative process was undertaken to develop multi-item operations for the three constructs of interest: EMOTIONAL SATISFACTION, HEDONIC PRODUCT, and SELF-EXPRESSIVE BRAND. Initial measures were developed and pretested using the author's three undergraduate Marketing Research classes from Fall 2002 as respondents. During this measurement development process, extensive attention also was given to developing an unambiguous set of instructions for completing the sections of the self-administered questionnaire. Early pretesting was qualitative; the final (fourth) pretest involved quantitative analyses (e.g., factor analyses, reliability analyses) on a sample of 125 students.

Semantic differential scales were employed for EMOTIONAL SATISFACTION and HEDONIC PRODUCT. Separate Likert-type measures were developed for the two dimensions of SELF-EXPRESSIVE BRAND suggested by the exploratory findings and the literature: 1) the degree to which the brand permits an extension of the social self and 2) the degree to which the brand reflects the inner self. This measurement approach for SELF-EXPRESSIVE BRAND was undertaken to permit an assessment of any differential effects of the two dimensions if factor analyses suggested two latent variables (versus one) underlying the responses.

Questionnaire instructions indicated the research was a study about satisfaction with consumer packaged goods. To ensure that all respondents were reporting from the same frame of reference, the definition of "consumer packaged goods" and specific examples of such were provided as follows:

> These kinds of products:
>
> *come in packages (for example, cereals, health and beauty aids, soft drinks, ice cream, cigarettes, laundry detergents);
> *typically are bought at supermarkets, drugstores, and discount stores;
> *are purchased for the individual's or the household's use
>
> Immediately after the introduction, Section I of the survey instrument asked respondents to:
>
> Please focus your attention on a specific brand of consumer packaged goods with which you are satisfied:
>
> What is this brand? Please write it in below.
>
> ______________________________

Participants then answered the EMOTIONAL SATISFACTION items in Section II of the questionnaire, with the following instructions provided for checking each of the (semantic differential) items:

> For each of the items in this section, please check the position that best reflects the general nature of your satisfaction with the brand you identified in Section I. A check in the middle suggests a combination of the two extremes.

In Section III of the questionnaire, respondents answered the Likert-type items for the measure of SELF-EXPRESSIVE BRAND. The instructions were:

> Now, please circle the number that best reflects your level of agreement within each of the following statements as they apply to the specific brand you identified in Section I.

In Section IV of the questionnaire, respondents were asked to identify the "product category" for the specific brand identified in Section I. The instructions were:

> For this section, please change your focus a bit. What is the product category (for example, shampoo, pain reliever, cereal, cigarettes, beer) for the brand you identified in Section I. Please write it in below.
>
> ______________________________

Immediately after, respondents completed the (semantic differential) HEDONIC PRODUCT items with the following instructions:

> Now, for each of the items below, please check the position that best reflects the general nature of the product category identified just above. A check in the middle suggests a combination of the two extremes.

Section V asked respondents to answer questions to socio-demographic items, with the promise that "responses to this survey are strictly anonymous and will be used only in aggregate statistical analysis." Fixed-alternative questions were employed for age, marital status, sex, race/ethnic background, and annual household income (measured in \$000's).

Measurement purification was continued with the data from the achieved sample in the quantitative study (334 adult, non-student consumers). In the study's context of consumer packaged goods, the social-self and inner-self items all loaded on a single factor in a maximum likelihood factor analysis, consistent with the SELF-EXPRESSIVE BRAND label in H (2).

The measurement analyses presented in Table 2 provide extensive support for the quality of the operations for testing the hypothesized relationships. First, all measures are multiple-item scales that reflect one factor and, in each case, the single factor explained a large proportion of the variance in the items (i.e., 70 to .71). Second, all scales have excellent internal consistency (i.e., *coefficient alpha* ranges from .86 to .94). In addition, a maximum likelihood factor analysis suggested good discriminant validity between the two semantic differential operations (after an oblique rotation, all items had loadings in excess of .66 on their expected factors, and no item cross-loaded). Finally, a gender comparison of the means and variances on the EMOTIONAL SATISFACTION scale suggests that the construct and its operation are meaningful to both men and women. The test for differences in the variances of EMOTIONAL SATISFACTION across men and women was nonsignificant ($p<.55$). Men did, however, did have a slightly higher mean on the measure (10.60 for men, 9.58 for women, $p<.02$)

Analysis

Descriptive statistics (as discussed in Table 2) provided empirical support for the meaningfulness of EMOTIONAL SATISFACTION as a random variable within a population of satisfied consumers. The maximum possible range of scores (16) was achieved, with all possible scores reported by at least one respondent each. The EMOTIONAL SATISFACTION distribution was skewed a bit to the right in these data, with a sample mode of 8, a median of 10, and a mean of 10.14.

Several analyses were undertaken to ensure that the assumptions of multiple regression, the intended model for testing the hypotheses, were met. First, after a multiple regression run with EMOTIONAL

Table 2
Construct Operations
Consumer Packaged Goods Context

EMOTIONAL SATISFACTION - four items, five points each, semantic differential scale

My satisfaction with the brand identified is:
Purely Rational/Purely Emotional
A Mental Evaluation/A Response of the Heart
Based on Feelings/Based on Thinking (-)
Determined by Reason/Determined by Sentiment

From Data Analysis:
Min 4, max 20, $\bar{x}$=10.05, s=4.11, maximum likelihood factor analysis produced one factor with all loadings in excess of .71 and explaining 71% of the variance in the items, *coefficient alpha*=.86.

HEDONIC PRODUCT - six items, five points each, semantic differential scale

This particular product category:
Is Functional/Is Pleasurable
Affords Enjoyment/Performs a Task (-)
Is Useful/Is Fun
Is a Sensory Experience/Does a Job (-)
Is a Necessity/Is an indulgence
Is a 'Must' in Life/Is One of Life's 'Rewards'

From Data Analysis:
Min 6, maximum 30, $\bar{x}$=17.78, s=7.41, maximum likelihood factor analysis produced one factor with all loadings in excess of .72 and explaining 71% of the variance in the items, *coefficient alpha*=.92.

SELF-EXPRESSIVE BRAND - eight items, five points each, Likert-type scale

This brand contributes to my image.
This brand adds to a social 'role' I play.
This brand has a positive impact on what others think of me.
This brand improves the way society views me.
This brand symbolizes the kind of person I really am inside.
This brand reflects my personality
This brand is an extension of my inner self.
This brand mirrors the real me.

From Data Analysis:
Min 8, max 40, $\bar{x}$=19.47, s=7.23, maximum likelihood factor analysis produced one factor with all loadings in excess of .72 and explaining 70% of the variance in the items, *coefficient alpha*=.94.

SATISFACTION as the dependent variable and HEDONIC PRODUCT and SELF-EXPRESSIVE BRAND as the independent variables, the histogram of the standardized residuals suggested that the assumption of a normally-distributed error had been met. Also, a plot of the standardized predicted values against the standardized residuals exhibited no discernable pattern, suggesting that the assumption of homoscedasticity had been met. In addition, all individual standardized residuals fell within three standard deviations and all but 12 fell within two standard deviations, suggesting that no outliers were grossly affecting the results. Furthermore, a test of the correlation between the two predictors was nonsignificant ($p<.13$), suggesting no multicollinearity problems. Finally, support for the additivity of the effects was provided by a regression run with the two hypothesized predictors, HEDONIC PRODUCT and SELF-EXPRESSIVE BRAND, along with a third predictor, their multiplicative interaction; in this run, the regression coefficient for the interaction term was nonsignificant ($p<.78$).

Initially, SEX was added to the hypothesized model as a control. As its regression coefficient was nonsignificant ($p<.18$) in this run, SEX was dropped from the model for the test of the hypotheses. (A subsequent gender comparison of the means for HEDONIC PRODUCT was significant ($p<.00$), indicating that, on average, men were reporting on more hedonic product categories.)

The regression run with EMOTIONAL SATISFACTION as the dependent variable and HEDONIC PRODUCT and SELF-EXPRESSIVE BRAND the two predictors was examined to test the hypotheses. First, the F-test for the overall model was statistically significant ($p<.00$). As such, it was appropriate to examine the test of significance for the regression coefficients associated with each independent variable.

Both of the hypotheses were supported by the data. The regression coefficient for HEDONIC PRODUCT was .25 ($p<.00$), providing empirical support for H (1). In addition, the regression coefficient for SELF-EXPRESSIVE BRAND was .07 ($p<.00$), providing empirical support for H (2).

The beta coefficients (standardized regression coefficients) indicated that HEDONIC PRODUCT's effect was larger than that of SELF-EXPRESSIVE BRAND (.44 and .14, respectively.). The total variance in EMOTIONAL SATISFACTION explained by the regression model (R^2) was .20.

Limitations

One of the key strengths of this study is also its most obvious limitation. The focus on consumer packaged goods inherently restricts the variance observed on all construct measures. As discussed above, these types of products were expected to provide the most rigorous test of the meaningfulness of the rational-emotional conceptualization and the hypothesized relationships. Nonetheless, it would be inappropriate to generalize about the distributions of the constructs and the effect sizes found here to other very different types of consumption experiences.

The total variance in EMOTIONAL SATISFACTION explained by HEDONIC PRODUCT and SELF-EXPRESSIVE BRAND model was relatively modest ($R^2=.20$). The objective of this work was to test the hypotheses, and it was not anticipated that a two-variable model would explain a very large portion in the criterion, particularly as these were real-world (versus laboratory) data.

The EMOTIONAL SATISFACTION construct permits only a comparison of the *relative* roles that cognition and emotion play in the satisfaction experience. It does not permit an assessment of the *absolute* role of either. Work that seeks a better understanding the *levels* of cognition and/or emotion in the satisfaction experience would need other conceptualizations and measures. For example, if the research interest is identifying product categories and brands in which the satisfaction experience has high levels of *both* cognition and emotion, a two-dimensional conceptualization (with a rational component and an emotional component) would be more appropriate. This "relative comparison only" limitation also applies to the HEDONIC PRODUCT construct employed in this study.

Discussion

Generally, this work supports the tenets of the contingency paradigm for investigating consumer satisfaction (Fournier and Mick 1999). That this investigation was conducted with a dramatically different method (large-scale, self-administered survey data and hypothesis testing here contrasted with their more subjective analyses of qualitative data from interviews) adds further credence to this new theory of consumer satisfaction.

First, the findings from this research provide empirical support for the meaningfulness to satisfied consumers of describing the nature of the satisfaction experience as a *blend* of cognition and emotion. In addition, this work suggests that a continuum conceptualization and operation ("purely rational" to "purely emotional") permits a simple, but useful, way to think about and measure the relative roles of cognition and emotion in the satisfaction experience. Finally, this construct and its measure permit an increased understanding and prediction of *differences* in satisfaction experience, as determined by the consumption context. On average, satisfied consumers reported a relatively more emotional satisfaction experience with more hedonic (contrasted with utilitarian) product categories and with specific brands that permit them a greater degree of self-expression (enhance the social self and/or reflect the inner self.). That these differences were found *even* in the typically routinely-purchased and relatively low-involvement category of consumer packaged goods that was the focus of this study seems particularly encouraging.

From a practitioner standpoint, this work offers some support for the conjecture that achieving (simple) satisfaction may be, in essence, a moot point, i.e., only marketers that have done this still survive. Rather, in today's marketplace it may be that a greater chance for achieving a competitive advantage lies in understanding the *differences* in satisfied consumers, such as the relative roles of cognition and emotion in the experience investigated here.

A review of campaigns in recent print advertising suggests that some consumer packaged goods practitioners are already incorporating such thinking into their manipulations of the marketing mix. For example, some marketers of primarily hedonic products are now suggesting that their particular brands offer "more" in terms of emotional satisfaction (Doral cigarettes, "Imagine Getting More;" Camel cigarettes, "Pleasure to Burn;" Pepperidge Farm cookies, "Never Have an Ordinary Day. If you're gonna have a cookie, have a cookie;" Klondike ice cream products, "Less fat, fewer calories, no guilt").

Too, marketers of even some very utilitarian packaged goods seem to be emphasizing the emotional nature of the satisfaction experience associated with their brands (e.g., Simple Green cleaners, "Remember the Special Moments, not the Mess You Left Behind;" Glad garbage bags, "Don't Get Mad, Get Glad;" Pampers Easy-Up diaper's "Sesame Street" designs; Gillette's Venus razor, "What is it about PINK that makes you feel so good?"). Such anecdotal evidence provides support for the speculation that virtually all brands in more utilitarian packaged goods will "get the job done" and, thus, satisfy at a "rational" level. How then can a particular brand carve out a distinctive positioning for itself? The answer may lie in increasing "feelings" in the satisfaction experience.

Enhancing the emotional character of satisfaction may also be the key to a competitive edge for brands of packaged goods that offer some combination of utility and pleasure. Again, print advertising provides anecdotal evidence to support this thinking (e.g., Life Cinnamon "is full of surprises;" Lunchables "Balanced Fuel That's Cool;" Wheat Thins "Tastes Good. Feels Good;" Crisp'ums "Like kissing your husband after he's been dipped in cinnamon and sugar").

Suggestions for Future Research

Additional research is needed to identify other context-specific predictors of a relatively more emotional satisfaction experience. Such work should enrich the conceptual model tested here and also increase the total variance explained in EMOTIONAL SATISFACTION.

Hopefully, this work will encourage and facilitate subsequent tests of contingency theory. For example, work is needed that investigates the meaningfulness of the rational-emotional conceptualization in other types of consumption experiences (e.g., durables, services). As indicated earlier, it seems that this conceptualization would be even more relevant in product categories generally thought to be of higher involvement than packaged goods, particularly those that are heavily branded. A review of recent advertising campaigns by automobile marketers provides additional support for this thinking (e.g., Toyota's "Get the Feeling;" Chrysler's "Drive & Love;" Saturn's "We Love You, Too"). Such work might include an investigation of the suggestion offered here that the provision of a relatively more emotional satisfaction experience may offer the key means to achieving a competitive advantage today, particularly in some product categories.

Another important suggestion for future research is an investigation of the *outcomes* of a relatively more emotional satisfaction experience. For example, subsequent work might investigate the effects on brand loyalty and/or positive word-of mouth. The usefulness for this conceptualization and its operation in understanding and predicting such desirable consumer behaviors has yet to be established.

The extensive work on measurement validation in the work presented here also has produced a good set of new multi-item measures that others may find useful in this, or other, research streams. The measures of HEDONIC PRODUCT and SELF-EXPRESSIVE BRAND seem to be useful additions to the literature in several arenas popular with researchers today.

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