

TAKING OVER THE REINS

Gillian Naylor, University of Las Vegas Nevada

With this issue, I begin my tenure as Editor of the *Journal of Consumer Satisfaction, Dissatisfaction & Complaining Behavior's*. I am excited at the opportunity to take the reins of this unique publication. *The Journal of Consumer Satisfaction, Dissatisfaction & Complaining Behavior's* primary objective is to publish cutting-edge research related to the concept of satisfaction, as well as those constructs which serve as antecedents and/or outcomes of satisfying experiences. The journal seeks to promote theory development in these areas via reporting quantitative and/or qualitative inquiries, as well as conceptual studies within the B2C or B2B environments. Established in 1988, the *Journal of Consumer Satisfaction, Dissatisfaction & Complaining Behavior* has been the recognized leader in its field.

I first became involved with the journal through my attendance at their biennial conference which was held in Las Vegas in 2000. The mission of the CSD&CB Conference is to provide a forum for the purpose of advancing the thinking and relationships among researchers engaged in scholarship related to individual and organizational satisfaction-related experience including choice, loyalty, and commitment. The conference offers an engaging professional, collegial, and fun atmosphere in which to explore formative, innovative, and developed ideas. It was the best conference I had ever attended. I was surrounded by collegial individuals from across the country and around the world who were interested in topics of interest to me.

Dr. H. Keith Hunt, founding editor, was an exceptional conference organizer who strongly believed in creating an experience that would enhance knowledge sharing and satisfaction. He devoted time and energy to nurturing young scholars.

When it came time to step down, he found an excellent replacement in Dr. Stephen

Goodwin from Illinois State. Steve was named Editor for the *Journal of Consumer Satisfaction/Dissatisfaction and Complaining Behavior* in January, 2005. Steve rose to the challenge. Through his hard work and dedication the journal and conference lived up to their respective mission. Steve has worked tirelessly over the last ten years to maintain the traditions. I owe a big debt of gratitude to Steve for all the help and support he has given me over the years. Now that I have assumed the role I am especially appreciative of all the hard work he put into maintaining the journal and organizing conferences.

As editor my aim is to maintain the original vision of H. Keith Hunt that has been admirably sustained by Steve Goodwin. Moshe Davidow of Carmel Academic Center and Stephen Taylor of Illinois State University have agreed to serve as Associate Editors as we move forward. Both men have a long and rich history of publishing in the journal.

Looking back, the *Journal of Consumer Satisfaction/Dissatisfaction and Complaining Behavior* has published many articles that have been well cited by other researchers. In this inaugural issue, under my editorship, I am re-publishing three articles which have contributed to the field and are still topics of interest. The authors have provided updates and directions for further research.

In the future, we look forward to including research that reflects technological and societal shifts. Smart phone usage in many parts of the world, including the US, now overtakes PC Web usage. How we experience products and services and how we communicate our experiences are both rapidly evolving. The opportunities to research in the domain of satisfaction and word-of-mouth are growing.

We welcome your input and interest in our journal. I look forward to working with you as we move forward.

- Gillian

THE EFFORT MODEL OF CONSUMER COMPLAINING BEHAVIOR: AN UPDATE AND NEW RESEARCH DIRECTIONS

John W. Huppertz
Union Graduate College

INTRODUCTION

Voicing a complaint directly to a firm is not easy, and few consumers do it. In order for someone to initiate a complaint, the level of dissatisfaction must be sufficiently high, the problem must be consequential, and the consumer must believe that a reasonable probability of success will result. Otherwise, it is not worth the substantial amount of effort required to complain, and consequently the number of complaints received by companies is low relative to the number of dissatisfied customers.

This summarizes the thesis of the effort model of consumer complaining behavior (Huppertz 2003), and since its publication, research in the area has focused on the role of service recovery to mitigate the effects of service failures on consumer attitudes and behavior (Kim, Wang, & Mattila 2011). Easing the burden of complaining increases consumers' intentions to complain, but the strongest impact results from the expectation of success – an anticipated refund, replacement, or other remedy by the seller (Huppertz 2007).

As firms have increased their focus on customer satisfaction, they have invested in complaint handling processes, measurement systems, training programs, and service recovery protocols in the quest to develop and maintain a loyal and satisfied customer base. Complaining remains difficult, but consumers have discovered new routes to voicing their complaints, even as managers encourage them to contact the firm directly before taking any other action. In this brief review, we will examine two areas for further research, online complaining and equity theory.

ONLINE COMPLAINING

Negative Word of Mouth (NWOM) has long been studied as a response to dissatisfactory consumer experiences, but until the social media era an individual consumer's network of contacts was limited to immediate acquaintances, and even more specifically, others with some mutual interest in the product or service. Technology has changed this paradigm, and consumers can now complain to a worldwide audience of potentially millions of other consumers, and they have many more outlets for voicing their dissatisfaction (Goetzinger, Park, & Widdows 2006; Ward & Ostrom 2006). Online intermediaries (rating websites and social media platforms) have emerged as important forums for consumer voicing, and they make it easier for people to express their opinions about goods, services, and sellers. Compared to voicing a complaint directly to a seller, it has become much easier to post complaints online, and consumers fill these sites with their comments about purchases they make, service they receive, employees they encounter, and value they derive.

Intermediaries contribute to market functioning by facilitating the distribution of goods and services, and in this case, they facilitate complaint voicing. Online forums for complaining tend to fall into two categories: 1) Informal social networks on social media platforms (e.g., Facebook, Twitter); and 2) Retail websites that incorporate consumer ratings and comments sections (e.g., Amazon, Expedia, TripAdvisor). The latter has been studied much more extensively than the former (Chevalier & Mayzlin 2010; Dellarocas & Narayan 2006; Decker & Trusov 2010; Goetzinger, Park, & Widdows 2006). More research is needed to understand how consumers employ their personal social networks to voice

complaints and how firms respond to the criticism, as well as exploring the intermediary function they serve. Voicing opinions about products, services, and companies has become part of the culture, so if something goes wrong, posting a negative comment about the experience is simply part of the consumer's daily routine. To some extent, these intermediaries serve the function of third parties that consumers turn to in order to enhance their power over firms. However, unlike the third-party voicing that Hirschman (1970) suggests as a potential response to dissatisfaction, consumers have no expectation of action by business or legal authorities, rather they derive power from the damage their NWOM can do among their informal networks of social contacts.

Of course, firms would prefer that consumers voice complaints to them directly, where they can initiate recovery processes and resolve problems to the customer's satisfaction, and perhaps more importantly, voicing a complaint to the firm keeps the matter out of public view. Given the prevalence of online complaint posting, many firms employ representatives to monitor these posts on both social media platforms and retail websites where they can respond to individual consumers' complaints, apologize, and offer to resolve the problem offline. This allows the firm to not only demonstrate to the audience that they pay attention to consumers' problems and take complaints seriously, but also to move discussion the out of the public forum to a private communication space. There the firm can limit the NWOM to that which the consumer has already posted, reducing further damage to their image and reputation (Van Noort & Weillemsen 2012).

The phenomenon of consumer complaint voicing in social media is understudied, and several issues can be further explored. In particular, researchers can examine consumers' expectations of company response when they post negative comments online; the consumer's perception of the effect of their posts remains largely unexplored. If consumers have no expectation of a response from the offending firm, their motivation for posting complaints online could range from protecting fellow

consumers by steering others away from the seller, attempting to hurt the offending firm by damaging its reputation, or simply venting their protests about the actions of the firm. All of these motivations have been studied in a traditional NWOM context, but they may differ in online consumer complaining posts (Hennig-Thurau, Gwinner, Walsh, & Gremler 2004; Sparks & Browning 2010), especially since online posting behavior requires so little effort. Finally, the interaction of online NWOM and the type of product or service needs further study. There are some goods and services whose failures do not lend themselves to resolution by the firm, either because they are too expensive or because the damage done by the failure cannot be reversed. For example, defective new cars are unlikely to be replaced, no matter how serious the defects which are usually they are repaired by the dealer; and a hospital cannot simply resolve medical errors with a refund or replacement. These problems are very likely to be talked about on social media, and because they involve significant consequences, consumers may involve other third parties (e.g., litigation).

EQUITY THEORY

Researchers have used justice theories to explain the link between feelings of dissatisfaction and consumers' decisions to complain (Harris, Thomas, & Williams 2013). In the context of the effort model, equity theory works well because it involves a cost-benefit calculation (ratio of outcomes to inputs) to explain consumer dissatisfaction resulting from service failures or poor quality. Even if the consumer's complaint is successful and results in a full refund, for example, inequity could result because the effort required to lodge the complaint outweighed the benefit from its resolution. Furthermore, the effort needed to involve official third parties produces inequity because even if it succeeds, the consumer had to exert a great deal of additional effort to complain to the third party, and often the third party, not the company, gets credit for resolving the problem (Cronin & Fox 2010).

The equity theory framework can also be used to help explain online postings of complaints in the intermediary spaces of social media. Consumers who choose this route expend very little effort; they have a low probability of increasing their own outcomes, but they can decrease the seller's outcomes by discouraging others from patronizing them.

For many consumers, third party complaining behavior is activated by emotion triggered by service failure after first-stage complaints go unresolved (Tronvoll 2011). If the problem does not get fixed after the consumer has gone to the trouble to complain directly to a seller, inequity increases, and third parties may be brought in. Online, some offended consumers let loose on the sellers, expressing negative emotion. This is a fertile area for further research.

Finally, consequences of service failures matter, and equity theory can be used to examine their effects. Note that the consequence of dissatisfactory experiences with goods and services is not the same as product importance, which has been found to moderate the relationship between perceived performance and satisfaction (e.g., Tam 2011; Wangenheim 2003). The same service failure can have different consequences for different consumers, thus triggering different responses. For example, consider the case of two passengers who booked seats on the same flight. One purchased her seat to get to an important business meeting where a big transaction was at stake, while the other planned to take the same flight for a casual visit with her children. Due to a crew scheduling foul-up, their flight gets canceled, and both passengers are re-booked on a later flight that will arrive at their mutual destination eight hours later than scheduled. One airline customer misses an appointment and loses an opportunity; the other's visit is delayed. Two different levels of inequity result, and two different responses may occur. When such a service failure occurs that produces severe negative consequences, much more is needed to remedy the situation; the consumer is greatly impacted, strong negative emotions result, and the cost benefit ratio is altered. The effort that each consumer will exert to voice a complaint is likely to vary with not only the product importance but also

the consequences he/she suffered as a result of the failure. This is an important area for further research.

REFERENCES

- Chevalier, Judith A., and Dina Mayzlin (2006), "The Effect of Word-of-Mouth on Sales: Online Book Reviews." *Journal of Marketing Research* 43 (3), 345-354.
- Cronin, J. Joseph Jr., and Gavin L. Fox (2010), "The Implications of Third-Party Customer Complaining for Advertising Efforts," *Journal of Advertising*, 39 (2), 21-33.
- Davidov, Moshe (2012), "CS/D&CB: The Next 25 Years," *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 25, 1-6.
- Decker, Reinhold, and Michael Trusov (2010), "Estimating Aggregate Consumer Preferences from Online Product Reviews." *International Journal of Research in Marketing* 27 (4), 293-307.
- Dellarocas, Chrysanthos R., and Ritu Narayan (2006), "A Statistical Measure of a Population's Propensity to Engage in Post-Experience Online Word-of-Mouth." *Statistical Science* 21 (2), 277-285.
- DeMatos, C. A., J. L. Henrique, and C. A. V. Rossi (2007), "Service Recovery Paradox: A Meta-Analysis." *Journal of Service Research* 10 (1), 60-77.
- Goetzinger, Lynn, Jun Kung Park, and Richard Widdows (2006), "E-customers' Third Party Complaining and Complimenting Behavior," *International Journal of Service Industry Management*, 17 (2), 193-206.
- Harris, Kendra L., Lionel Thomas, and Jacqueline A. Williams (2013), "Justice for Consumers Complaining Online or Offline: Exploring Procedural, Distributive, and Interactional Justice, and the Issue of Anonymity," *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 26, 19-39.
- Hennig-Thurau, Thorsten, Kevin P. Gwinner, Gianfranco Walsh, and Dwayne D. Gremler (2004), "Electronic Word-of-Mouth Via Consumer-Opinion Platforms: What Motivates Consumers to Articulate Themselves on the Internet?" *Journal of Interactive Marketing*, 18 (1), 38-52.

- Hirschman, Albert O. (1970), *Exit, Voice, Loyalty: Responses to Decline in Firms, Organizations and States*, Cambridge, MA: Harvard University Press.
- Huppertz, John W. (2003), "An Effort Model of First-Stage Complaining Behavior," *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 16 (October), 132-144.
- Huppertz, John W. (2007), "Firms' Complaint Handling Policies and Consumer Complaint Voicing," *Journal of Consumer Marketing*, 24 (7), 428-437.
- J. Joseph Cronin, Jr. and Gavin L. Fox (2010), "The Implications of Third-party Customer Complaining for Advertising Efforts," *Journal of Advertising*, 39 (2), 21-33.
- Kim, Min Gyung, Chenya Wang, and Anna S. Mattila (2010), "The Relationship Between Consumer Complaining Behavior and Service Recovery: An Integrative Review," *International Journal of Contemporary Hospitality Management*, 22 (7), 975-991.
- Sparks, Beverley A., and Victoria Browning (2010), "Complaining in Cyberspace: The Motives and Forms of Hotel Guests' Complaints Online," *Journal of Hospitality Marketing and Management*, 19 (7), 797-818.
- Tam, Jackie Lai Ming (2011), "The Moderating Effects of Purchase Importance in Customer Satisfaction Process: An Empirical Investigation," *Journal of Consumer Behaviour*, 10, 205-215.
- Tronvoll, Bard (2011), "Negative Emotions and Their Effect on Customer Complaint Behaviour," *Journal of Service Management*, 22 (1), 111-134.
- Van Noort, Guda, and Lotte M. Weillemsen (2012), "Online Damage Control: The Effects of Proactive Versus Reactive Webcare Interventions in Consumer-generated and Brand-generated Platforms," *Journal of Interactive Marketing*, 26 (3), 131-140.
- Wangenheim, Florian v. (2003), "Situational Characteristics as Moderators of the Satisfaction-Loyalty Link: An Investigation in a Business-to-Business Context," *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 16, 146-156.
- Ward, James C., and Amy L. Ostrom (2006), "Complaining to the Masses: The Role of Protest Framing in Customer-Created Complaint Web Sites," *Journal of Consumer Research*, 33(2), 220-230.

Send correspondence regarding this article to:

John W. Huppertz, Ph.D.

Associate Professor and Chair, MBA Healthcare
Management Program
Union Graduate College
80 Nott Terrace
Schenectady, New York 12308
huppertj@uniongraduatecollege.edu

AN EFFORT MODEL OF FIRST-STAGE COMPLAINING BEHAVIOR

John W. Huppertz, Eric Mower and Associates

ABSTRACT

This paper introduces an integrative model of consumer complaining behavior, in which effort is posited as the critical determinant of consumer complaint voicing in first-stage CCB. It is necessary to distinguish between first-stage and latter-stage complaining because: 1. Most dissatisfied consumers still do not voice complaints despite the best efforts of practitioners who prefer to hear complaints voiced directly to them. 2. Latter-stage complainants have already identified themselves as dissatisfied by voicing complaints. 3. Their behavior tends to be responsive to recovery attempts rather than to initial dissatisfying experiences. The Effort Model (EM) suggests that anticipated effort mediates the relationship between CCR and well-known antecedents such as product importance, assertiveness, attitude toward complaining, experience, and time constraints. It is suggested that firms can increase the proportion of consumers voicing complaints by taking actions to reduce the amount of effort required to complain.

INTRODUCTION

It has become widely accepted that customer retention must receive high priority on the agenda of firms' managers (Reichheld 1996a, 1996b; Reichheld and Sasser 1990). Reichheld (1996b) notes that on average U.S. corporations lose about half their customers every five years, and that the most profitable companies have the lowest rates of customer turnover. Of course, managers fear that if their customers become dissatisfied, they will defect to competitors. However, besides defection, customers have other means of responding to problems they encounter with products and services (Andreasen 1985; Bearden and Teel 1983; Best and Andreasen 1977; Singh 1988). They can

choose to engage in negative word-of-mouth to friends and family; they can voice complaints to the seller and seek redress; they can complain to outside authorities in an attempt to force the firm to redress their complaints; or they can simply do nothing and presumably make the best of it.

Of all these alternatives, many believe that it is in the firm's best interest to encourage customers to directly voice their complaints. Fornell and Wernerfelt (1987, 1988) show that by encouraging complaints, firms can guard against customer defections, thereby protecting or even enhancing market share while reducing customer acquisition costs. Complaining gives management an opportunity both to remedy specific problems that are episodic and limited to the individual customer, and to correct systemic problems that affect many individuals throughout the firm's customer base. Recognizing the critical importance of learning about problems, some firms have begun initiatives to prompt voicing by even mildly dissatisfied customers. Sheraton Hotels, for example, announced a program in which guests would receive cash payments for informing management about problems they encounter during their stays, and front-line employees are authorized to offer discounts, points, or other amenities to customers who complain (Paterik 2002).

Despite such programs, as well as a substantial amount of research in the CCB literature, surprisingly little progress has been made toward the goal of increasing the proportion of customers who voice complaints when they experience dissatisfaction. When Best and Andreasen (1977) and Day, Grabcic, Schaetzle, and Staubach (1981) published the first systematic investigations of customer complaining behavior, they found that only a small proportion of dissatisfied purchasers voiced complaints. Years later, studies of

complaining behavior continued to report that few dissatisfied customers complain directly to the sellers. For example, a study by TARP showed that over 70% of the customers experiencing service failures did not complain (TARP, 1996). According to the TARP study, the percent of customers who did not complain after experiencing dissatisfaction ranged from 58% for travel and leisure and 61% for financial services to 83% for consumer goods. More recently, Huppertz (2000) reported that although 30.9% of the patients in a healthcare setting experienced a service failure, the majority (66.4%) did not complain.

It is important to distinguish between genuine attempts by firms to encourage consumer complaints and less sincere verbalizations of opportunities to voice that hold little promise of redress. In some contexts, front-line employees of service providers prompt consumers to voice complaints as part of the service experience; for example, servers at a restaurant will almost invariably ask patrons questions like, "Everything OK here?" In such cases, they provide the consumer with an opportunity to complain, but if the answer comes back "No," it is far from certain that the service provider will do anything substantive to remedy the problem. Rather, these exchanges have become so routine that scripts have developed between consumers and service providers (Abelson 1981; Rook 1985), and few expect genuine complaints or remedies to result. In these contexts, consumers learn that they stand to gain little from complaining, so why bother?

Most of the research in the consumer complaining behavior literature has examined the responses of those who complain rather than those who do not. Complaining customers are easy to identify because they have already voiced their dissatisfaction and have attempted to achieve some resolution of their problems directly with the seller. The focus of these investigations has centered on the reactions of complainants to attempts by sellers to recover from their failures after they have learned of their complaints (Blodgett, Granbois, and Walters 1993; Blodgett, Hill, and Tax 1997; Maxham and Netemeyer 2002; McCollough,

Berry, and Yadav 2000; Tax, Brown, and Chandrashekar 1998). Less easily identifiable are the "silent majority" of dissatisfied consumers who do not complain, but behave differently when they experience dissatisfaction. Such individuals represent the greatest risk to a firm at this first stage because managers cannot remedy a problem if they have never learned about it (Fornell and Westbrook 1984; Keaveney 1995; Richins 1987).

Stages of Consumer Complaining Behavior

Several authors have proposed expanded models of the consumer complaining process, recognizing that in many instances complaining behavior involves multiple steps which may or may not result in favorable outcomes. Blodgett and Granbois (1992) suggested that dissatisfied consumers who voice their complaints initiate a dynamic process in which success or failure in attaining perceived justice early on determines whether and what kind of complaining behavior occurs over time. Failure to achieve redress after voicing a complaint directly to the seller sets the stage for future action, namely negative word-of-mouth, exit, or lodging a third-party complaint (Blodgett and Granbois 1992, p. 93).

By considering CCB as a dynamic process, the model proposed by Blodgett and Granbois creates the framework for considering CCB as a multi-stage event. However, they focus attention on the latter stages, after a dissatisfied customer has voiced his/her complaint directly to the seller. In several studies Blodgett and his colleagues demonstrated that perceived justice resulting from early-stage voicing significantly predicted the negative word-of-mouth and repurchase intentions of complaining consumers later on (cf. Blodgett, Granbois, and Walters 1993; Blodgett, Hill, and Tax 1997; Blodgett and Tax 1993). However, Boote (1998, p. 146) argues that the CCB process does not usually work in such a fashion, and that it is "a distortion of reality to simply suggest that voice comes first, and all other CCB types are dependent on perceptions of justice relating to it." It is necessary to examine all forms of CCB responses in first-stage as well as in latter-stage

complaining. And a key issue remains unresolved: What happens at the first stage to cause a dissatisfied consumer to voice a complaint?

Though a substantial body of research has addressed the antecedents of first-stage complaining behavior, some gaps in our knowledge remain. Regarding complainants, the literature has examined a variety of demographic, personality, situational, and attitudinal factors. After reviewing this literature, Morel, Poiesz, and Wilke (1997, p. 465) concluded that although researchers have found sets of variables to significantly predict consumer complaining behavior, "it is not clear which variables contribute to the prediction of (consumer complaining behavior) and which ones do not." Maute and Forrester (1993, p.224) postulate that such disappointing results are attributable to a largely a theoretical approach to the study of complaining behavior, causing researchers to examine "the effect of haphazardly chosen predictors."

This paper attempts to fill these voids in the literature by examining a neglected area of consumer complaining behavior: consumer effort. Building upon the theoretical and empirical work on the effort construct, we briefly review the pertinent literature on effort and extend it to complaining behavior. We examine the moderating effects of some key situational and individual difference variables that have been shown to influence complaining behavior, using them to propose a new effort-based model of CCB.

Consumer Effort

Simply put, it takes work to complain. In most cases, a dissatisfied customer must take the initiative to contact the seller (either by phone or in person), explain the problem, hope that the seller will accept the explanation, and arrange for an acceptable remedy. Not only does this require physical effort and time, but the consumer must also invest cognitive effort to decide whether or not to complain and how to go about it. Generally, cognitive effort can be broken down into smaller components known as elementary information processes (EIPs), which vary across several kinds of decision strategies

for completing a choice task (Bettman, Johnson, and Payne 1990; Payne, Bettman, and Johnson 1993). Bettman and colleagues (1990) have demonstrated that the greater the number of EIPs a strategy requires, the longer it takes a decision maker to process information and arrive at a conclusion. They have validated these measures against self-reports of effort expended on a variety of decision tasks using a variety of strategies.

The literature on pre-purchase search effort informs our understanding of the antecedents of consumer effort expenditures, and this research can be applied to consumer complaining situations. Beatty and Smith (1987) found relationships between external search effort and purchase involvement, attitudes toward shopping, time availability, and product class knowledge in a consumer electronics purchase context. Similarly, Clarke and Belk (1979) found that both product involvement and situational task importance increase anticipated purchase effort. These variables bear similarity to the antecedents of CCB in the complaining literature, and they are summarized in Table 1.

Table 1
Comparison of Search Effort Antecedents and CCB Antecedents

Factors Affecting Search Effort		Factors Affecting Complaining Effort
Purchase involvement	→	Product importance
Attitude toward shopping	→	Attitude toward complaining
Time availability	→	Time availability
Product class knowledge	→	Experience

Effort involves the expenditure of limited resources, such as time and processing capacity. The notion that people are "cognitive misers" (Fiske and Taylor 1984) implies that consumers will expend the minimum possible amount of effort to arrive at a satisfactory decision. For example, in a study of consumers' search for information about new products, Ozanne, Brucks, and Grewal (1992) found that when new products are very difficult to categorize, consumers attempt to manage their cognitive effort by limiting the amount of work they

devote to searching for information about the products. That consumers choose to limit their expenditure of search effort often results in less than optimal purchase decisions, prompting Garbarino and Edell (1997, p. 148) to conclude, "it is clear that people are willing to forgo some benefits to conserve cognitive effort."

The role of effort in consumer decision processes is not limited to pre-purchase search behavior. Soman (1998) demonstrated that effort has a significant effect on consumers' post-purchase decisions. In his study, subjects were presented with a choice task in which an advertised brand came with a rebate that required purchasers to travel to a store which was either ten or twenty miles away in order to redeem it. The level of post-purchase effort had no effect on brand choice, but the level of redemptions declined with increasing levels of required effort.

Effort in Complaining Behavior

Although the effort construct has been used extensively in research on pre-purchase search, purchase decision making, and consumption, effort has been neither explicitly defined nor systematically researched in a consumer complaining context. The effort construct has most often been incorporated into a perceived "cost-benefit" factor expected to influence consumers' decisions to voice complaints (Andreasen 1985; Day 1984; Fornell and Didow 1980; Richins 1979). Consumers are hypothesized to make a mental judgment of "worth it" versus "not worth it," based on their simultaneous assessment of the probability of success, the effort it takes to complain, and the value of the product involved. These three factors were first suggested by Hirschman (1970); however, the research to date has not systematically investigated the role of effort in the consumer's decision to voice a complaint.

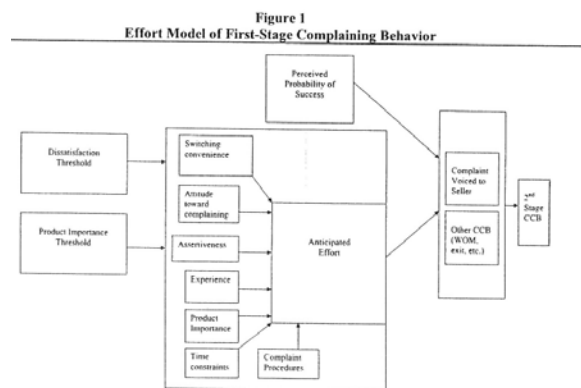
The cost of complaining has been included in some models of consumer complaining behavior. As Hirschman (1970) noted, the cost of voicing is greater than the cost of exit, and is often greater than the benefit to be gained from redress. Extending this logic, Richins (1982) created Guttman scales from consumers'

alternative responses to dissatisfaction in an attempt to measure complaining behavior along a single, quantitative interval scale. The behaviors ranged from mild (e.g., not leaving a tip at a restaurant) to extreme (writing a complaint letter to a business). Similarly, Bearden and Teel (1983, p.24) used a Guttman scale to "reflect increasing intensity of complaint actions." This approach seems to have been abandoned when further research demonstrated that behavioral responses to dissatisfaction are complex and multi-dimensional.

Nonetheless, the idea of trying to align various complaining behaviors along a one-dimensional scale is an intriguing one. On what premise did Richins (1982) and Bearden and Teel (1983) base their decisions to scale the different complaining behaviors? I maintain that disparate reactions to dissatisfaction could be scaled because all of them are related to the latent variable of effort. In fact, Richins (1983b, p. 70) ranked three alternative responses to dissatisfaction "a priori by the level of effort involved. Doing nothing, for instance, requires no effort or resources, while making a complaint often involves a great deal of effort and inconvenience. Telling others about the dissatisfaction requires a low to intermediate level of effort expenditure." Though intuitively logical, no empirical data has been offered to support these effort-based rankings of alternative responses to dissatisfaction. If, as Richins (1983b) suggests, complaining directly to the seller requires a great deal of effort compared to other behavioral responses, voicing should be relatively infrequent among dissatisfied customers - and it is infrequent. Anticipated effort should be considered a significant and powerful predictor of the consumer's decision whether or not to voice a complaint.

This analysis helps explain the problems that researchers have identified with current CCB models that focus on a single behavioral response to dissatisfaction. Singh (1988) showed that alternative complaining behaviors are in reality quite different from each other, and people choose one over the other depending on their own personal styles (preferences) and situational factors. However, Halstead (2002) and Boote (1998) maintain that multiple CCB

actions can be taken in response to dissatisfaction, and that limiting the investigation to one complaining behavior does not correspond to what happens in real life. They point out that people who voice complaints frequently engage in negative WOM as well. The effort framework postulates that the ease of engaging in negative WOM with friends and relatives makes this response likely to be added to complaints voiced to the seller. For example, very little effort is needed to include a recounting of problems with a retailer in the course of casual social conversation with a friend.



AN EFFORT MODEL OF CCB

The Effort Model (EM) is summarized in Figure 1. Because of its importance in the CCB process, the EM focuses solely on first-stage CCB. First-stage CCB is defined as the initial behavioral response(s) to dissatisfaction with a purchase or service encounter.

The EM builds upon the conceptual work by Blodgett and Granbois (1992) and Kowalski (1996). A central contribution of these authors' models is the status they endow upon voicing. Complaining responses are grouped into two major categories: 1) voicing and 2) WOM/exit/other. The significance of this dichotomous definition of CCB should not be overlooked. Because firms need to hear about problems as soon after the dissatisfying episode as possible, encouraging voice complaints at the first stage is of critical importance. Although CCB researchers have expanded the concept of complaining behavior to include a variety of other responses, the essential nature of

complaining behavior is voice.

The Effort Model presumes that dissatisfaction is a necessary but not sufficient condition for CCB to occur, and that the consumer has experienced a level of dissatisfaction high enough to initiate the various antecedents of CCB. That is, a "dissatisfaction threshold" exists (Day 1984; Kowalski 1996), and having crossed it, the consumer must decide what course of action to pursue.

Product importance represents another threshold the consumer must cross before seriously considering complaint action. If a product or service is unimportant, it is unlikely that the consumer will entertain any thoughts of complaining about it. Just as Day (1984) suggested that a threshold may apply to intensity of dissatisfaction as a predictor of complaining behavior, a similar threshold applies to product importance. There are some products (both goods and services) that are important enough to complain about if something goes wrong, while others are not worth the trouble. Rather than considering product importance as a continuous variable that directly influences CCB, in the EM it is a discrete variable with two levels: worth complaining about versus not worth complaining about. The variables that have been shown to predict CCB are likely to have less impact on complaining if the product or service is unimportant. For example, assertiveness has been shown to correlate with voice (Richins 1983a; Slama and Celuch 1994); but even the most assertive person is unlikely to complain about a product he considers unimportant.

The EM represents a departure from previously articulated conceptualizations of the complaining decision process. Day (1984) postulated that the consumer's assertiveness and attitude toward complaining directly affect her decision to voice a complaint, as does her cost-benefit calculation. By contrast, in the EM framework, experience, assertiveness, and the consumer's attitude toward complaining influence her perception of the effort required to complain, which in turn affects her decision of whether or not to complain.

In addition, the EM departs from Blodgett and Granbois (1992) in that dissatisfaction completely mediates all attribution effects. Attribution of fault, controllability, and

responsibility (Folkes 1984, 1988) affect the consumer's satisfaction/dissatisfaction judgments, but do not directly impact CCB. This is consistent with Boote's (1998) thesis that attributions influence whether the consumer crosses the threshold of dissatisfaction required for complaining. It is also supported by Richins (1985) who found a significant path between attribution and level of dissatisfaction, but no significant direct link between attribution and complaint behavior. Thus, attribution-related variables have no place in the EM.

Note that the Effort specified in the EM refers to perceived effort, rather than a measure created from a weighted combination of individual elements, like the elementary information processes used by Bettman, Payne, and Johnson (1990) in their decision strategy experiments. EIPs work well in controlled laboratory studies using homogeneous subject populations, but in diverse consumer populations, the same action is likely to involve different levels of perceived effort. For example, Richins (1979, p. 52) observed that:

"Two consumers may both perceive it equally likely that registering a complaint will involve making a special trip to the retail store. For one consumer this might be a rather simple and routine matter. For the other, however, the presence of small children in the household, lack of convenient transportation, or a busy time schedule may make the trip especially costly or difficult."

It is important to separate measures of effort from such situational factors and individual differences. Payne, Bettman, and Johnson (1993) propose a simple scaled measure of perceived effort that they use to validate EIPs in laboratory experiments; we propose adapting this measure to the EM.

EFFORT MODEL INTERPRETATION OF CCB ANTECEDENTS

It is instructive to briefly address the principal antecedents of first-stage complaining from the CCB literature and discuss their role in the EM.

Switching Convenience

When consumers have a great deal of choice and switching is relatively easy, voicing complaints

is harder than simply switching brands, stores, or service providers (Fornell and Didow 1980). By contrast, when the customer's alternatives are limited, dissatisfaction does not usually prompt switching (Andreasen 1985; Gruen, Summers, and Acito 2000; Maute and Forrester 1993).

The customer who complains when alternative choices exist could be demonstrating loyalty by signaling the firm that something wrong needs fixing. In some respects, complaining behavior could be considered a form of loyalty, especially in markets where highly competitive conditions exist (Hirschman 1970).

Assertiveness and Attitude toward Complaining

Researchers have examined the effects of attitudinal and personality factors on consumer complaining behavior, including consumers' attitudes toward complaining (Best and Andreasen 1977; Halstead and Droge 1991; Richins 1982, 1987; Singh 1988) and their assertiveness (Fornell and Westbrook 1979; Richins 1983a; Singh 1990; Slama and Celuch 1994). In these streams of research, investigators have explored the hypotheses that the likelihood of complaining is significantly greater when the complainant is assertive and/or has a positive attitude toward the act. However, empirical findings have only weakly supported these hypotheses. For example, Fornell and Westbrook (1979) and Slama and Celuch (1994) report weak (though significant) relationships between measures of assertiveness and consumer complaining behavior. Likewise, Halstead and Droge (1991) found that attitudes toward complaining explain just 6% of the variance in consumers' complaint intentions. And Leary and Kowalski (1995) found mild negative correlations between measures of social anxiety and high-assertiveness confrontation behaviors, including complaining.

None of these studies has linked such attitudinal and personality characteristics to consumer effort. It takes more effort for an individual who is low in assertiveness to engage in a confrontation with a seller than it does for a highly assertive person. Similarly, the higher likelihood of voicing by consumers who have

positive attitudes toward complaining can be explained by the effort construct. Consumers with a positive attitude toward complaining find it easy to approach sellers whenever they are dissatisfied, while those with a negative attitude toward complaining will find it quite difficult to voice their grievances no matter how justified they may be. The EM predicts that these individual difference factors will influence the perceived effort required to complain.

Experience

Prior experience has also been shown to affect complaining behavior. Two kinds of experience have been investigated in the consumer complaining literature: a) marketplace participation or experience as buyers of goods and services, and b) prior experience complaining about dissatisfactory purchases. Generally, less experienced consumers are less likely to complain than those with more experience in the marketplace (Morel, Poiesz, and Wilke 1997). Marketplace experience has been proposed as an explanation for investigators' findings of small but significant correlations between socio-demographics and complaining behavior (Day, et al. 1981). Consumers with higher levels of education and more disposable income have been found to be more likely than others to voice complaints (Warland, Herrmann, and Willits 1975). The effects of demographics on voicing complaints is due to the greater levels of experience that wealthier and better-educated individuals enjoy as purchasers of goods and services (Gronhaug and Zaltman 1981).

In the EM framework, experience (both marketplace participation and prior experience voicing complaints) makes subsequent complaining less effortful. This view is supported by research on the effects of experience or familiarity on consumers' purchase decision processes. Generally, the more experience the consumer has with a seller or service provider, the easier it is to evaluate the seller's goods or services (Brucks 1985). Berry, Seiders, and Grewal (2002, p. 11) conclude that "consumers who know where to go and what to do as participants in a service operation minimize wasted time and energy."

This knowledge is learned by decision makers as they gain feedback about the difficulty of decision tasks they experience in a variety of settings (Fennema and Klemmütz 1995). In addition, consumers learn how to participate in the co-production of services with service providers through experience and by organizational socialization initiatives by the firm (Kelley, Donnelly, and Skinner 1990). As they gain complaining experience, consumers learn how to minimize the effort required to voice complaints in various settings.

In addition, consumers who have more experience in the marketplace enjoy a greater level of comfort interacting with sellers, thereby lowering the amount of effort they perceive it will take to complain, and increasing the probability that they will complain.

Time Constraints

By exploring demographics of complainers vs. non-complainers, some of the earliest studies of CCB took into account individuals' personal circumstances that either facilitated or hindered their ability to voice complaints (e.g., Gronhaug 1977; Gronhaug and Zaltman 1981). For example, elderly consumers who have limited means of transportation will be less likely to complain simply because they cannot get to a store to return something they find dissatisfactory. Andreasen and Manning (1990) found that the incidence of voicing was extremely low among vulnerable consumers, whom they defined as challenged and/or disadvantaged sub-populations that have extraordinary difficulty seeking redress because of societal stigmata, discrimination, and inexperience. However, beyond these special subpopulations, research in this field has shown weak correlations between demographics and complaining behavior.

Few would argue that demographic subpopulations vary in the amount of time available for discretionary activities (Kolodinsky 1993, 1995). For example, a dual-career married couple in their thirties with four children at home is more pressed for time than a single person in her mid-twenties living in an apartment. Time constraints prompt individuals to limit the amount of effort they invest in a

variety of consumer problem-solving tasks (Garbarino and Edell 1997). The time available for voicing complaints is an overlooked component of the CCB decision process. For instance, Morel, et al. (1997) propose a triad model (motivation, capacity, and opportunity) to predict CCB; but their definition of "capacity" is limited to experience in the category investigated. In the EM time constraints formalize this aspect of capacity for voicing.

Note, however, that the perception of discretionary time is subjective (Marmorstein, Grewal, and Fishe 1992), so the absolute quantity of time available for discretionary activities will not be the best predictor of effort.

Complaining Procedures

Recognizing the importance of hearing about problems as soon as they occur, a number of firms have attempted to simplify their complaint handling processes and procedures, thus reducing the amount of time and effort dissatisfied consumers must invest in order to voice complaints.

Although firms use a variety of methods to mitigate the effort it takes to complain (Fornell and Wernerfelt 1988; Tax and Brown 1998), including toll-free telephone numbers, instructional literature with purchases, signs at the point of purchase or at point of service, and Internet websites, it is not clear whether these methods are sufficient to produce increases in the small percentage of consumers who complain. Kolodinsky (1993) found that enhanced customer service efforts (i.e., making it easier to access the firm's representatives) were marginally significant ($p < .10$) predictors of consumer complaining in a healthcare setting. However, Owens and Hausknecht (1999) found that by simplifying the complaint process, customers were significantly more likely to return complaint forms to the firm. Very little research has addressed this issue, and nothing from an effort perspective has been done.

If firms take more aggressive actions to simplify the complaint handling process, the EM framework predicts that complaints voiced directly to the firm will increase.

Perceived Probability of Success

The dissatisfied consumer's perceived likelihood of obtaining justice through voicing has long been recognized as an important determinant of CCB (Blodgett and Anderson 2000; Day 1984; Hirschman 1970; Landon 1977; Richins 1979). A dissatisfied customer's decision to voice a complaint rather than defecting to a competitor depends, in part, on her estimation of the probability of achieving a positive outcome: "...the decision whether to exit will often be taken in the light of the prospects for the effective use of voice. If customers are sufficiently convinced that voice will be effective, then they may well postpone exit" (Hirschman 1970, p.37, italics in the original). If a customer complains, she does so with the expectation that things will improve. Research findings in the CCB literature have supported this hypothesis, as perceptions of the likelihood of obtaining redress have been found to influence dissatisfied consumers' complaining behavior (Blodgett, Granbois and Walters 1993; Richins 1983b, 1985, 1987).

Much work remains to be done to understand the relationships between effort, perceived probability of success, and CCB. Landon (1977) simply noted that dissatisfied consumers perform a mental cost-benefit analysis. Day (1984) posited two independent variables, perceived costs of complaining and subjective probability that complaining will be successful, which would be combined along with knowledge/experience and significance of the consumption event (importance) in an analysis of alternatives. Yet, it is unclear whether probability of success and effort (i.e., perceived costs of complaining, in Day's framework) are truly independent: it stands to reason that a consumer who perceives that his complaint would be welcome by the seller would also believe he will need less effort to voice it. Until further research can clarify the relationships between these constructs, perceived probability of success is included in the EM as a separate variable that directly influences the complaining decision along with perceived effort, and a dotted line represents the possible moderating or interactive relationship

between the two.

DISCUSSION

In the EM framework, anticipated effort is posited as a critical determinant of complaining behavior. The effort construct has been widely used in pre-purchase search behavior, where studies have demonstrated links between consumer behavior and variables that bear remarkable similarity to well-known antecedents of CCB. In addition, the EM provides a theoretical foundation for research on CCB responses to dissatisfaction. The central contribution of this article is the formalization of effort in our understanding of the dissatisfied consumer's complaining decision process. Those who find it easier to complain are more likely to voice their complaints directly to a seller than are individuals who find it difficult, and effort is posited to mediate the relationship between attitudinal, situational, personality, and experience factors and the consumer's decision to complain.

The fact that effort is proposed as a mediating (as opposed to moderating) variable implies that anticipated effort plays a crucial role in dissatisfied consumers' decision making, one that has not been heretofore recognized. This contention is supported by research outside the CCB domain, which has demonstrated the key role of effort in a variety of contexts, including decision-making and job performance. For instance, researchers investigating the cognitive processes involved in choice decisions have consistently found that decision makers appear to trade off accuracy for effort (Creyer and Ross 1993; Fennema and Kleinmütz 1995; Garbarino and Edell 1997; Josephs and Hahn 1995; Johnson and Payne 1985). People are willing to settle for less than ideal decisions to conserve effort, especially when the outcome is uncertain. In a series of studies of salespersons' job performance, Brown and colleagues (Brown and Leigh 1996; VandeWalle, Brown, Cron, and Slocum 1999) found that effort fully mediated the effects of situational, attitudinal and individual differences factors. Time and again, effort (both expended and anticipated) has been found to play a mediating role in explaining behaviors that involve judgment and decisions

about tasks. These studies are relevant to CCB because a dissatisfied consumer's decision to voice a complaint is a task whose outcome is uncertain and involves work. Applying the findings to consumer complaining, we predict that effort will mediate the relationship between CCB and attitudinal, situational, and individual differences antecedents. Empirical research is needed to test these proposed relationships.

Two other studies by Richins (1979; 1982) help support the thesis that effort should be considered a mediating as opposed to a moderating variable. Richins (1979) found moderate levels of relationship between the costs and benefits of complaining and actual consumer complaining behavior. Though other antecedents such as attitude toward complaining and assertiveness were not included in the study, several items considered "costs" have been used in subsequent studies to measure these constructs. For example, Richins (1979) included "Be considered too much of a complainer" and "Would feel guilty about complaining" in her measures of costs. Similar items have appeared in studies of the effects of attitudes toward complaining and assertiveness. Separating these items from measures such as "Special trip to store to complain" and "Time and effort to fill out forms" would make a significant contribution toward understanding the relative contribution of effort (versus attitudes toward complaining and individual differences) to the understanding of the decision to complain. Further insight is provided by Richins (1982) who found attitudes toward complaining accounted for about 14% to 18% of the variance in self-reported CCB. However, the fact that CCB had been measured using a Guttman scale of various complaining responses (to reflect varying levels of effortful actions) suggests that the latent variable effort may have influenced the reported relationships.

Finally, Kowalski (1996, p. 180) proposed a model of complaining behavior that included "Assessment of Utility of Complaining" as a mediating variable between dissatisfaction, self-focus (an individual differences variable), and the decision whether or not to complain. No other antecedents were included. Although no data were presented, this model assigns great

importance to the construct of effort, which is included in a cost-benefit perception and labeled "Utility."

There are several important implications of the EM conceptualization of complaining behavior. If perceived effort is shown to affect the customer's decision of whether or not to voice a complaint, the question arises as to whether deliberately reducing that level of effort will generate higher levels of voicing behavior. Can firms initiate programs or mechanisms that effectively reduce the dissatisfied customer's perceived level of effort enough so that he/she will be more likely to voice a complaint? Can the firm increase the number of voiced complaints from non-assertive and complaint-averse customers by reducing the effort they must expend?

The notion that reducing consumer effort will result in positive outcomes for the firm is supported by Smith, Bolton, and Wagner (1999), who found that when the firm initiated service recovery without the customer having to complain about a service failure, consumers reacted in a positive manner. The subjects in their study rated all three justice dimensions (distributive justice, procedural justice, and interactional justice) of the firm's response to service failures more favorably when the firm initiated service recovery. When consumers do not have to initiate voice complaints about service failure, the amount of effort they must expend is greatly reduced. By initiating more aggressive steps to reduce the effort it takes to complain, we posit that firms can reduce or even eliminate the customer's need to invest more resources into the exchange by complaining, thereby helping to bring about a perception of fairness to the relationship. Empirical research is needed to validate these hypotheses.

To the extent that different complaining behaviors require varying amounts of effort and can be so arrayed (Bearden and Teel 1983, Richins 1982), it is possible for the EM to be expanded to enhance the prediction of these behaviors. For instance, if negative WOM lies between complaining and doing nothing, a moderate amount of anticipated effort may be associated with WOM. Further research can uncover such links, and empirical data is needed

to examine these relationships.

Future research should also explore the possibility of interactions among the constructs in the EM, which are posited to be independent at present. For example, the EM predicts that if firms reduce the obstacles to complaining, complaints voiced directly to the firm will increase. To the extent that consumers are reluctant to complain because they are either not assertive, or because they hold negative attitudes toward the act of complaining, more aggressive actions by the firm to reduce effort may encourage these individuals to voice complaints more than their assertive, experienced counterparts. Assertive, experienced consumers who have a positive attitude toward complaining have little difficulty voicing their complaints, so we would expect them to complain regardless of actions by the firm to make complaining easier. These relationships should be explored with empirical data.

REFERENCES

- Abelson, Robert P. (1981), "The Psychological Status of the Script Concept," *American Psychologist*, 36, 715-29.
- Andreasen, Alan R. (1985), "Consumer Responses to Dissatisfaction in Loose Monopolies," *Journal of Consumer Research*, 12, (September), 135-141.
- Andreasen, Alan R. and Jean Manning (1990), "The Dissatisfaction and Complaining Behavior of Vulnerable Consumers," *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 3, 12-20.
- Bearden, William O. and Jesse E. Teel (1983), "Selected Determinants of Consumer Satisfaction and Complaint Reports," *Journal of Marketing Research*, 20, (February), 21-28.
- Beatty, Sharon E. and Scott M. Smith (1987), "External Search Effort: An Investigation across Several Product Categories," *Journal of Consumer Research*, 14, (June), 83-95.
- Berry, Leonard L., Kathleen Seiders and Dhruv Grewal (2002), "Understanding Service Convenience," 66, (July), 1-17.
- Best, Arthur and Alan R. Andreasen (1977), "Consumer Response to Unsatisfactory Purchases: A Survey of Perceiving Defects, Voicing Complaints, and Obtaining Redress," *Law and Society*, 11, (Spring), 703-742.
- Bettman, James R. Eric J. Johnson and John W. Payne (1990), "A Componential Analysis of Cognitive

- Effort in Choice," *Organizational Behavior and Human Decision Processes*, 45, (February), 111-139.
- Blodgett, Jeffrey and Donald H. Granbois (1992), "Toward an Integrated Conceptual Model of Consumer Complaining Behavior," *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 5, 93-103.
- Blodgett, Jeffrey and Stephen S. Tax (1993), "The Effects of Distributive and Interactional Justice on Complainants' Repatronage Intentions and Negative Word-of-Mouth Intentions," *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 6, 100-110.
- Blodgett, Jeffrey G., Donald H. Granbois and Rockney G. Walters (1993), "The Effects of Perceived Justice on Complainants' Negative Word-of-Mouth Behavior and Repatronage Intentions," *Journal of Retailing*, 69, (Winter), 399-428.
- Blodgett, Jeffrey, Donna J. Hill and Stephen S. Tax (1997), "The Effects of Distributive, Procedural, and Interactional Justice on Postcomplaint Behavior," *Journal of Retailing*, 73, (Summer), 185-210.
- Boote, Jonathan (1998), "Towards a Comprehensive Taxonomy and Model of Consumer Complaining Behaviour," *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 11, 140-151.
- Brown, Steven P. and Thomas W. Leigh (1996), "A New Look at Psychological Climate and Its Relationship to Job Involvement, Effort, and Performance," *Journal of Applied Psychology*, 81, (4), 358-68.
- Brucks, Merrie (1985), "The Effects of Product Class Knowledge on Information Search Behavior," *Journal of Consumer Research*, 12, (June) 1-16.
- Clarke, Keith and Russell W. Belk (1979), "The Effects of Product Involvement and Task Definition on Anticipated Consumer Effort," *Advances in Consumer Research*, 6, 313-318.
- Greyer, Elizabeth and William T. Ross, Jr. (1993), "Hindsight Bias and Inferences in Choice: The Mediating Effect of Cognitive Effort," *Organizational Behavior and Human Decision Processes*, 55, 61-77.
- Day, Ralph L. (1984) "Modeling Choices Among Alternative Responses to Dissatisfaction," *Advances in Consumer Research*, 11, 496-499.
- Day, Ralph L., Klaus Grabicke, Thomas Schaetzle and Fritz Staubach (1981), "The Hidden Agenda of Consumer Complaining," *Journal of Retailing*, 57, (Fall), 86-108.
- Fennema, M. G. and Don N. Kleinmutz (1995), "Anticipations of Effort and Accuracy in Multiattribute Choice," *Organizational Behavior and Human Decision Processes*, 63, (July), 21-32.
- Fiske, Susan T. and Shelley E. Taylor (1984), *Social Cognition*, Reading, MA: Addison Wesley.
- Folkes, Valerie S. (1984), "Consumer Reactions to Product Failure: An Attributional Approach," *Journal of Consumer Research*, 10, (March), 398-409.
- Folkes, Valerie S. (1988), "Recent Attribution Research in Consumer Behavior: A Review and New Directions," *Journal of Consumer Research*, 14, (March), 548-565.
- Fornell, Claes and Birger Wernerfelt (1987), "Defensive Marketing Strategy by Customer Complaint Management: A Theoretical Analysis," *Journal of Marketing Research*, 24, (November), 337-46.
- Fornell, Claes and Birger Wernerfelt (1988), "A Model for Customer Complaint Management," *Marketing Science*, 7, (Summer), 287-98.
- Fornell, Claes and Nicholas M. Didow (1980), "Economic Constraints on Consumer Complaining Behavior," *Advances in Consumer Research*, 7, 318-323.
- Fornell, Claes and Robert A. Westbrook (1979), "An Exploratory Study of Assertiveness, Aggressiveness, and Consumer Complaining Behavior," in W. Wilkie, Ed., *Advances in Consumer Research*, 6, 105-110.
- Fornell, Claes and Robert A. Westbrook (1984), "The Vicious Circle of Consumer Complaints," *Journal of Marketing*, 48, (Summer) 68-78.
- Garbarino, Ellen C. and Julie Edell (1997), "Cognitive Effort, Affect, and Choice," *Journal of Consumer Research*, 24, (September) 147-158.
- Gronhaug, Kjell (1977), "Exploring Consumer Complaining Behavior: A Model and Some Empirical Results," *Advances in Consumer Research*, 4, 159-165.
- Gronhaug, Kjell and Gerald Zaltman (1981), "Complainers and Noncomplainers Revisited: Another Look at the Data," *Advances in Consumer Research*, 8, 83-87.
- Gruen, Thomas W., John O. Summers and Frank Acito (2000), "Relationship Marketing Activities, Commitment, and Membership Behaviors in Professional Associations," *Journal of Marketing*, 64, (July), 34-49.
- Halstead, Diane (2002), "Negative Word of Mouth: Substitute for or Supplement to Consumer Complaints?" *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 15, 1-12.
- Halstead, Diane and Cornelia Droge (1991), "Consumer Attitudes Toward Complaining and the Prediction of Multiple Complaint Responses," *Advances in Consumer Research*, 18, 210-216.
- Hart, Christopher W. L., James L. Heskett and W. Earl Sasser (1990), "The Profitable Art of Service Recovery," *Harvard Business Review*, 68, (July-

- August), 148-56.
- Hirschman, Albert O. (1970), *Exit Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States*, Cambridge, MA: Harvard University Press.
- Huppertz, John W. (2000), "Measures of Satisfaction, Intention, and Complaining Behavior in Predicting Customer Retention or Defection," Paper presented at the AMA Frontiers in Services Marketing Conference, Nashville, Tennessee.
- Johnson, Eric J. and John W. Payne (1985), "Effort and Accuracy in Choice," *Management Science*, 31, 395-414.
- Johnson, Eric J. and John W. Payne (1985), "Effort and Accuracy in Choice," *Management Science*, 31, 395-414.
- Josephs, Robert A. and Eugene D. Hahn (1995), "Bias and Accuracy in Estimates of Task Duration," *Organizational Behavior and Human Decision Processes*, 61, (February), 202-13.
- Keaveney, Susan M. (1995), "Customer Switching Behavior in Service Industries: An Exploratory Study," *Journal of Marketing*, 59, (April), 71-82.
- Kelley, Scott W. and Mark A. Davis (1994), "Antecedents to Customer Expectations for Service Recovery," *Journal of the Academy of Marketing Science*, 22, (1), 52-61.
- Kelley, Scott W., James H. Donnelly, Jr. and Steven J. Skinner (1990), "Customer Participation in Service Production and Delivery," *Journal of Retailing*, 66, (Fall), 315-335
- Kolodinsky, Jane (1993), "Complaints, Redress, and Subsequent Purchases of Medical Services by Dissatisfied Consumers," *Journal of Consumer Policy*, 16, 193-214.
- Kowalski, Robin M. (1996), "Complaints and Complaining: Functions, Antecedents, and Consequences," *Psychological Bulletin*, 119, (2) 179-96.
- Landon, E. Laird, Jr. (1977), "A Model of Consumer Complaint Behavior," in Ralph L. Day (ed.), *Proceedings of the 1977 CS/D&CB Conference*.
- Leary, Mark R. and Robin M. Kowalski (1995), *Social Anxiety*. New York: Guilford Press.
- Marmorstein, Howard, Dhruv Grewal, and Raymond P. H. Fishe (1992), "The Value of Time Spent in Price-Comparison Shopping: Survey and Experimental Evidence," *Journal of Consumer Research*, 19, (June), 52-61.
- Maute, Manfred F. and William R. Forrester, Jr. (1993), "The Structure and Determinants of Consumer Complaint Intentions and Behavior," *Journal of Economic Psychology*, 14, 219-247.
- Maxham, James G., III and Richard G. Netemeyer (2002), "A Longitudinal Study of Complaining Customers' Evaluations of Multiple Service Failures and Recovery Efforts," *Journal of Marketing*, 66, (October), 52-71.
- McCollough, Michael A., Leonard L. Berry and Manjit S. Yadav (2000), "An Empirical Investigation of Customer Satisfaction after Service Failure," *Journal of Service Research*, 3, (2), 121-137.
- Morel, Kaj P. N., Theo B. C. Poiesz and Henk A. M. Wilke (1997), "Motivation, Capacity, and Opportunity to Complain: Towards a Comprehensive Model of Consumer Complaint Behavior," *Advances in Consumer Research*, 24, 464-469.
- Owens, Deborah L. and Douglas R. Hausknecht (1999), "The Effect of Simplifying the Complaint Process: A Field Experiment with the Better Business Bureau," *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 12, 35-43.
- Ozanne, Julie L., Merrie Brucks and Dhruv Grewal (1992), "A Study of Information Search Behavior during the Categorization of New Products," *Journal of Consumer Research*, 18, (March), 452-463.
- Paterik, Stephanie (2002), "Sheraton Plans to Pay Guests for Bad Service," *Wall Street Journal*, September 6, 2002.
- Payne, John W., James R. Bettman and Eric J. Johnson (1993), *The Adaptive Decision Maker*, Cambridge: Cambridge University Press.
- Reichheld, Frederick F. (1996a), "Learning from Customer Defections," *Harvard Business Review*, 74, (March/April), 56-69.
- Reichheld, Frederick F. (1996b), *The Loyalty Effect: The Hidden Force Behind Growth and Lasting Value*. Cambridge, MA: Harvard Business School Press.
- Reichheld, Frederick F. and W. Earl Sasser, Jr. (1990), "Zero Defections: Quality Comes to Services," *Harvard Business Review*, 68 (September/October), 105-11.
- Richins, Marsha L. (1979), "Consumer Perceptions of Costs and Benefits Associated with Complaining," in Ralph L. Day and H. Keith Hunt (Eds.) *Refining Concepts and Measures of Consumer Satisfaction and Complaining Behavior*, Bloomington, IN: Indiana University School of Business.
- Richins, Marsha L. (1982), "An Investigation of Consumers' Attitudes Toward Complaining," *Advances in Consumer Research*, 9, 502-506.
- Richins, Marsha L. (1983a), "An Analysis of Consumer Interaction Styles in the Marketplace," *Journal of Consumer Research*, 10, (June), 73-82.
- Richins, Marsha L. (1983b), "Negative Word-of-Mouth by Dissatisfied Consumers: A Pilot Study," *Journal of Marketing*, 47, (Winter), 68-78.
- Richins, Marsha L. (1985), "The Role of Product Importance in Complaint Initiation," *Journal of*

- Consumer Satisfaction, Dissatisfaction, and Complaining Behavior, 2, 50-53.
- Richins, Marsha L. (1987), "A Multivariate Analysis of Responses to Dissatisfaction," *Journal of the Academy of Marketing Science*, 15, (Fall), 24-31.
- Rook, Dennis W. (1985), "The Ritual Dimension of Consumer Behavior," *The Journal of Consumer Research*, 12, (December), 251-264.
- Seiders, Kathleen and Leonard L. Berry (1998), "Service Fairness: What It Is and Why It Matters," *Academy of Management Executive*, 12, (May), 8-20.
- Singh, Jagdip (1988), "Consumer Complaint Intentions and Behavior: Definitional and Taxonomical Issues," *Journal of Marketing*, 52, (January), 93-107.
- Singh, Jagdip (1990), "A Typology of Consumer Dissatisfaction Response Styles," *Journal of Retailing*, 66, (Spring), 57-99.
- Slama, Mark and Kevin Celuch (1994), "Assertion and Attention to Social Comparison Information as Influences on Consumer Complaint Intentions," *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 7, 246-251.
- Smith, Amy K., Ruth N. Bolton and Janet Wagner (1999), "A Model of Customer Satisfaction with Service Encounters Involving Failure and Recovery," *Journal of Marketing Research*, 36, (August), 356-72.
- Soman, Dilip (1998), "The Illusion of Delayed Incentives: Evaluating Future Effort-Money Transactions," *Journal of Marketing Research*, 35, (November), 427-437.
- TARP (1996), *TARP's Approach to Customer Driven Quality: Moving from Measuring to Managing Customer Satisfaction*, Washington DC: White House Office of Consumer Affairs.
- Tax, Stephen S. and Stephen W. Brown (1998), "Recovering and Learning from Service Failures," *Sloan Management Review*, 40, (Fall), 75-88.
- Tax, Stephen S., Stephen W. Brown and Murali Chandrashekar (1998), "Customer Evaluations of Service Complaint Experiences: Implications for Relationship Marketing," *Journal of Marketing*, 62, (April), 60-76.
- VandeWalle, Don, Steven P. Brown, William L. Cron and John W. Slocum, Jr. (1999), "The Influence of Goal Orientation and Self-Regulation Tactics on Sales Performance: A Longitudinal Field Test," *Journal of Applied Psychology*, 84, (2), 249-59.
- Warland, Rex H., Robert O. Herrmann and Jane Willits (1975), "Dissatisfied Consumers: Who Gets Upset and Who Takes Action," *Journal of Consumer Affairs*, 9, (Fall), 148-163.

Send correspondence regarding this article to:

John W. Huppertz, Ph.D.
 Union Graduate College
 Schenectady, New York 12308
 huppertj@uniongraduatecollege.edu

VALUE, SATISFACTION, AND LOYALTY: AN EVOLVING CONCEPTUALIZATION

Steven A. Taylor, Ph.D., Illinois State University
Gary Hunter, Ph.D., Illinois State University

ABSTRACT

A little over a decade ago Taylor and Hunter (2003) reported an exploratory investigation into the relative roles of perceived value, satisfaction, trust, and brand attitude in explaining loyalty within the (B2B) eCRM industry in the *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*. The following revisits the findings of this study in light of the many advances in service marketing theory since the article's publication. An annotated literature review is presented that highlights the continuing evolution of the concept of "value" vis-à-vis loyalty and satisfaction research toward value co-creation consistent with the influential arguments of Vargo and Lusch's (2004) service dominant logic (hereafter, SDL) and the service logic (hereafter, SL) perspective advocated by the Nordic School of Service Marketing (Gronroos 2008, 2011). The conclusions of this review include (1) the basic predictive relationships identified in Taylor and Hunter's (2003) model appear supported by subsequent studies, however, (2) significant advances in service marketing theory are providing exciting new insights and avenues of inquiry in the areas of satisfaction and loyalty management.

INTRODUCTION

Taylor and Hunter (2003) present an exploratory study considering how brand loyalty forms within the context of electronic customer relationship management (eCRM). Somewhat surprisingly, the results failed to support a direct relationship between satisfaction and loyalty in this electronic context, rather, a relationship fully mediated by brand attitudes. Perceived value and relationship trust were also identified as exogenous influences in the model. In particular, satisfaction was identified to mediate the relationship between perceived value and loyalty.

Our article was published a year before the release of Vargo and Lusch's (2004) highly influential article presenting SDL. The perspective of Taylor and Hunter (2003) largely reflects a pre-SDL viewpoint wherein perceived value is conceptualized as essentially the delivery *by the marketer* of a perceived ratio of what a stakeholder "gets" versus "gives up." In the current discussion we briefly review the literature that has emerged in the decade since the publication of our article in order to highlight the evolution of service marketing thought in helping to better understand the important concept of stakeholder loyalty. First, we briefly review SDL as it is understood at this point in time. Second, we consider some of the support and criticism that has emerged in the literature related to the SDL perspective. Finally, we articulate how the evolving concept of value co-creation is beginning to impact our fundamental perspectives of ongoing service relationships, and perhaps even the function of exchange itself. We conclude with an assertion of the continued importance of concepts such as satisfaction and loyalty as explanatory concepts in marketing theories and explanations of behaviors.

Service Dominant Logic (Vargo and Lusch 2004) & Service Logic (Gronroos 2008, 2011)

SDL has created a great deal of dialogue among marketers. In short, the SDL perspective is based on the view that the dominant logic of exchange (and marketing) has been based on a goods-based model inherited from economics. This goods-based perspective focuses on tangible resources, embedded value, and transactions. The SDL perspective purports an alternative perspective wherein the focus is on intangible resources, the co-creation of value, and relationships. Vargo and Lusch (2004) assert that the central implication of the SDL

viewpoint is a general change in perspective from (1) the goods-based view that implies that the qualities of manufactured goods, the separation of production and consumption, standardization, and non-perishability are normative qualities to (2) a service-centered view of exchange that implies that the goal is to customize offerings, to recognize that the consumer is always a co-producer, and to try and maximize consumer involvement in efforts to increase the customization of services to better fit customer needs.

This perspective appears consonant with that of Prahalad and Ramaswamy (2004) who similarly identify how the meaning of value and the process of value creation are recognized to be rapidly moving toward personalized customer experiences based on informed, networked, empowered, and active consumers. Thus, Prahalad and Ramaswamy (2004) argue that the co-creation of value (versus value delivery) fundamentally challenges the traditional distinction between supply and demand, instead suggesting that demand is much more contextual.

SDL has continued to evolve since Vargo and Lusch's (2004) original publication. Lusch et al. (2007) assert that the most fundamental implication of SDL is that firms gain a competitive advantage by adopting a business philosophy based on the recognition that all entities collaboratively create value by serving each other. Vargo and Lusch (2008) refine the SDL perspective based on the following issues: (1) the observation that some of the wording of the original propositions is overly dominant on a goods-dominant logic lexicon; (2) concern that the SDL perspective is too managerially oriented; (3) the need to more explicitly recognize the interactive, networked nature of value creation; and (4) the observation that the original presentation of SDL was not sufficiently explicit in acknowledging value creation as phenomenological and experiential in nature.

However, there has not been universal adoption of the SDL perspective among service marketers. For example, Gronroos (2008, 2011) argues that discussions of SDL and its consequences for value creation and marketing the inner meaning of the value-in-use notion and

the nature of service marketing have not been thoroughly considered. Specifically, he discusses the differences between value-in-exchange and value-in-use, concluding that value-in-exchange in essence concerns resources used as a value foundation which are aimed at facilitating customers' fulfillment of value-in-use. If one accepts value-in-use as a foundational value creation concept, customers are the value creators. Thus, adopting a service logic makes it possible for firms to get involved in customers' value-generating processes. This is how value co-creation is conceptualized in the Nordic School of Service Marketing. Gronroos and Gummerus (2014) clarify this perspective by comparing and contrasting the SDL perspective from their proposed service logic (SL) perspective. In short, these authors assert that the SDL perspective is based on a metaphorical view of co-creation and value co-creation in which the firm, customers, and other actors participate in the process that leads to value for customers. Thus, the approach is arguably firm-driven; the service provider drives value creation. Alternatively, the SL perspective claims an analytical approach, one wherein the co-creation concepts can arguably significantly reinvent marketing from a service perspective. In this view, value gets created in customer processes, and value creation is customer driven.

Regardless of whether the SDL or SL perspective is preferred, it is clear that marketing theory is moving beyond the value-delivery perspective underlying much of the work in the early 2000's, such as Taylor and Hunter (2003). The emerging theories appear to emphasize much more clearly the value co-creation process. However, prior to reviewing the emerging evidence related to how value co-creation occurs, we first demonstrate the linkage between these emerging perspectives and loyalty as a central concept in Taylor and Hunter's (2003) article.

Loyalty & Service Dominant Logic

Taylor and Hunter (2003)'s model attempts to help explain the formation of consumer loyalty from a value creation-and-delivery perspective based upon cross-sectional data. We have

learned much about the concept of “loyalty” over the last decade. Aksoy et al. (2014) review conceptualizations of loyalty to date and identify four commonalities typically ascribed to the concept of loyalty: (1) a perceived specialness of a relationship; (2) favorable treatment to objects of loyalty; (3) a desire to maintain the relationship even when sacrifice is required; and (4) defense and reinforcement of the relationship. Based on these observations, Aksoy et al. (2014, p. 38) define loyalty as, “Loyalty is the recognition of the specialness of a relationship, the creation of a bond as the result of the relationship, and the defense and reinforcement of this relationship.” Note that this definition requires (1) an object other than one’s self, and (2) a combination of commitment to the relationship with behaviors designed to maintain the relationship. Oliver (2014) notes that loyalty, in whatever form, is goal-driven, ubiquitous, and speculates that it begins the moment we are born with its genetic predispositions. These two perspectives do not appear inconsistent on their face.

Bolton and Christopher (2014) make the case that an SDL perspective and the co-creation of value are theoretically supportive of mutually beneficial long-term relationships in marketing. Auh et al. (2007) further demonstrate a relationship between co-production and (attitudinal and behavioral) customer loyalty, not inconsistent with an SDL or SL perspective. An SDL/SL perspective of loyalty also appears consistent with Dagger and Danaher’s (2014) argument that commitment, trust, and satisfaction remain critical relationship constructs. Further, the mediating role of brand attitude in the satisfaction → loyalty relationship appears confirmed by Jaiswal, and Niraj (2011).

These authors further demonstrate a nonlinear nature associated with these relationships. Interestingly, Picon et al. (2014) present evidence that perceived switching costs – to a greater extent – and the perceived lack of attractiveness of alternative offerings – to a lesser extent – are significant mediators in the relationship between satisfaction and loyalty. Lariviere et al. (2014) present longitudinal evidence that how loyalty develops varies across customer segments. Dawes et al. (2015) most recently examines changes in long-term loyalty

across the United States and the United Kingdom and finds evidence of the continued importance of brand loyalty in marketing settings.

In summary, subsequent empirical evidence and calls to embrace an SDL/SL perspective do not appear to jeopardize the basic predictive findings of Taylor and Hunter (2003), nor threaten to make consideration of consumer loyalty moot. The next section considers the concept of value co-creation more carefully.

Value and Value Co-Creation

Vargo et al. (2008) agree that the creation of value is the core purpose and central process of economic exchange. The SDL perspective is presented by the authors in this context as: (1) service, the application of competences (such as knowledge and skills) by one party for the benefit of another represents the underlying basis for exchange; (2) the appropriate unit of analysis for service-for-service exchange is the service system, which is a configuration of resources (including people, information, and technology) connected to other systems by value propositions; and (3) service science is the study of service systems and the co-creation of value within complex configurations of resources. Thus, the SDL perspective asserts that value is fundamentally derived and determined in use (i.e., the integration and application of resources in a specific context) rather than in exchange (i.e., embedded in form output and captured by price). Sheth and Usley (2007) welcome the movement away from exchange → need satisfaction model as the basis for marketing theory and practice in their discussion of revising the definition of marketing from an disciplinary perspective.

A number of authors have recently extended our shared understanding of co-creation as value-in-use versus value-in-exchange. Payne et al. (2008) assert that relatively little is actually known about specifically how customers engage in co-creation. They propose a theoretical framework that focuses on value co-creation as process-based, consistent with the SDL/SL perspectives, and related to knowledge management. Frow and Payne (2011) extend this thinking by

concluding that value propositions play a key role in co-creating value between various stakeholders, acting as value alignment mechanisms within a marketing system and, that SDL logic helps enterprises address value propositions in a more holistic and integrated manner. Gronroos and Voima (2013) argue that value creation, from the SL perspective, refers to customers' creation of value-in-use; co-creation is a function of interaction. Both the firm's and the customer's actions can be categorized by spheres (provider, joint, customer), with their interactions being either direct or indirect – leading to different forms of value creation and co-creation.

Merz et al. (2009) extends the SDL/SL viewpoint to brand logic. These authors show how brand scholars have shifted their focus over the past several decades from viewing the brand as an identifier to viewing the brand as a dynamic and social process. In doing so, the branding literature has embraced the SDL perspective. Iglesias et al. (2013) build upon Merz et al.'s (2009) perspective by proposing a brand value co-creation framework built upon the argument that value is conversationally co-created by different stakeholders in a fluid brand space. This emphasis on social context appears consonant with the arguments of Edvardsson et al. (2011) for expanding our understanding of social exchange in value co-creation.

We are also making initial progress in measurement of value co-creation. Yi and Gong (2013) propose an operationalization of value co-creation comprised of two dimensions: (1) customer participation behavior (information seeking, information sharing, responsible behavior, and personal interaction), and (2) customer citizenship behavior (feedback, advocacy, helping and tolerance). Ranjan and Read (2014) alternatively propose alternative measures based on the major dimensions of co-production and value-in-use.

CONCLUSION

Service marketing theory has evolved substantially since the early 2000's. It appears clear that movement away from traditional goods-based theoretical foundations will

continue over the foreseeable future. This does not mean that empirically supported theoretical findings from the past are no longer valid. Instead, growth in the depth of our understanding of marketing processes, behaviors, and outcomes appears possible based on emerging SDL/SL theoretical advances. Does this mean that traditional constructs such as loyalty and customer satisfaction will lose their efficacy as explanatory variables in marketing theory and process? We think not. However, there appears to be some exciting new avenues of theoretical consideration based on issues related to congruence in co-production of value (e.g., co-satisfaction, co-loyalty, etc.). We encourage our colleagues to embrace these challenges.

REFERENCES

- Aksoy, Lerzan, Timothy L. Keiningham, and Richard L. Oliver (2014), "3 Loyalty: Its Many Sources and Variations." *Handbook of Service Marketing Research*, 37.
- Auh, S., Bell, S. J., McLeod, C. S., & Shih, E. (2007), "Co-production and Customer Loyalty in Financial Services." *Journal of Retailing*, 83 (3), 359-370.
- Bolton, Ruth N., and Ranjit M. Christopher (2014), "2 Building Long-Term Relationships Between Service Organizations and Customers." *Handbook of Service Marketing Research* (2014): 11.
- Dagger, Tracey S., and Peter J. Danaher (2014), "4 A Comparison of Relationship Marketing Models." *Handbook of Service Marketing Research* (2014): 52.
- Dawes, John, Lars Meyer-Waarden, and Carl Driesener (2015), "Has Brand Loyalty Declined? A Longitudinal Analysis of Repeat Purchase Behavior in the UK and the USA," *Journal of Business Research*, 68, 425-432.
- Edvardsson, Bo, Bård Tronvoll, and Thorsten Gruber (2011), "Expanding Understanding of Service Exchange and Value Co-Creation: A Social Construction Approach." *Journal of the Academy of Marketing Science*, 39 (2): 327-339.
- Frow, Pennie, and Adrian Payne (2011), "A Stakeholder Perspective of the Value Proposition Concept." *European Journal of Marketing* 45 (91): 223-40. *ProQuest*. Web. 16 Dec. 2014.
- Grönroos, Christian, and Johanna Gummerus (2014), "The Service Revolution and Its Marketing Implications: Service Logic vs Service-Dominant

- Logic." *Managing Service Quality*, 24 (3): 206-229.
- Grönroos, Christian, and Päivi Voima (2013), "Critical Service Logic: Making Sense of Value Creation and Co-Creation." *Journal of the Academy of Marketing Science* 41 (2): 133-150.
- Grönroos, Christian (2011), "Value in Co-Creation in Service Logic: A Critical Analysis," *Marketing Theory*, 11 (3), 279-301.
- Grönroos, Christian (2008) "Service logic revisited: who creates value? And who co-creates?," *European Business Review*, 20 (4): 298 - 314
- Iglesias, Oriol, Nicholas Ind, and Manuel Alfaro (2013), "The Organic View of the Brand: A Brand Value Co-Creation Model." *Journal of Brand Management* 20 (8): 670-688.
- Jaiswal, Anand K., and Rakesh Niraj (2011), "Examining Mediating Role of Attitudinal Loyalty and Nonlinear Effects in Satisfaction-Behavioral Intentions Relationship." *Journal of Services Marketing* 25 (3): 165-175.
- Larivière, B., Keiningham, T. L., Cooil, B., Aksoy, L., & Malthouse, E. C. (2014). A longitudinal examination of customer commitment and loyalty. *Journal of Service Management*, 25 (1), 75-100.
- Lusch, Robert F., Stephen L. Vargo, and Matthew O'Brien (2007), "Competing Through Service: Insights from Service-Dominant Logic." *Journal of Retailing* 83 (1): 5-18.
- Merz, Michael A., Yi He, and Stephen L. Vargo (2009), "The Evolving Brand Logic: A Service-Dominant Logic Perspective." *Journal of the Academy of Marketing Science* 37 (3): 328-344.
- Oliver, Richard L (2014), "5 Loyalty: Its Biogenic, Psychological, and Social Origins—Answering the Question of "Why Y?,"" *Handbook of Service Marketing Research*, 70.
- Payne, Adrian F., Kaj Storbacka, and Pennie Frow (2008), "Managing the Co-Creation of Value," *Journal of the Academy of Marketing Science*, 36 (1): 83-96.
- Picón, Araceli, Ignacio Castro, and José L. Roldán (2014), "The Relationship Between Satisfaction and Loyalty: A Mediator Analysis," *Journal of Business Research*, 67 (5): 746-751.
- Prahalad, Coimbatore K., and Venkat Ramaswamy (2004), "Co-Creation Experiences: The Next Practice in Value Creation," *Journal of Interactive Marketing*, 18 (3): 5-14.
- Ranjan, Kumar Rakesh, and Stuart Read (2014), "Value Co-Creation: Concept and Measurement," *Journal of the Academy of Marketing Science*, 1-26.
- Sheth, Jagdish N., and Can Uslay (2007), "Implications of the Revised Definition of Marketing: From Exchange to Value Creation," *Journal of Public Policy & Marketing* 26 (2): 302-307.
- Taylor, Steven A., and Gary Hunter (2003), "An Exploratory Investigation into the Antecedents of Satisfaction, Brand Attitude, and Loyalty within the (B2B) eCRM Industry," *Journal of Consumer Satisfaction Dissatisfaction and Complaining Behavior*, 16: 19-35.
- Vargo, Stephen L., and Robert F. Lusch (2004), "Evolving to a New Dominant Logic for Marketing," *Journal of Marketing*, 68 (1): 1-17.
- Vargo, Stephen L., and Robert F. Lusch (2008), "Service-Dominant Logic: Continuing the Evolution," *Journal of the Academy of Marketing Science*, 36 (1): 1-10.
- Vargo, Stephen L., Paul P. Maglio, and Melissa Archpru Akaka (2008), "On Value and Value Co-Creation: A Service Systems and Service Logic Perspective," *European Management Journal* 26 (3): 145-152.
- Yi, Youjiae, and Taeshik Gong (2013), "Customer Value Co-Creation Behavior: Scale Development and Validation," *Journal of Business Research*, 66 (9): 1279-1284.

Send correspondence regarding this article to:

Steven A. Taylor, Ph.D.,

Illinois State University

Normal, IL 61790-5590

Phone: (309) 438-8772

Fax: (309) 438-3508

Email: staylor@ilstu.edu

Web: <http://lilt.ilstu.edu/staylor/>

AN EXPLORATORY INVESTIGATION INTO THE ANTECEDENTS OF SATISFACTION, BRAND ATTITUDE, AND LOYALTY WITHIN THE (B2B) ECRM INDUSTRY

Steven A. Taylor, Ph.D., Illinois State University
Gary Hunter, Ph.D., Illinois State University

ABSTRACT

The following exploratory study considers a model explaining brand loyalty relative to the electronic Customer Relationship Management (hereafter referred to as eCRM) industry. The model focuses specifically on B2B relationships, and includes customer satisfaction, attitude, brand trust, affect, value, and resistance to change as model constructs. This model, exploratory in nature, begins to help sift out the relative direct and indirect influences of an increasingly complex number of known antecedents to customer loyalty. Particularly noteworthy is our failure to find a direct relationship between e-satisfaction and loyalty. Rather, we find that the e-satisfaction loyalty relationship appears mediated by brand attitudes in this study. We also report evidence that post-consumption affect appears more closely related to brand attitude than e-satisfaction. Service provider trust also emerges as an important antecedent to brand attitude and satisfaction in this exploratory study. Managerial and research implications of the tentative results reported herein are presented and discussed.

INTRODUCTION

Technology and the Internet are having a profound effect on marketing (Bitner, Brown, and Mueter 2000). One area particularly affected has been the automation of customer service, or eService. eService continues to grow as a major marketing emphasis, and has been defined by De Ruyter, Wetzels, and Kleijnen (2001, p. 186) as "...an interactive, content-centered and Internet-based customer service, driven by the customer and integrated with related organizational customer support processes and technologies with the goal of strengthening the customer-

service provider relationship." Rust and Kannan (2002) suggest that eService can best be considered as an overarching customer-centric concept that encompasses all members of marketing channels. Rust and Kannan (2002) further suggest that eService subsumes concepts such as customer/citizen relationship management (CRM), one-to-one marketing, and customer care, among others.

The setting for the current research involves the eCRM software applications/service industry. eCRM can be defined as ... "A Web-centric approach to synchronizing customer relationships across communication channels, business functions, and audiences" (Forrester Research 2001). The eCRM industry involves software and service providers who assist marketers in managing their customer relationships via technology (see www.crmguru or www.ecrmguide.com/ for online introductions to this industry). eCRM software includes software related to e-mail management, knowledge base development, database management, and online IP chat capabilities (among others). Companies today are increasingly providing customer service with the help of eCRM technology, or eService (Bames, Dunne, and Glynn 2000; Mueter, Ostrom, Roundtree, and Bitner 2000), reflecting the increasing emphasis on post-purchase (i.e., Relationship Marketing) considerations by service marketing firms across industries today.

However, moving to technology-mediated service provision via eCRM is not without problems for many marketers. Specifically, the emerging evidence suggests that online marketers are often receiving poor marks in terms of customer satisfaction. For example, the level of customer satisfaction online is generally lower in B2B than it is in B2C (Accenture 2001). Therefore, it is not surprising that in the US, online retailers lost

approximately \$21 billion in 2001 due to poor online customer service (Datamonitor 2001). In addition, consumer complaints about online retailers in the US more than doubled in 2000 (NACAA 2001). These patterns within the US eCRM industry appear consistent with European marketing experiences (Aberdeen 2001).

In fact, eCRM software/service providers themselves are not immune to this phenomenon. A recent vendor satisfaction study found (1) generally low customer satisfaction ratings across CRM vendors, and (2) no single organization has established themselves as a market leader in terms of relationship marketing practices (CRMGuru.com 2002). Taylor and Hunter (2002) report similar results in an academic study. Consequently, there are clear gaps in marketers' understanding of how best to use eCRM software/service in support of eService strategies. This suggests that the eCRM industry itself appears similarly victimized in its own customer relationships.

Therefore, it appears clear that marketing research designed to better understand how relationship marketing and eService theory and practice can best support eCRM implementation is both timely and useful. In fact, Bobbitt and Dabholkar (2001) have specifically called for greater academic research into the theoretical underpinnings of technology-based self service (also see Dabholkar 2000). We would also suggest that such considerations should also be sensitive to brand attitudes. A study by Accenture (2001) finds that a reputable brand is the single most important buyer preference by a wide margin followed by service, price and variety. Moreover, for 80 percent of the buyers in B2B, even price is less important in online buying decisions. The purpose of this study is therefore to report an exploratory attempt to develop and empirically validate a basic model specific to eCRM product and service settings that includes measures of customer satisfaction, affect, resistance to change, trust, and brand attitudes in the formation of ultimate brand loyalty. The underlying objective in this exploratory study is the consideration of more complex models of customer loyalty based on the emerging literature.

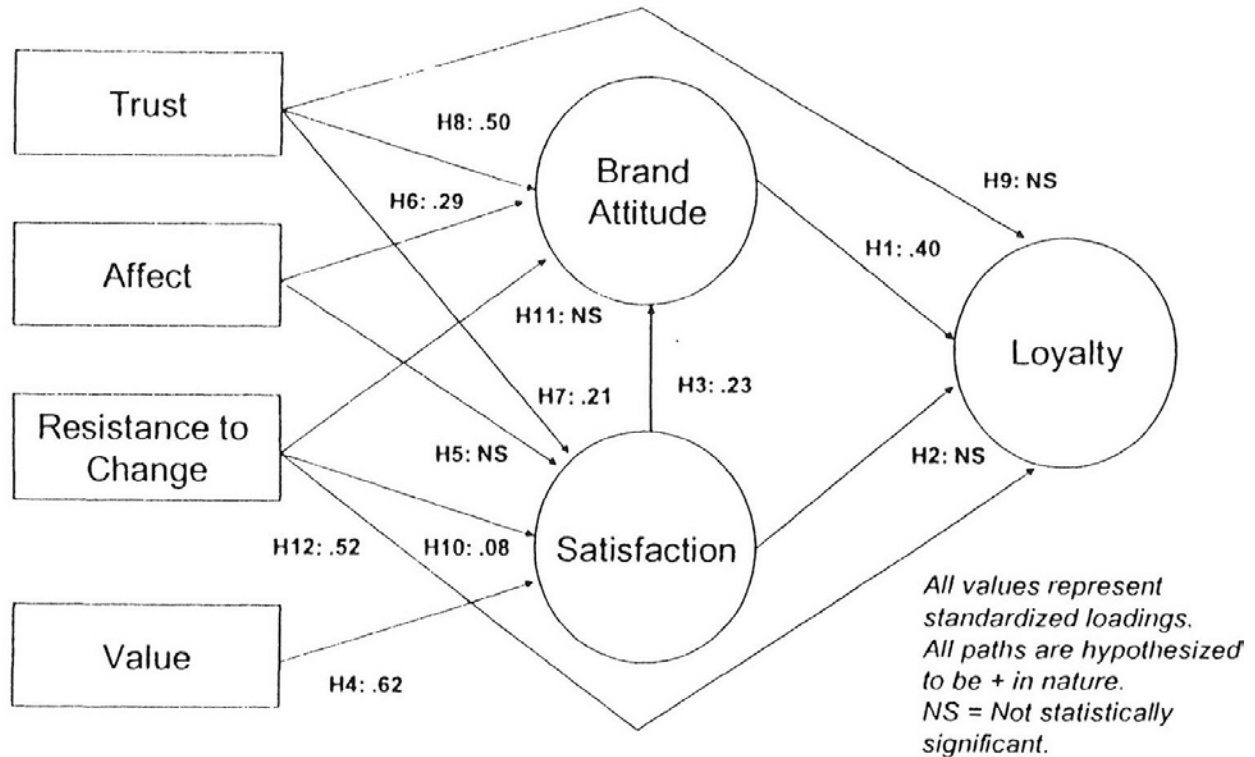
The remainder of the study is divided into four sections. First, the research model underlying the study is presented, and incorporates emerging knowledge from the CRM, services, and relationship marketing literatures. The proposed model seeks to account for many of the constructs and their interrelationships known to operate in the formation of brand loyalty in service settings. Second, the methods used to empirically test the proposed research model are presented and discussed. Third, the results of statistical analyses are articulated. Finally, conclusions and recommendations are offered for consideration by service marketers.

A MODEL FOR LOYALTY TO eCRM PRODUCTS AND SERVICES

The ultimate purpose of eCRM products and services is to help firms build better customer relationships and maximize a customer's lifetime value. Critical to this purpose is the effective implementation of e-service strategies. In fact, Kalakota and Robinson (2001, p. 171) state that within the context of eCRM ... "The timely delivery of excellent service is customer relationship management." So, what are the constructs and relationships that would be important in the development of an initial customer-centric, relationship-based model that reconciles relationship marketing and eService practices with eCRM products and services? Figure 1 presents the research model that underlies this exploratory research inquiry.

The research model builds upon existing knowledge by identifying four exogenous variables (trust, affect, resistance to change, and value) and three endogenous variables (loyalty, brand attitude, and satisfaction) to capture hypothesized direct and indirect influences in the formation of brand loyalty specific to the eCRM industry. One of the contributions of the current research is to simultaneously test these influences in a more comprehensive model using structural equation analysis. Many constructs could be considered as candidates for inclusion in this study. The constructs included in Figure 1 are not envisioned to represent all relative influences in the formation of customer loyalty

Figure 1
The Research Model



in this setting. Rather, this model represents a useful starting point for considerations in the rapidly emerging eCRM industry. Hence, we view this study as exploratory in nature.

Brand Loyalty

In this study we focus on loyalty as the ultimate endogenous construct for model prediction. The emerging evidence suggests that brand loyalty is generally considered desirable from a strategic marketing perspective (Bennett and Rundle-Teiele 2002; Chaudhuri 1999; Gwinner, Gremler, and Bitner 1998; Kumar 1999; Mittal and Lassar 1998; Reichfeld and Schefter 2000; Strauss and Friege 1999). This assertion is largely based on growing influence of the relationship marketing orientation on marketing theory and practice (Sheth and Parvitiyar 2000). Evidence is emerging that this orientation may prove particularly important with today's technology-mediated environment (Griffin 1996; Reichheld and Schefter 2000). It is therefore not surprising that the importance of brands, and their ability to capture longer-term consumer judgments, is also growing in importance in service marketing environments (Berry 2000), and in online setting specifically (Davis, Buchanan-Oliver, and Brodie 2000). Consequently, we focus herein on loyalty and brand-related measures of the relevant constructs in our research model.

Oliver (1999b, p. 34) defines loyalty 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 behaviors." Oliver suggests that ultimate customer loyalty is a function of perceived product superiority, personal fortitude, social bonding, and their synergistic effects. Thus, Oliver considers both behavioral loyalty (i.e., purchase) and attitudinal loyalty (i.e., fortitude) components in his conceptualization of the loyalty construct. The movement from purchase loyalty (e.g., repurchase intentions) toward more holistic conceptualizations of the

loyalty construct is supported in the emerging literature (Baldinger and Rubinson 1996; Chaudhuri and Holbrook 2001; Morgan 2000). Narayandas (1998) and White and Schneider (2000) propose laddering models that also appear consistent with this emerging orientation. Consequently, we treat customer loyalty in the current research as both behavioral and attitudinal in nature.

Brand Attitudes

Maio and Olson (2000) provide a concise history of the development of attitude theory in the social sciences, suggesting that the seminal theories of the attitude function share the following tenets: (1) the basic function of attitudes is to simplify knowledge about objects in the environment, and (2) attitudes can subsume a motivation to defend the self against internal conflict. Fazio (2000) suggests that the essence of attitudes involves summary evaluations of objects, i.e., individuals categorize objects along an evaluative dimension. Thus, by imposing an attitudinal evaluative structure on their social world, individuals can more easily cope with the demands of the social environment.

However, an unresolved issue is how brand attitudes specifically relate to customer loyalty or otherwise fit into marketing models of consumption as discussed herein. Baldinger and Rubinson (1996) argue for considering brand loyalty as the link between brand attitude and behavior. Chaudhuri (1999) presents evidence that customer loyalty mediates the brand attitudes _ market share relationship. Dabholkar and Bagozzi (2002) suggest that attitude may play a unique and fundamental role in the formation of behavioral intentions related to technology. In these conceptualizations, brand loyalty is modeled as superordinate to brand attitude. Thus, based on this evidence, we present our first research hypothesis:

H1: *Customer Loyalty is positively related to Brand Attitude.*

Customer e-Satisfaction

Satisfaction is generally defined as pleasurable fulfillment (Oliver 1997, 1999b). e-Satisfaction, defined herein as satisfaction based on technology-mediated marketing relationships, has not surprisingly become an area of growing interest in the marketing literature (Palvia and Palvia 1999; Schellhase, Hardock, and Ohlewein 2000; Szymanski and Hise 2000). (e)Satisfaction is unique from other closely related concepts such as quality, loyalty, and attitude (Oliver 1997). Satisfaction has been hypothesized in the literature to have a direct influence on customer loyalty (Mittal and Lassar 1998; Oliver 1997) and repurchase intentions/behaviors (Kumar 2002; Mittal and Kamakura 2001).

However, a recent practitioner study by Miller-Williams (2002) suggests that the relationship between satisfaction and loyalty in technology-mediated environments may not be so straightforward. In fact, these authors report a strong negative relationship between satisfaction and loyalty in their study. They suggest that the basis for these findings relates to the role of "value" in the formation of customer evaluations. We test the linkage between value, e-satisfaction, attitude, and loyalty in our research to better understand these relationships. This leads to our next two hypotheses:

H2: *Customer Loyalty is positively related to e-Satisfaction.*

H3: *Brand Attitude is positively related to e-Satisfaction.*

Value

As noted above, the value construct is also known to play an important role in models such as discussed herein. In spite of the attention devoted to this concept, the term "value" has proven to be a difficult concept to define for service marketers (Oliver 1999a). Cronin et al (1997) state that there is little disagreement on the conceptualization of value in the marketing literature as $Value = f(\text{Service Quality/Sacrifice})$. Such conceptualizations tend to focus on what is relatively perceived as "received"

versus "given up" in a marketing exchange (see the following studies for examples supporting this conceptualization, including examples specific to IT settings: Albrecht 1995; band 1991; Blackwell et al 1999; Brady and Cronin 2001; Carmon and Ariely 2000; Cronin, Brady, and Huit 2000; Gale 1994; Kumar 2002; Sawhney and Parikh 2001; Sharma, Krishnan, and Grewal 2001; Sweeney and Soutar 2001; Ulaga and Chacour 2001; Woodruff 1997; Woodruff and Gardial 1996; Ziethaml 1988).

However, such conceptualizations of "value" appear incomplete given Holbrook's (1999) more holistic conceptualization/typology of the construct. Oliver (1999a) recently addresses this issue by suggesting that the traditional conceptualization of value referenced above has been largely constrained to the self-oriented, reactive, and extrinsic cell in Holbrook's typology. Oliver (1999a) asserts that "value" is indeed a unique construct from satisfaction and quality and envisions these constructs as coexisting and influencing one another, as well as outcome variables such as loyalty, as consumers make consumption judgments across time. He suggests that such a conceptualization is not inconsistent with the traditional conceptualization of value above. Value is traditionally modeled as subordinate to the formation of satisfaction judgments. Recognizing the limits in traditional direct predictors of value, and consistent with the dominant conceptualization of the construct, we restrict our exploratory investigation in the current study to cost-based value. However, we discuss in our implications the need to better incorporate Holbrook's typology into service eConsumption models. This leads to our next research hypothesis:

H4: *e-Satisfaction is positively related to Value judgments.*

Affect

Affect represents a construct that is known to relate to both satisfaction and brand attitudes (Kim, Lim, and Bhargava 1998; Machleit and Mantel 2001; Oliver 1997) as well as service encounter/recovery evaluations (Mattila and Enz 2002; Smith and Bolton 2002). Bagozzi,

Gopinath, and Nyer (1999) provide a discussion of the role of affect versus emotions in marketing that helps frame the incorporation of affect into the current research. They define the term affect as an "...umbrella for a set of more specific mental processes, including emotions, moods, and possibly attitudes. In other words, affect can be considered a general category for mental feeling processes, rather than a particular psychological process per se." They further distinguish emotions as "a mental state of readiness that arises from cognitive appraisals of events or thoughts, ..." (page 184). These authors assert that emotions are ubiquitous throughout marketing. They are known to influence information processing, mediate responses to persuasive appeals, measure the effects of marketing stimuli, enact goal-directing behaviors, and serve as ends and measures of consumer welfare. However, these authors further assert that an area neglected by marketers is the role of emotions in marketing exchanges and relationships. The current research attempts to fill this void by modeling affect as part of our research model. Ruth, Brunei, and Otnes (2002) call for the measurement of five basic emotions in studies such as the current research (i.e., happiness, love, fear, anger, and sadness) as well as the subordinate emotions of pride, gratitude, guilt, uneasiness, and embarrassment. The current research employs their recommended scale for affect. This leads to our next two hypotheses:

H5: *e-Satisfaction is positively related to Affect.*

H6: *Brand Attitude is positively related Affect. Trust*

Trust also appears to be an important antecedent to loyalty. Fukuyama (1995, p. 26) defines trust as "...the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of members of that community." Fukuyama argues that the technological revolution will make trust ever more important in understanding business behaviors (like marketing). Marketers have been interested in trust for some time, however, based on a more focused definition: "Trust is defined as a

willingness to rely on an exchange partner in whom one has confidence" (Moorman, Zaltman, and Deshpande 1992, p. 315). These authors hypothesize that trust is an antecedent to commitment (also see Morgan and Hunt 1994).

However, specifically where trust might fit in models of loyalty remains unresolved. Hart and Johnson (1999) in fact argue for seeking "total trust" in a manner similar to TQM initiatives. As such, they see trust as mediating the satisfaction _ loyalty relationship. Singh and Sirdeshmukh (2000) present a model suggesting that trust is an antecedent to satisfaction (which in turn is subordinate to loyalty). This model of trust as an antecedent to loyalty is supported by the work of Chaudhuri and Holbrook (2001) in their model explaining brand loyalty (also see de Ruyter, Moorman, and Lemmink 2001). Sirdeshmukh, Singh, and Sabol (2002) most recently present evidence that value mediates the trust _ loyalty relationship. Investigations of how trust operates in technology-mediated environments have also recently emerged (Ceaparu et al 2002; De Ruyter, Wetzels, and Kleijnen 2001; Reichheld and Scheffer 2000; Urban, Sultan, and Quails 2000). In the current research, we operationalize trust as confidence in the viability of the service provider based on the fact that a typical CRM implementation can cost upwards of \$ 100 million and take up to three years (Ebner et al 2002). The risks and costs are very high for organizations as CRM is often viewed as a mission critical strategic initiative. CRM service providers therefore must work closely over the long term with the IT staffs of organizational clients to ensure product viability. This emerging evidence forms the basis for the following research hypotheses:

H7: *e-Satisfaction is positively related to Trust.*

H8: *Brand Attitude is positively related to Trust.*

H9: *Customer Loyalty is positively related to Trust.*

Resistance to Change

The final variable in our research model involves resistance to change. The extant literature generally accepts that commitment is

central to relationship marketing (Morgan and Hunt 1994). Gilliland and Bello (2002) propose a model that attempts to link commitment to trust and loyalty by envisioning trust as an antecedent to calculative commitment and loyalty commitment. Pritchard, Havits, and Howard (1999, p. 334) define commitment as ". . .the emotional or psychological attachment to a brand." These authors extend considerations of commitment by arguing that resistance to change is the root tendency of commitment as well as the primary evidence of commitment, and that resistance to change is a key antecedent to loyalty. We therefore include resistance to change in our model via the following hypotheses:

H10: *e-Satisfaction is positively related to resistance to change.*

H11: *Brand Attitude is positively related to resistance to change.*

H12: *Customer Loyalty is positively related to resistance to change.*

METHODS

In this section we discuss the methods employed in the current research. We will discuss the specifics of data collection, including a description of our population of interest, sampling frame, data collection strategy, the measures used to operationalize the constructs in our research model, and the methods employed to empirically assess the proposed research model and hypotheses presented in Figure 1.

Data Collection

The population of interest for this study involved organizations that currently use eCRM software. We were provided an e-mail list of approximately 8000 international senior IT managers from organizations with a history of purchasing eCRM software in the past from the company sponsoring the industry study. This list was purported to be current and was based on industrial equipment purchases within the last calendar year. The list involved work e-mail

addresses. The list was sorted to identify and delete any duplicate names and e-mail addresses. The data set was collected by an independent professional third party using CRM software. Potential respondents were sent an unsolicited e-mail identifying the nature of the study and affording them an opportunity to opt out of the online survey. Those who did not opt out were then automatically sent a follow-up e-mail in five business days that directed them to a web page with a link to the online web form. Respondents were queried on an introductory web page to ensure that they were familiar with their existing eCRM provider. Consequently, only those individuals familiar with their existing eCRM provider were instructed to complete the online survey instrument. The only appeal to complete the survey was an argument related to assisting college students in the pursuit of their studies in an undergraduate marketing research class.

Measures Used in the Study

The measures used in the current research can be found in Appendix A. These measures are based on the literature, and discussions with the relevant managers within the participating eCRM organization. All of the constructs were measured at the global level of analysis. Readers should also be aware that we used a limited number of measures for each construct based on concerns by the sponsoring organization's managers related to response rates.

Loehlin (1998) notes that many social science models, such as the one presented herein, are models dealing with manifest variables (i.e., linear composites of observed variables) as opposed to latent variables. Path and structural equation models come in both forms and the current research is best characterized as involving manifest variables. He states that in applied situations, such as characterized by the current research, manifest variable methods retain much of their preeminence.

Statistical Methods to be Employed in the Study

A number of statistical techniques were employed in the study, most of which are available through the SPSS statistical software package. For example, descriptive measures and frequency analyses were conducted to determine distributional properties of the scales used in the study. The research hypotheses were then tested using structural equation analyses via LISREL 8.53. The next section presents the study results.

RESULTS

The following section is divided into several discussions. First, we describe our obtained sample to ensure adequate representativeness of the population of interest. Second, we report mean scores and standard errors for our model constructs. Third, we report reliability and validity scores for our obtained measures. We also address the issue of power to minimize concerns for the presence of Type I or Type II errors associated with our results. Finally, we report the results of our hypotheses tests based on structural equation analysis.

Obtained Sample

We received back 244 usable surveys, which is not entirely unexpected given Sheenan's (2001) study suggesting that response rates to e-mail inquiries in general are dropping drastically. In addition, recent postings on the Marketing Research Roundtable listserv (www.marketresearchinfo.com) identify researchers reporting response rates as low as 1%-2%. We also received 185 auto replies from our initial wave of e-mails alone. In addition, the principal researcher was notified by 88 people that they did not consider themselves appropriate members of the population of interest. It therefore remains unknown how many target audience members were appropriately contacted. Consequently, we were unable to calculate a valid response rate.

That said, we did receive back 244 valid responses from members of the population of interest. We argue that the absence of a known

response rate does not alleviate the contribution of our obtained results when interpreted in the light of exploratory insights. We recognize that nonresponse errors are important and can render meaningless confidence intervals computed by usual statistical formulas (Churchill and Iacobucci 2002). However, we suggest that a careful review of the obtained results in this case can help minimize these concerns, which are largely related to sample representativeness. Specifically, we first compared our obtained sample to the demographics of the known population of interest (an issue of representativeness). Second, we investigated whether the entire range of possible responses to the survey items are captured in our sample (an issue of variability). Third, we computed the standard errors for the means scores for our measures to see if they are inflated. Fourth, we assessed the reliability and validity of our measures for purposes of use in structural equation analysis. Finally, we considered whether or not we have sufficient sample size to ensure the necessary statistical power to minimize concerns of Type I and Type II errors associated with our results. We ultimately argue that replication is the ultimate test of the efficacy of reported exploratory results that possess sufficient statistical power and an unknown amount of nonresponse error.

An analysis of individual and organizational characteristics of the study respondents demonstrates that the obtained sample captures a wide cross-section of our desired population. Most respondents were male, college-educated, and saw themselves as consistent with our description of the target audience. In addition, we received back responses from decision makers from all major organizational types and groups. We discussed the obtained sample at length with experienced decision makers from two companies in the eCRM space and they concluded that the obtained sample appears representative of the population of interest.

Mean Scores, Correlations, and Standard Errors

Table 1 presents the results of our frequency analyses of our measured constructs assuming a representative sample. The results suggest (1) that the mean scores are consistent with those generally reported in this industry (CRM Guru 2002), (2) the standard error scores are within acceptable ranges, and (3) the 95% confidence intervals are relatively narrow. In addition, there is some measure of nonnormality in the data, which is not unexpected in satisfaction-related research streams (Peterson and Wilson 1992). We subsequently normalized the data for hypothesis testing using PRELIS.

Table 2 presents a correlation of the averaged measures for our constructs. Readers will note that some intercorrelation is apparent between these closely related variables, however, such intercorrelations are commonly encountered in service research related to the involved constructs. Regression diagnostics suggested that multicollinearity is not at issue given these intercorrelations. We next moved to a consideration of the reliability and validity of our measures, as well as discussion of whether sufficient power is apparent in our study to minimize concerns of Type I and Type II errors.

Reliability, Validity, and Power

Hair et al. (1998) suggest two steps for assessing reliability with measures used in structural equation analyses. First, we investigated whether all variables used for analyses were significantly related to their specified constructs, which we found to be true. Second, these authors assert that reliability estimates and variance extracted measures should be calculated for each construct in Figure 1. Table 3 presents these results and demonstrates that in all cases our construct measures exceeded a reliability standard of $>.7$. Thus, we are confident in the reliability of our measures.

We next assessed the validity of our measures. Given that the measures derived from previous studies, there appears to be a measure

of face and content validity. Raines-Eudy (2000) states that the calculated shared variance scores in Table 3 are sufficient evidence for construct validity (i.e., the calculated variance-extracted scores exceeded the 50% recommended criteria for all model endogenous constructs). Thus, we are confident in the validity of our dependent measures as well. Readers will note that we did not calculate variance extracted scores for the model's exogenous variables. This is because we used a data parceling methodology in analysis that is addressed in the presentation of the SEM results in the next section.

The final issue before turning to the results of our analysis using SEM involves the issue of power. Power has at its core the minimization of errors in statistical inference (Murphy and Myors 1998). Hu and Bentler (1999) address the issue of power when using structural equation analysis and conclude that using a combination of fit indices can serve to control for the occurrence of Type I and Type II errors in hypothesis testing. Our sample size is consistent with their recommendations, we therefore use Hu and Bentler's recommended fit indices in interpreting our analyses (RMSEA of close to .06; CFI close to .95; and a value close to .08 for SRMR). The next section presents the results of our hypothesis tests.

Results of Hypothesis Tests

It is apparent from the preceding literature review that the constructs investigated in this study are highly interrelated. We therefore chose a strategy of parceling our exogenous variables for subsequent analysis using SEM. Bandalos and Finney (2001) note that the use of item parcels has become a common practice in structural equation modeling in recent years. These authors suggest that reasons for using item parcels include (1) parsimony, (2) increased reliability of the measures, (3) more continuous and normally distributed item distributions, (4) that it benefits factor analysis with small samples, (5) is less idiosyncratic indicator variance, and (6) parceled solutions typically result in better model fit than solutions at the

Table 1
Frequency Statistics
N= 244

<i>Variable</i>	<i>Mean</i>	<i>Std Error of Mean</i>	<i>Std Dev</i>	<i>Skew</i>	<i>Kurtosis</i>	<i>Lower Bound of 95% Confidence Interval</i>	<i>Upper Bound of 95% Confidence Interval</i>
<i>Sat1</i>	4.45	0.13	2.08	0.006	-0.7	4.1952	4.7048
<i>Sat2</i>	5.44	0.14	2.23	-0.44	-0.6	5.1656	5.7144
<i>Sat3</i>	5	0.14	2.22	-0.15	-0.8	4.7256	5.2744
<i>Sat4</i>	5.72	0.14	2.24	-0.61	-0.5	5.4456	5.9944
<i>Sat5</i>	5.66	0.14	2.19	-0.48	-0.52	5.3856	5.9344
<i>Value1</i>	5.51	0.12	1.91	-0.17	-0.4	5.2748	5.7452
<i>Value2</i>	5.71	0.11	1.78	-0.52	0.21	5.4944	5.9256
<i>Value3</i>	5.86	0.12	1.89	-0.53	-0.27	5.6248	6.0952
<i>Value4</i>	5.69	0.13	2	-0.55	-0.31	5.4352	5.9448
<i>Brand_affect1</i>	5.44	0.13	1.87	-0.36	-0.32	5.1852	5.6948
<i>Brand_affect2</i>	5.12	0.13	1.82	-0.28	-0.18	4.8652	5.3748
<i>Brand_affect3</i>	4.73	0.13	1.85	-0.18	-0.28	4.4752	4.9848
<i>Brand_att1</i>	5.61	0.14	2.01	-0.48	-0.56	5.3356	5.8844
<i>Brand_att2</i>	5.64	0.14	1.94	-0.46	-0.36	5.3656	5.9144
<i>Brand_att3</i>	5.6	0.14	1.9	-0.47	-0.55	5.3256	5.8744
<i>Brand_att4</i>	5.9	0.12	1.65	-0.64	0.648	5.6648	6.1352
<i>Sp_trust1</i>	6.1	0.14	1.9	-0.63	-0.05	5.8256	6.3744
<i>Sp_trust2</i>	6.15	0.14	1.92	-0.82	0.234	5.8756	6.4244
<i>Sp_trust3</i>	6.26	0.13	1.85	-0.81	0.463	6.0052	6.5148
<i>Sp_trust4</i>	5.99	0.13	1.85	-0.61	0.132	5.7352	6.2448
<i>O_loyal1</i>	5.44	0.12	1.87	-0.45	.245	5.2058	5.6742
<i>O_loyal2</i>	5.08	0.11	1.76	-0.31	.116	4.8615	5.3025
<i>O_loyal3</i>	5.23	0.13	1.97	-0.29	.126	4.9878	5.4802
<i>O_loyal4</i>	5.40	0.12	1.90	-0.38	.307	5.1641	5.6399
<i>Rtc1</i>	5.08	0.16	2.21	-0.08	-0.91	4.7664	5.3936
<i>Rtc2</i>	5.85	0.14	1.96	-0.37	-0.56	5.5756	6.1244
<i>Rtc3</i>	4.82	0.17	2.29	-0	-1	4.4868	5.1532
<i>Rtc4</i>	5.83	0.18	2.39	-0.47	-0.9	5.4772	6.1828

Table 2
Correlation Matrix

	<i>Loyalty</i>	<i>Trust</i>	<i>Attitude</i>	<i>Affect</i>	<i>Value</i>	<i>Satisfaction</i>
<i>Loyalty</i>	1					
<i>Trust</i>	.718	1				
<i>Attitude</i>	.754	.901	1			
<i>Affect</i>	.671	.759	.835	1		
<i>Value</i>	.602	.676	.747	.660	1	
<i>Satisfaction</i>	.651	.740	.795	.708	.890	1

Table 3
Reliability and Validity

<i>Construct</i>	<i>Reliability</i>	<i>Validity/Variance Extracted</i>
<i>Loyalty</i>	.834	.560
<i>Trust</i>	.927	
<i>Attitude</i>	.953	.944
<i>Affect</i>	.948	
<i>Value</i>	.937	
<i>Satisfaction</i>	.935	.915
<i>Resistance to Change</i>	.822	

item level of analysis. They identify the limitations of item parceling as well, including (1) information about individual items is lost, (2) items being parceled must be reasonably unidimensional, (3) parameter estimates and factor scores derived from parceled analyses will be dependent on the particular items being parceled together, and (4) the possibility of obscuring the true factor structure of the items and obtaining biased estimates of other model parameters.

These authors argue that item parcels are widely and uncritically used in social science research. They conclude by recommending that researchers use item parceling under the following conditions: (1) the unidimensionality of the potential item parcels has been established in previous research, (2) parcels should be formed within each unidimensional factor, (3) being reasonably sure that any secondary factors may not influence other model constructs, and (4) reporting detailed explanations of how and why parceling is being conducted as part of the statistical analyses. Recognizing their cautions, we implemented their reporting recommendations. We parceled the exogenous items in our model based on the argument that the respective global indicators represent a unidimensional index based on the domain sampling theory. We confirmed each construct's unidimensionality using SEM. We then assessed their contribution to our multi-item endogenous variable to test our hypotheses.

Analysis of our research model yielded the following indices: $R^2=182.83$, $df=105$, $RMSEA=0.055$, $CFI=.99$, $NFI = 0.99$, $IFI = 0.99$, $GFI = 0.92$, and $SRMR =0.025$. Hu and Bentler (1999) argue that these results support the argument that the model fits the data statistically. Thus, we conclude that the research model presented in Figure 1 appears supported by the sample obtained in this study. Readers will note that we have included both the structural and reduced-form R^2 's in our results. The reason we have done so is based on Joreskog's (1999) argument that traditional R^2 values may not be appropriate when using SEM analyses. Rather, the reduced form R^2 can be interpreted as the relative variance of a dependent variable explained or accounted for by all explanatory variables jointly.

The results suggest that overall loyalty in this sample is a function of brand attitude and resistance to change. Customer satisfaction is influenced by value judgments and service provider trust. Brand attitude is a function of satisfaction, affect, and trust. Thus, customer satisfaction is found in this study to have an indirect affect on loyalty, through brand attitude. Again, we encourage readers to consider these results tentative pending replication across alternative research settings. The next section discusses the research and managerial implications of the reported results.

Table 4
Results from Hypothesis Testing

<i>Endogenous Variable</i>	<i>Equation¹</i>	<i>R²</i>	<i>Reduced R²</i>
<i>Loyalty</i>	NS*Satisfaction + .40*Attitude + NS*Trust + .52*RTC	.80	.78
<i>Satisfaction</i>	.62*Value + NS* Affect + .21*Trust + .042*RTC	.79	.79
<i>Attitude</i>	.23*Satisfaction + .29*Affect + .50*Trust + NS*RTC	.92	.91

1 = All reported values represent standardized weights

NS = Not statistically significant a p = .05

RTC = Resistance to Change

Table 5
Results of Hypothesis Testing

<i>Hypothesized Relationship</i>	<i>Confirmed in Our Study?</i>	<i>t-Value</i>	<i>Standard Error</i>
H1: Attitude → Loyalty	Yes	2.86	0.14
H2: Satisfaction → Loyalty	No	0.58	0.079
H3: Satisfaction → Attitude	Yes	5.84	0.039
H4: Value → Satisfaction	Yes	11.10	0.056
H5: Affect → Satisfaction	No	1.67	0.053
H6: Affect → Attitude	Yes	7.94	0.037
H7: Trust → Satisfaction	Yes	3.78	0.056
H8: Trust → Attitude	Yes	12.54	0.040
H9: Trust → Loyalty	No	0.27	0.11
H10: Resistance to Change → Satisfaction	No	1.96	0.042
H11: Resistance to Change → Attitude	No	1.32	0.029
H12: Resistance to Change → Loyalty	Yes	9.11	0.057

RESEARCH AND MANAGERIAL IMPLICATIONS

Table 5 summarizes the results of our hypothesis tests, as well the t-values and standard errors associated with each tested path. The purpose of this study was to develop and test a complex customer loyalty model for the eCRM eService industry. Consistent with much of the literature above, our results first suggest that all of the identified constructs help explain brand loyalty, although some of these influences appear indirect. For example, we find that brand attitude and resistance to change directly influence brand loyalty. However, unlike the Miller-Williams (2002) study, we find a nonsignificant relationship between e-satisfaction and loyalty, not a negative relationship as they found in their study. E-satisfaction appears to operate through

the mediating influence of brand attitude in our sample and research setting. Chaudhuri and Holbrook (2001) present a model of loyalty that suggests that purchase and attitudinal loyalty are both functions of brand affect and brand trust. We find evidence of these relationships can be indirect as well and mediated through e-satisfaction and brand attitude.

There are a number of issues that derive from this study that will interest marketing academicians and practitioners alike. We begin by considering future research implications. Much work remains to be done in developing a better understanding of the relative domains and interrelationships between loyalty, attitude, and e-satisfaction, all of which likely operate at

multiple levels of analysis. The role of affect in such models also appears worthy of further investigation. We find that affect appears to relate more to brand attitude than e-satisfaction in our study. Rather, e-satisfaction appears driven by perceived value, trust, and resistance to change to a lesser degree in our study. This finding could reflect our global measures, and future research using more comprehensive measures of affect versus emotion will contribute to our understanding. Trust appears to influence both e-satisfaction and brand attitude. We do not find a direct relationship between trust and loyalty in our study. One potential explanation is that we focused in the current research on service provider trust. Future research should consider more comprehensive measures of trust, as well as consider differentiating brand trust from service provider trust.

One particularly intriguing avenue of future research that will contribute to a better understanding of the relative domains and of constructs such as loyalty, e-satisfaction, attitude and affect involves emerging attitude research. Perugini and Bagozzi (2001) present an attitude model based on consumption goals that could form the foundation for a better understanding of these constructs. Their theory suggests that goal related behavioral intentions are formed based on desires as a mediator of traditional antecedents to intention formation (e.g., affect, Attitude^{Act}, self efficacy, and perceived control). We believe that a study that simultaneously considers the relative influences of the disconfirmation model and Perugini and Bagozzi (2001)'s attitude based model on the formation of customer loyalty would be particularly illuminating and may help us to further understand the direct and indirect influences considered herein.

We have asserted throughout this manuscript the exploratory nature of our research. Future research might further investigate whether the relationships identified in the current study generalize to other technology-mediated settings (i.e., whether or not the observed relationships are (1) replicable, and (2) vary across research settings such as different industries, demographic groups, and competitive settings).

Another question that emerges from this study concerns the relative complexity of satisfaction-based service models. This study reports results explaining the vast majority of explained variance in customer loyalty. Assuming that these results bear scrutiny; will the addition or more constructs add useful information, particularly for service marketing practitioners? Where do all of the interesting and important constructs apparent in service marketing research fit into models such as discussed in this study (e.g., perceived risk, brand equity, justice, quality, and involvement just to name a few)? Will it become increasingly harder to develop models that include all relevant constructs given our existing measurement limitations and respondents' ability to differentiate ever more subtle distinctions between marketing-related constructs, as well as their willingness to provide data?

Is customer loyalty the strategic end-all for explanatory models explaining marketing relationships with service organizations? In other words, is loyalty the appropriate ultimate expression of service marketing relationships? Our suspicion is that in the end, efforts to explain "value" along the global lines envisioned by Holbrook (1999) or Sheth (Sheth and Newman 1991; Sheth, Newman, and Gross 1991) may prove most efficacious, particularly if we consider moving beyond a sole focus on economic considerations and short-term profit orientations.

Managerially, the tentative results reported herein suggest that a singular focus on greater e-satisfaction scores from eCRM customers may provide an incomplete strategy in support of competitive differentiation. Our results suggest that positive brand attitudes and minimizing resistance to change may be better mechanisms for influencing long-term relationship marketing outcomes in this particular industry. We encourage replication of this work in future considerations of customer loyalty in eCRM settings.

LIMITATIONS OF THE CURRENT RESEARCH

We are increasingly alarmed by the threat of nonresponse to marketing research invitations, particularly in a technology-mediated world. We have candidly shared our experience in the hope that attention can be drawn to this issue. Every indication is that people are becoming less enthusiastic with participating in survey-based marketing research studies. We call upon appropriate marketing organizations (e.g., AMA, JAMS, etc.) to work together to develop a discipline-wide integrated marketing strategy to educate people as to the importance of marketing research to the general well being of our world. We believe that failure to do so will likely lead to dire consequences in the near future.

Finally, the use of structural equation modeling (SEM) itself is not without criticism. McDonald and Ho (2002) present a discussion of the principles and practices currently used in reporting results of SEM. These authors identify a number of issues that complicate the interpretation of reported SEM results. For example, they suggest that, "... the possibility of unspecified omitted common causes is the Achilles heel of SEM" (p. 67). They discuss the problems associated with confidently asserting model identifiability. They bemoan the problems associated with the requirement in SEM for multivariate normality and missing data. They provide an enlightening discussion with the problems associated with interpreting goodness-of-fit indices. They ultimately suggest the reporting of correlation matrices and standard errors underlying SEM results (among other considerations when possible). We have endeavored to be sensitive to these arguments by reporting both our correlation matrix, standard errors associated with each hypothesized relationship, and numerous SEM fit indices beyond those suggested by Hu and Bentler (1999). We look forward to marketers and other social scientists grappling with these important and complex issues in future studies.

REFERENCES

- Aberdeen (2001), "Customer Relationship Management" Europe 2001," Aberdeen Group, <http://www.aberdeen.com/ab%5Fcompany/hottopics/eurocrm/thankyou.htm> [Online], April, 2001.
- Accenture (2001), "Beyond the Blur: Correcting the Vision of Internet Brands," (Author Unknown), http://www.accenture.com/xd/xd.asp?it=enWeb&xd=services\crm\crm_thought_blur.xml [Online], Accessed November 24, 2001.
- Albrecht, Karl (1995), *Delivering Customer Value*. Portland, OR: Productivity Press.
- Bagozzi, Richard P., Mahesh Gopinath and Prashanth U. Nyer (1999), "The Role of Emotions in Marketing," *Journal of the Academy of Marketing Science*, 27, (2), 184-206.
- Baldinger, Allan L. and Joel Rubinson (1996), "Brand Loyalty: The Link Between Attitude and Behavior," *Journal of Advertising Research*, 36, (6), 22-34.
- Band, William A. (1991), *Creating Value for Customers*. New York: John Wiley & Sons.
- Bandalos, Deborah L. and Sara J. Finney (2001), "Item Parceling Issues in Structural Equation Modeling," in *New Developments and Techniques in Structural equation Modeling*, George A. Marcoulides and Randall E. Schumacker, (eds.). London: Lawrence Erlbaum Associates, Publishers, 269-96.
- Barnes, James G., Peter A. Dunne and William J. Glynn (2000), "Self-Service and Technology: Unanticipated and Unintended Effects on Customer Relationships," in *Handbook of Services Marketing and Management*, Teresa A. Swartz and Dawn Iacobucci, (eds.). London: Sage Publications, Inc., 89-102.
- Bennett, Rebekah and Sharyn Rundle-Teiele (2002), "A Comparison of Attitudinal Loyalty Measurement Approaches," *Journal of Brand Management*, 9, (3), 193-209.
- Berry, Leonard L. (2000), "Cultivating Service Brand Equity," *Journal of the Academy of Marketing Science*, 28, (1), 128-37.
- Bitner, Mary Jo, Stephen W. Brown and Matthew W. Mueter (2000), "Technology Infusion in Service Encounters," *Journal of the Academy of Marketing Science*, 28, (1), 138-49.

- Blackwell, Steven A., Sheryl L. Szeinbach, James H. Barnes, Dewey W. Garner and Victoria Bush (1999), "The Antecedents of Customer Loyalty: An Empirical Investigation on the Role of Personal and Situational Aspects on Repurchase Decisions," *Journal of Service Research*, 1, (4), 362-75.
- Bobbitt, L. Michelle and Pratibha A. Dabholkar (2001), "Integrating Attitudinal Theories to Understand and predict Use of Technology-Based Self-Service: The Internet as an Illustration," *International Journal of Service Industry Management*, 12, (5), 423-50.
- Brady, Michael K. and J. Joseph Cronin, Jr. (2001), "Customer Orientation: Effects on Customer Service," *Journal of Service Marketing*, 3, (3), 241-51.
- Carmon, Ziv and Dan Ariely (2000), "Focusing on the Foregone: How Value Can Appear So Different to Buyers and Sellers," *Journal of Consumer Research*, 27, (December 2000), 360-70.
- Ceaparu, Irina, Dina Demner, Edward Hung, Haixia Zhao and Ben Shneiderman (2002), "In Web We Trust: Establishing Strategic Trust Among Online Customers," in *e-Service: New Directions in Theory and Practice*, Roland T. Rust and P. K. Kannan (Eds). New York: M. E. Sharpe.
- Chaudhuri, Arjun (1999), "Does Brand Loyalty Mediate Brand Equity Outcomes?," *Journal of Marketing Theory and Practice*, 1, (2), 136-46.
- Chaudhuri, Arjun and Morris B. Holbrook (2001), "The Chain of Effects from Brand Trust and Brand Affect to Brand Performance: The Role of Brand Loyalty," *Journal of Marketing*, 65, (April 2001), 81-93.
- Churchill, Gilbert A., Jr. and Dawn Iacobucci (2002), *Marketing Research: Methodological Foundations 8th Edition*. Fort Worth: Harcourt College Publishers.
- CRMGuru.com (2002), "Multi-Function CRM Software: How Good Is It?," by CRMGuru.com, High-Yield Marketing, and Mangan Research Associates, <http://www.crmguru.com/crmstudy/index.html>, accessed May 13, 2002 [online].
- Cronin, J. Joseph, Jr., Michael K. Brady, and G. Tomas M. Hult (2000), "Assessing the Effects of Quality, Value, and Customer Satisfaction on Consumer Behavioral Intentions in Service Environments," *Journal of Retailing*, 76, (2), 193-218.
- Cronin, J. Joseph, Jr., Michael K. Brady, Richard R. Brand, Roscoc Hightower, Jr., and Donald J. Shemwell (1997), "A Cross-Sectional Test of the Effect and Conceptualization of Service Value." *The Journal of Services Marketing*, 11, (6), 375-91.
- Dabholkar, Pratibha (2000), "Technology in Service Delivery: Implications for Self-Service and Service Support," in *Handbook of Services Marketing and Management*, Teresa A. Swartz and Dawn Iacobucci (Eds.). London: Sage Publications, Inc., 103-110.
- Dabholkar, Pratibha and Richard P. Bagozzi (2002), "An Attitude Model of Technology-Based Self-Service: Moderating Effects of Consumer Traits and Situational Factors," *Journal of the Academy of Marketing Science*, 30, (3), 184-201.
- Datamonitor (2001), "eCommerce: Missing Out Through Poor CRM." Author Unknown. [http://www.datamonitor.com/~de4029c7d5cd4c3d987dc54a\(\)03dcf4b~/technology/news/product.asp?pid-0D911DF2-2370-4C8A-AF0C-2B6B24055A4F](http://www.datamonitor.com/~de4029c7d5cd4c3d987dc54a()03dcf4b~/technology/news/product.asp?pid-0D911DF2-2370-4C8A-AF0C-2B6B24055A4F) [Online] November 19, 2001.
- Davis, Robert, Marge Buchanan-Oliver, and Roderick J. Brodie (2000), "Retail Service Branding in Electronic Commerce Environments," *Journal of Service Research*, 3, (2), 178-86.
- De Ruyter, Ko, Martin Wetzels and Mirella Kleijnen (2001). "Customer Adoption of eService: An Experimental Study," *International Journal of Service Industry Management*, 12, (2), 184-207.
- De Ruyter, Ko, Luci Moorman and Jos Lemmink (2001), "Antecedents of Commitment and Trust in Customer/Supplier Relationships in High Technology Markets," *Industrial Marketing Management*, 30, 271-86.
- Ebner, Manuel, Arthur Hu, Daniel Levitt and Jim McCrory (2002), "How to Rescue CRM," McKinsey Report, Number 4, http://www.mckinseyquarterly.com/article_abstr.act.asp?ar=1254&L2=13&L3=13 Accessed December 17, 2002 [online].
- Fazio, Russell H. (2000). "Accessible Attitudes as Tools for Object Appraisal: Their Costs and benefits," in *Why we Evaluate: Functions of Attitudes*, Gregory R. Mam and James M. Olson (Eds). Mahwah, NJ: Lawrence Erlbaum Associates, Publishers, 1-36.
- Forrester Research (2001), Glossary. <http://www.forrester.com/Home/0,3257,1,FF.html> [Online.] Accessed November 24, 2001, Author Unknown.
- Fukuyama, Francis (1995), *Trust*. New York: The Free Press.
- Gale, Bradley T. (1994). *Managing Customer Value*. New York: The Free Press.

- Gilliland, David I. and Daniel C. Bello (2002), "Two Sides to Attitudinal Commitment: The Effect of Calculative and Loyalty Commitment on Enforcement mechanisms in Distributions Channels." *Journal of the Academy of Marketing Science*, 30, (1), 24-43.
- Griffin, Jill (1996), "The Internet's Expanding Role in Building Customer Loyalty," *Direct Marketing*, 59, (7), 50-53.
- Gwinner, Kevin P., Dwayne D. Gremler and Mary Jo Bitner (1998), "Relational Benefits in Services Industries: The Customer's Perspective," *Journal of the Academy of Marketing Science*, 26, (2) 101-14.
- Hair, Joseph F., Jr., Rolph E. Anderson, Ronald L. Tatham and William C. Black (1998), *Multivariate Data Analysis*, 5th Edition. Upper Saddle River, NJ: Prentice Hall.
- Hart, Christopher W. and Michael D. Johnson (1999), "Growing the Trust Relationship," *Marketing Management*, 8, (1) 8-19.
- Holbrook, Morris B. (1999), *Consumer Value: A Framework for Analysis and Research*. Editor. New York: Routledge.
- Hu, Li-tze and Peter M. Bentler (1999), "Cutoff Criteria for Fit Indexes in Covariance Structure Analysis: Conventional Criteria Versus New Alternatives," *Structural Equation Modeling*, 6, (1), 1-55.
- Joreskog, Karl (1999), "Interpretation of R^2 Revisited," Karl's Comer, Scientific Software International, <http://www.ssicentral.com/lisrel/column5.htm>, [Online]. December 30, 1999.
- Kalakota, Ravi and Marcia Robinson (2001), *e-Business 2.0: Roadmap for Success*. Boston: Addison-Wesley.
- Kim, Joun, Jen-Su Lim and Mukesh Bhargave (1998), "The Role of Affect in Attitude Formation: A Classical Conditioning," *Journal of the Academy of Marketing Science*, 26, (2), 143-52.
- Kumar, Piyush (1999), "The Impact of Long-Term Client Relationships on the Performance of Business Firms," *Journal of Service Marketing* 2, (1), 4-18.
- Kumar, Piyush (2002), "The Impact of Performance, Cost, and Competitive Considerations on the Relationship Between Satisfaction and Repurchase Intent in Business Markets," *Journal of Service Research*, 5, (1), 55-68.
- Loehlin, John C. (1998), *Latent Variable Models*, 3rd Edition. Mahwah, NJ: Lawrence Erlbaum Associates, Publishers.
- Maio, Gregory R. and James M. Olson (2000), "Preface," in *Why we Evaluate: Functions of Attitudes*, Gregory R. Maio and James M. Olson (Eds). Mahwah, NJ: Lawrence Erlbaum Associates, Publishers, vii-xi.
- Machleit, Karen A. and Susan Powell Mantel (2001), "Emotional Response and Shopping Satisfaction: Moderating Effects of Shopper Attributions," *Journal of Business Research*, 54, (2001), 97-106.
- Mattila, Anna S. and Cathy A. Enz (2002), "The Role of Emotions in Service Encounters" *Journal of Service Research*, 4, (4), 268-77.
- McDonald, Roderick P. and Moon-Ho Ringo Ho (2002), "Principles and Practice in Reporting Structural Equation Analyses," *Psychological Methods*, 1, (1), 64-82.
- Miller-Williams (2002), "Customer Satisfaction and Loyalty 2002," Research Brief, Miller-Williams, Inc., Author Unknown, accessed 10 January 2003, <http://www.millwili.com/> [online].
- Mittal, Banwari and Wagner A. Kamakura (2001), "Satisfaction, Repurchase Intent, and Repurchase Behavior: Investigating the Moderating Effect of Customer Characteristics," *Journal of Marketing Research*, XXXVIII (February 2001), 131-42.
- Mittal, Banwari and Walfrid M. Lassar (1995), "Why do customers switch? The dynamics of satisfaction versus loyalty," *The Journal of Services Marketing*, 12, (3), 177-94.
- Mooreman, Christine, Gerald Zaltman and Rohit Deshpande (1992), "Relationships Between providers and Users of Market Research: The Dynamics of Trust Within and Between Organizations," *Journal of Marketing Research*, XXIX (August 1992), 314-28.
- Morgan, Rory P. (2000), "A Consumer-Oriented Framework of Brand Equity and Loyalty," *International Journal of Market Research*, 42, (1), 65-78.
- Morgan, Robert M. and Shelby D. Hunt (1994). "The Commitment-Trust Theory of Relationship Marketing," *Journal of Marketing*, 58, (3), 20-38.
- Mueter, Matthew L., Amy L. Ostrom, Robert I. Roundtree and Mary Jo Bitner (2000), "Self-Service Technologies: Understanding Customer Satisfaction with Technology-Based Service Encounters," *Journal of Marketing*, 64, (July 2000), 50-64.
- Murphy, Kevin R. and Brett Myers (1998), *Statistical Power Analysis*. London: Lawrence Erlbaum Associates, Publishers.
- NACAA (2001), "NACAA/CFA's Annual Consumer Complaint List, National Association of Consumer Agency Administration, Author Unknown.

- http://www.consumerfed.Org/NACAA_CFA_Surveypr_2001.pdf [Online]. November 19, 2001.
- Narayandas, Das (1998), "Measuring and Managing the Benefits of Customer Retention," *Journal of Service Research*, 1, (2), 108-28.
- Oliver, Richard L. (1997), *Satisfaction: A Behavioral Perspective on the Consumer*. New York: The McGrawHill Companies, Inc.
- Oliver, Richard L. (1999a), "Value as Excellence in the Consumption Experience," in *Consumer Value: A Framework for Analysis and Research*, Morris B. Holbrook, (ed.), New York: Routledge.
- Oliver, Richard L. (1999b), "Whence Consumer Loyalty?," *Journal of Marketing*, 63, (Special Issue 1999), 33-44.
- Palvia, Prashant C. and Shailendra C. Palvia (1999), "An Examination of the IT Satisfaction of Small-Business Users," *Information & Management*, 35, (1999), 127-37.
- Pavatiyar, Atul and Jagdish Sheth (2000), "The Domain and Conceptual Foundations of Relationship Marketing," in *Handbook of Relationship Marketing*, Jagdish Sheth and Atul Parvatiyar, (eds.). London: Sage Publications, Inc., 3-38.
- Perugini, Marco and Richard P. Bagozzi (2001), "The Role of Desires and Anticipated Emotions in Goal-Directed Behaviors: Broadening and Deepening the Theory of Planned Behavior," *British Journal of Social Psychology*, 40, 79-98.
- Peterson, Robert A. and William R. Wilson (1992), "Measuring Customer Satisfaction: Fact and Artifact," *Journal of the Academy of Marketing Science*, 20, (1), 61-71.
- Pritchard, Mark P., Mark E. Havitz and Dennis R. Howard (1999), "Analyzing the Commitment-Loyalty Links in Service Contexts," *Journal of the Academy of Marketing Science*, 27, (3), 333-48.
- Raines-Eudy, Ruth (2000), "Teacher's Corner: Using Structural Equation Modeling to Test for Differential Reliability and Validity: An Empirical Demonstration," *Structural Equation Modeling*, 7, (1), 124-41.
- Reichheld, Frederick R. and Phil Schefter (2000), "E-Loyalty: Your Secret Weapon on the Web," *Harvard Business Review* (July-August 2000), 105-14.
- Rust, Roland T. and P. K. Kannan (2002), *e-Service: New Directions in Theory and Practice*. London: M. E. Sharpe.
- Ruth, Julie A., Frederic F. Brunel and Cele C. Otnes (2002), "Linking Thoughts to Feelings: Investigating Cognitive Appraisals and Consumption Emotions in a Mixed-Emotions Context," *Journal of the Academy of Marketing Science*, 30, (1), 44-58.
- Sawhney, Mohanbir and Deval Parikh (2001), "Where Value Lies in a Networked World," *Harvard Business Review*, January 2001, 79-90.
- Schellhase, Rolf, Petra Hardock, and Martin Ohlwein (2000), "Customer Satisfaction in Business-to-Business Marketing: The Case of Retail Organizations and Their Suppliers," *Journal of Business & Industrial Marketing*, 15, (2/3), 106-21.
- Sharma, Arun, R. Krishnan and Dhruv Grewal (2001), "Value Creation in Markets: A Critical Area of Focus for Business-To-Business Markets," *Industrial Marketing Management*, 30, 391-402.
- Sheenan, Kim (2001), "E-Mail Survey Response Rate: A Review," *The Journal of Computer-Mediated Communication*, 6, (2), January 2001, <http://www.ascusc.org/jcmc/vol6/issuc2/sheehan.html> {online}.
- Sheth, Jagdish N., Bruce I. Newman and Barbara L. Gross (1991), *Consumption Values and Market Choice*. Cincinnati, OH: South Western Publishing.
- Sheth, Jagdish N., Bruce I. Newman and Barbara L. Gross (1991), "Why We Buy What We Buy: A Theory of Consumption Values," *Journal of Business Research*, 22, (March), 159-70.
- Sheth, Jagdish N. and Atul Parvitiyar (2000), "Toward a Theory of Business Alliance Formation," in *Handbook of Relationship Marketing*, Jagdish Sheth and Atul Parvitiyar (Eds). London: Sage Publications, Inc., 303-23.
- Singh, Jagdip and Deepak Sirdeshmukh (2000), "Agency and Trust Mechanisms in Consumer Satisfaction and Loyalty Judgments," *Journal of the Academy of Marketing Science*, 28, (1), 150-67.
- Sirdeshmukh, Deepak, Jagdip Singh and Barry Sabol (2002), "Consumer Trust, Value, and Loyalty in Relational Exchanges," *Journal of Marketing*, 66, (January 2002), 15-37.
- Smith, Amy K. and Ruth N. Bolton (2002), "The Effect of Customers' Emotional Responses to Service Failures on Their Recovery Effort Evaluations and Satisfaction Judgments," *Journal of the Academy of Marketing Science*, 30, (1), 5-23.
- Strauss, Bernd and Christian Kriege (1999), "Regaining Service Customers: Costs and Benefits of Regain Management" *Journal of Service Research* 1, (4), 347-61.
- Sweeney, Julian C. and Goeffrey N. Soutar (2001), "Consumer Perceived Value: The Development of a Multiple-Item Scale," *Journal of Retailing*, 77, 203-20.

- Szymanski, David M. and Richard T. Hise (2000), "e-Satisfaction: An Initial Examination," *Journal of Retailing*, 76, (3), 309-22.
- Taylor, Steven A. and Gary L. Hunter (2002), "The Impact of Loyalty with eCRM Software and eServices," *The International Journal of Service Industry Management: Special Issue - Research on eService*, 13, (5), 452-74.
- Uлага, Wolfgang and Samir Chacour (2001), "Measuring Customer-Perceived Value in Business Markets: A Prerequisite for Marketing Strategy Development and Implementation," *Industrial Marketing Management*, 30, 525-40.
- Urban, Glen L., Farecna Sultan and William J. Qualls (2000), "Placing Trust at the Center of Your Internet Strategy," *Sloan Management Review*, 42, (1), 39-48.
- White, Susan S. and Benjamin Schneider (2000), "Climbing the Commitment Ladder: The Role of Expectations Disconfirmation on Customer's Behavioral Intentions," *Journal of Service Research*, 2, (3), 240-53.
- Woodruff, Robert B. (1997), "Customer Value: The Next Source for Competitive Advantage," *Journal of Next Academy of Marketing Science*, 25, (2), 139-153.
- Woodruff, Robert B. and Sarah F. Gardial (1996), *Know Your Customer: New Approaches to Customer Value and Satisfaction*. Cambridge, MA: Blackwell.
- Zeithaml, Valarie (1988), "Consumer Perceptions of Price, Quality, and Value: A Mains-End Model and Synthesis of Evidence," *Journal of Marketing*, 52, (July), 2-22.

Appendix A The Measures Used in the Research

<i>The Construct/Source for Measures</i>	<i>The Measures (9 point Likert-Type Scales Unless Otherwise Noted) Variable Name in Parentheses</i>
Value (Sirdeshmukh, Singh, and Sabol 2002)	(Value 1) For the prices you pay for using your current CRM systems integrator, would you say using your current CRM service provider is a ... (Very Poor Deal → Very Good Deal) (Value 2) For the time you have spent using your current CRM systems integrator, would you say that using your current CRM service provider is ... (Highly Unreasonable → Highly Reasonable) (Value 3) For the effort involved with using your current CRM systems integrator, would you say that using them is ... (Not at All Worthwhile → Very Worthwhile) (Value 4) How would you rate your overall experience with your current CRM systems integrator ... (Extremely Poor Value → Very Good Value)
Brand Affect (Chaudhuri and Holbrook 2001)	(Brand_affect1) I feel good when I use my current CRM systems integrator. (Brand_affect2) My current CRM systems integrator brand makes me happy. (Brand_affect3) My current CRM systems integrator gives me pleasure.
Service Provider Trust (Sirdeshmukh, Singh, and Sabol 2002)	I Feel that my current CRM systems integrator is: (Sp_trust1) Very Undependable → Very Dependable (Sp_trust2) Very Incompetent → Very Competent (Sp_trust3) Of Very Low Integrity → Of Very High Integrity (Sp_trust4) Very Unresponsive to Customers → Very Responsive to Customers
Resistance to Change (Pritchard, Havitz, and Howard 2001)	(Rtc1) My preference to use my current CRM systems integrator would not willingly change. (Rtc2) It would be difficult to change my beliefs about my CRM systems integrator. (Rtc3) Even if others recommended another CRM systems integrator, I would not change my preference for my current CRM service provider. (Rtc4) To change my preference from my current CRM systems integrator would require major rethinking.
Overall Brand Attitude (Keller 1998)	(Brand_att1) My attitude toward my current CRM systems integrator is best characterized as: (Very Unfavorable → Very Favorable) (Brand_att2) I like my current CRM systems integrator: (Not At All → A Great Deal) (Brand_att3) My current CRM systems integrator satisfies your needs: (Not At All → Totally) (Brand_att4) My current CRM systems integrator is: (The Worst Brand for Me → The Very Best Brand for Me)
Satisfaction (Oliver 1997)	(Sat1) My current CRM system integrator exceeds my highest expectations. (Sat2) My current CRM system integrator is among the best I could have bought. (Sat3) My current CRM system integrator is exactly what I need. (Sat4) I am satisfied with my decision to use my current CRM system integrator. (Sat5) I am sure that it is the right thing to do to use my current CRM system integrator.
Loyalty (Pritchard, Havitz, and Howard 1999; Oliver 1997)	(Attitudinal_loyalty1) I am committed to buying my current provider of CRM integration. (Attitudinal_loyalty2) I am generally willing to wait for new CRM services from my current CRM systems integrator. (Behavioral_loyalty1) I will buy from my current CRM systems integrator the next time I buy CRM integration services. (Behavioral_loyalty2) I plan to do more business with our current CRM systems integrator in the foreseeable future.

INTERNAL MARKETING AND EMPLOYEE SATISFACTION AND LOYALTY: CROSS-CULTURAL SCALE VALIDATION IN CONTEXT OF U.S. AND GERMAN NURSES

**Andrew J. Dahl, University of Wisconsin -Whitewater
James W. Peltier, University of Wisconsin -Whitewater**

ABSTRACT

Frontline healthcare service providers' job satisfaction and loyalty continues to remain a key global issue. Efforts to increase employee satisfaction and loyalty are antecedents to improving the service experience, customer (patient) satisfaction, and customer loyalty. This article develops and validates a parsimonious scale for internal marketing's impact on employee satisfaction and loyalty within the nursing profession. A combination of exploratory factor analysis (EFA), confirmatory factor analysis (CFA), and regression analyses are used in a staged-approach to assess face, content, predictive, and convergent validity. The resulting 14-item scale shows a high level of cross-country (U.S. and Germany) reliability and validity and provides strong evidence of the stability of the four underlying internal bonding dimensions (structural, nurse social, physician social, and financial bonds). The scale provides managerial insights on the relative priority of relational bonds internal marketing efforts should address to enhance employee satisfaction and loyalty.

INTRODUCTION

Internal marketing is receiving considerable attention as a mechanism for developing sustainable competitive advantages through enhanced employee engagement, satisfaction, and loyalty (Vasconcelos 2008; Bowen and Schneider 2014). Internal marketing includes cross-functional systems and efforts that employ a marketing approach to educate and engage a customer-centric workforce (Ahmed and Rafiq 2003; Snell and White 2009). Internal marketing's impact

extends beyond the employee-firm relationship vis-à-vis its ability to link employee satisfaction to superior service quality (Homburg, Wieseke, and Hoyer 2009; Sousa and Coelho 2013). Highly satisfied employees enhance the quality of service delivery leading to increased customer satisfaction, customer loyalty, and organizational performance (Powers and Valentine 2008; Tortosa, Moliner, and Sanchez 2009; Salegna and Fazel 2011).

Personal, high contact services like healthcare have particularly strong relationships between employee satisfaction, service quality, and customer (patient) satisfaction (Brown and Lam 2008; Hong, Liao, Hu, and Jiang 2013). The existing research shows internal marketing's potential to address common complaint issues such as low job satisfaction, job stress, high job burnout, and high turnover (Chang and Chang 2007, 2009). Moreover, nurse retention remains a focal point in light of the ongoing global shortage caused by the increasing demand for care, aging and migrating healthcare workforce, and other factors (Buerhaus, Auerbach, and Staiger 2009; MacLean, Hassmiller, Shaffer, Rohrbaugh, Collier, and Fairman 2014). The negative effects on patient safety and health outcomes as a result of dissatisfied and overworked staff are also well documented (Kane, Shamliyan, Mueller, Duval, and Wilt 2007; Rafferty, Clarke, Coles, Ball, James, McKee, and Aiken 2007). Internal marketing thus has significant value to organizations seeking to improve patient experiences and outcomes (Peltier, Pointer, and Schibrowsky 2008; Somers, Finch, and Birnbaum 2010).

Despite increased focus on internal marketing's positive impact, research examining internal marketing in cross-cultural settings is limited (Huang and Rundle-Thiele 2014)

especially in healthcare settings. Moreover, no scale has been validated for cross-cultural use that identifies the most important relational bonds to internal satisfaction/dissatisfaction and loyalty. Cross-country comparisons of internal marketing's impact on nurses' job satisfaction and retention are especially important to study given the global nursing crisis and related implications for nursing and healthcare management (MacLean et al. 2014). Research is thus needed that offers scholars and the healthcare community the opportunity to assess comparative constructs across national borders.

Extending the work of Peltier, Schibrowsky, and Nill (2013), the purpose of this study is to develop an internal marketing scale that has cross-country reliability and validity. We contribute to the literature by offering a parsimonious instrument that can be used in various countries to identify the relative importance of structural, social, and financial bonds to improve job satisfaction and retention of healthcare workers. Following a literature review of internal marketing bonds, we present validation of our scale across the two countries and highlight the relative importance of the four scale dimensions to U.S. and German nurses.

LITERATURE REVIEW

Internal marketing theory suggests organizations are more likely to enhance employee satisfaction and loyalty by treating employees similar to "valued" customers (Mudie 2003; Lings and Greenley 2005; Bowers and Martin 2007). Relational bonds between firms and employees play a vital role in influencing job satisfaction (Ballantyne 2003). Spector (1997) defined job satisfaction as an indication of how much people like or dislike their jobs. Within a healthcare context, structural, social, and financial bonds have been classified as antecedents to establishing long-term relationships with healthcare staff (Berry 1995) and the presence of all three bonds strengthens organizational commitment (Peltier et al. 2008).

We briefly review three types of relational bonds: financial, social, and structural. See Peltier et al. (2013) for an extensive review.

Financial Bonding Activities And Job Satisfaction/Loyalty

Employee financial packages include salary, overtime pay, and fringe benefits (Murrells, Clinton, and Robinson 2005). Improved financial packages enhance employee relationships by creating greater job satisfaction and less turnover (Bowers and Martin 2007). As organizations enhance financial packages, employees are more likely to believe the organization is committed to them, appreciates their contribution, and concerned about their welfare.

Social Bonding Activities And Job Satisfaction/Loyalty

Similar to efforts to develop social bonds with external customers, personal interactions are important for creating social bonds with internal customers (employees). Willem, Buelens, and De Jonghe (2007) identified communication between physicians and nurses and horizontal communication structures within nursing units as antecedents to job satisfaction. Ahmed and Rafiq (2003) outline the increased importance of internal marketing communications in cross-functional settings. Given the cross-functional nature of healthcare, it is imperative that these firms view internal marketing from an emotional orientation perspective (Ahmed, Rafiq, and Saad 2003; Ahmed and Rafiq 2003).

Communication with Other Nurses And Caregivers

Positive communications between nurses and others involved in the care process leads to improved job performance and quality of care, while also increasing job satisfaction (Rosenstein and O'Daniel 2005). Similarly, Miller (2006) identified a relationship between cooperative/supportive work environments and nurse satisfaction and retention. Importantly, communication nurses have with other nurses and healthcare providers is different from communication nurses have with physicians.

Communications Between Nurses And Physicians

Efforts to enhance nurse-physician relationships are critical to establishing positive work environments and serve as a precursor to nurse satisfaction and loyalty as well as improved patient outcomes (Boyle and Kochinda 2004.). Conversely, poor nurse-physician relationships lowers job satisfaction and increases the likelihood nurses will leave (Rosenstein and O'Daniel 2005).

Structural Bonds And Job Satisfaction/Loyalty

A growing research stream supports a connection between structural empowerment, nurses' job satisfaction, and loyalty to the organization (Laschinger and Finegan 2004; Patrick and Laschinger 2006). Feelings of empowerment are not only connected to the amount of input nurses believe they have over patient care, but also serve as a precursor to job satisfaction and loyalty (Laschinger and Finegan 2004; Nedd 2006). Additionally, healthcare organizations that encourage autonomy and control decrease job burnout while increasing nurses' satisfaction (Aiken, Clarke, Sloane, Sochalski, Busse, Clarke, Giovannetti, Hunt, Rafferty, and Shamian 2001). However, the perception that nurses have little input into care decisions and perform a subservient role is a major barrier to increasing the pool of potential nurses and suggests efforts that increase empowerment are needed (Chaguturu and Vallabhaneni 2005).

Comparisons Of U.S. And German Healthcare Systems And Nurses

The U.S. and German healthcare systems and nursing professions are quite different, offering an ideal setting for cross-country scale development and validation. First, Germany provides universal insurance coverage and greater equity/access to care compared to the U.S. (Organization for Economic Cooperation and Development (OECD) 2014). Although cost inefficiencies exist in the U.S., hospital

admission rates and length of stays are shorter (U.S. 4.8 days; Germany 9.2 days) (OECD 2014) suggesting higher quality of care in the U.S. Meanwhile the number of doctor consultations per capita is higher in Germany (Germany 9.7; U.S. 4.0) (OECD 2014) suggesting different workloads. Finally, German nurses tend to be more dissatisfied (Germany 37%; U.S. 25%) and have greater intentions to leave their job within the next year (Germany 36% vs. U.S. 14%) (Aiken, Sermeus, Van den Heede, Sloane, Busse, McKee, Bruyneel, Rafferty, Griffiths, Moreno-Casbas, Tishelman, Scott, Brzostek, Kinnunen, Schwendimann, Heinen, Zikos, Sjetne, Smith, and Kutney-Lee. 2012). In combination, these differences provide an ideal setting for cross-border assessment of the internal bond dimensions.

METHODOLOGY

Questionnaire Development

For cross-country scale validation purposes, the survey was administered to nurses in the U.S. and Germany. A multi-stage process was undertaken to construct the questionnaire. First, internal marketing and relationship marketing literatures, including articles within a healthcare context, were reviewed to identify potential questionnaire items specific to financial, social and structural bonds and loyalty (see Peltier et al. 2013). Second, face validity was established vis-à-vis 20 interviews with nurses and their supervisors to identify items. Lastly, the questionnaire was pre-tested for clarity with a sample of ten nurses.

From the literature, an initial set of 28 internal bonding statements were included on the questionnaire related to financial, social, and structural bonds (five-point Likert scale ranging from 1 = strongly disagree to 5 = strongly agree). Two dependent variables were also included: (1) overall satisfaction with their job (five-point scale ranging from 1 = very dissatisfied to 5 = very satisfied) and (2) employment referral likelihood (five-point scale ranging from 1 = very unlikely to 5 = very likely). These two dependent variables were summed to create an Overall

Table 1
Profile of Respondents

	US Nurses N=201	German Nurses N=109
Years Worked at Hospital		
0-2		
3-5	21.1%	18.5%
6-9	13.1%	11.1%
10+	11.6%	12.0%
	54.2%	58.4%
Position		
LPN		
RN	5.5%	5.5%
	94.5%	94.5%
Age		
< 30		
30-39	16.7	7.5
40-49	25.9	32.4
50+	38.1	37.0
	18.3	23.1
Shift		
Days		
PM	50.3%	52.5%
Nights	34.6%	29.3%
	15.1%	18.2%

Satisfaction/Loyalty Score (2-10). This score is used in the regressions reported later.

For German nurses, the questionnaire was originally developed and written in English. To translate it into German, the translation/back-translation technique was employed to achieve a semantic, conceptual and normative equivalent relative to the English version (Behling and Law 2000). Specifically, a German speaking professional translated the questionnaire into German. Another bilingual individual with no knowledge of the original questionnaire translated the German version back into English. The back-translated version was then reconciled to eliminate any discrepancies.

Data Collection Procedure

The questionnaires were administered to full-time nurses working at three hospitals in the

United States and two in Germany. Advanced notice of the purpose of the study was communicated to nurses to motivate response. The survey was distributed via internal mail to the nurses at the five hospitals. To maintain confidentiality and candid responses, completed surveys were collected via anonymous/sealed envelopes placed in a secure drop box. A total of 310 surveys were returned - 201 from the U.S. (80% response rate) and 109 from Germany (70% response rate), for a total response rate of 76%. Table 1 contains the respondent profiles for the U.S. and Germany responses. A cross-tabulation of respondent profiles across the two countries revealed no significant differences. This provides some evidence that the samples were demographically comparable across the U.S. and German nurses, allowing for initial pooling of the data.

Scale Validation Results: Pooled U.S.-German Sample

The primary purpose of this research is to develop a parsimonious internal marketing scale in a nursing context that has a high level of cross-country validity and reliability. With this in mind, a staged approach was utilized to assess face, content, predictive, and convergent validity. Face validity was accomplished through a literature review that identified a set of pertinent scale items (for a review see Peltier et al. 2013). Content validity was established through an exploratory factor analysis (EFA), including reliability assessment. Predictive validity was determined through a regression analysis using the internal bonds as independent variables and a summed overall satisfaction and referral likelihood score as the dependent variable. Convergent validity was assessed via a confirmatory factor analysis (CFA) using the parsimonious item set found from the EFA. Lastly, structural consistency was established by examining the factor structures and regression

results across the U.S. and German sample of nurses.

Exploratory Factor Analysis

Following Churchill (1979), to determine dimensionality, a factor analysis using a VARIMAX rotation was conducted on the pooled data set using the 28 initial items representing structural, social and financial bonds. For parsimony, items were eliminated with low or multiple loadings. As expected, all three internal bond dimensions surfaced: Structural, Nurse Social, Physician Social, and Financial bonds. We then calculated coefficient alpha scores for each of the dimensions, eliminating items with low item-to-total correlations. Table 2 contains the factor loadings and coefficient alphas representing the remaining 14 internal bonding items. As shown in Table 2, all of the factor loadings exceeded .6. The coefficient α scores for the four dimensions ranged from .83 to .93, indicating satisfactory levels of internal consistency (Nunnally 1978).

Table 2
Factor Analysis and Reliability Assessment Pooled Sample

Internal Bonds	Structural	Nurse Social	Physician Social	Financial
Freedom to do your job as you see best	.800			
Your specific patient responsibilities	.793			
Your ability to provide the best possible care to patients	.788			
Your patient load assigned to you each shift	.719			
Amount of input you have in care decisions	.680			
Your relationship with nurses		.812		
Communication among nursing staff		.811		
Cohesion of the nursing staff		.781		
Communication with other members of health care team		.640		
Communication between physicians and you			.877	
Your relationship with physicians			.875	
How well physicians listen to what you have to say			.775	
Total income earned				.947
Hourly Wage That You Receive				.947
Total Variance Explained = 72.9%	23.3%	19.0%	17.2%	13.5%
Coefficient Alpha	.86	.83	.86	.93

Table 3
Regression Results Pooled Sample

Internal Bonds	Std Beta	Sig
Structural	.315	.001
Nurse Social	.093	.01
Physician Social	.162	.001
Financial	.223	.001
Country (Germany = 1)	-.415	.001
F = 73.0, R-square = .55, p < .001		
Dependent Variable = Summed Overall Satisfaction/Loyalty		

Regression Analysis

To assess predictive validity, the factor scores for the four internal bonding constructs were regressed against the summed overall satisfaction/loyalty score. The initial regression findings are shown in Table 3. The overall model was highly significant ($F = 73.0$, $R\text{-square} = .55$, $p < .001$). Consistent with the literature, structural bonds had the greatest positive impact on overall satisfaction/loyalty ($\text{std } \beta = .315$, $p < .001$). Financial ($\text{std } \beta = .223$, $p < .001$), Physician Social ($\text{std } \beta = .162$, $p < .001$), and Nurse Social were all significant ($\text{std } \beta = .09$, $p < .001$) and in the hypothesized direction. All four dimensions remained significant when controlling for country of origin; with German nurses having lower levels of satisfaction/loyalty which is in line with Aiken et al. (2012).

Confirmatory Factor Analysis

To confirm the four-factor structure, the remaining 14 items were subjected to a confirmatory factor analysis to corroborate the unidimensionality of the measures. Specifically, a model was estimated in which the items were required to load on their a priori specified factors with each factor allowed to correlate with the other factors (Anderson and Gerbing 1988). The measurement model was estimated using AMOS 20. The overall chi square statistic for the model was significant ($\chi^2 = 140$, 68 df, $p = 0.001$). The comparative fit index (CFI = 0.97), goodness of fit index (GFI = 0.94), adjusted goodness of fit index (AGFI=.91), normed fit index (NFI = .94), root mean residual (RMR=.04), and root mean square error of

approximation (RMSEA=.059) all suggested a satisfactory model fit. Following Mathwick and Rigdon (2004), all of the individual item loadings were significant at $p < .001$, and the completely standardized solution for all items ranged from .57 - .96. The average variance extracted value was .63, exceeding Fornell and Larcker's (1981) convergent validity criterion of .5.

Scale Validation Results: Structural Consistency across Countries

The factor structure shown in Table 2 was then used as the base dimensionality for assessing scale consistency across United States and German nurses. Specifically, using separate samples, an identical principle components factor analysis was conducted for each country. Although the initial regression results showed strong predictive validity even when country was controlled for, establishing structural consistency increases confidence that our parsimonious internal bonding scale holds constant across countries. Table 4 summarizes the factor analysis results for each of the countries. High scale consistency is highlighted in four ways. First, all four internal bonding dimensions held constant across the two countries. Second, the total variance explained for each country varied by only 1.8% (68.1% Germany vs. 69.9% U.S.). Third, individual factor loadings remained high across the two countries, with relative consistency in their absolute values. Lastly, the variance explained for each of dimensions held constant across the countries (order was preserved). Combined,

these results provide strong evidence of the stability of the underlying dimensions.

As a final check we ran identical regression analyses for each of the countries, again using factor scores as independent variables and overall satisfaction/loyalty as the dependent measure. As Table 5 shows, for each country, all of the internal bonding dimensions

significantly impacted overall satisfaction/loyalty. We thus established predictive validity for each country. Although the U.S. model had a higher F value, it is expected given the larger sample size.

Table 4
Factor Analysis Results by Country

	Structural		Nurse Social		Physician Social		Financial	
	US	Germany	US	Germany	US	Germany	US	Germany
Freedom to do your job as you see best	.761	.821						
Your specific patient responsibilities	.753	.793						
Your ability to provide the best possible care to patients	.756	.727						
Your patient load assigned to you each shift	.621	.669						
Amount of input you have in care decisions	.687	.664						
Your relationship with nurses			.759	.845				
Communication among nursing staff			.786	.806				
Cohesion of the nursing staff			.814	.746				
Communication with other members of health care team			.534	.690				
Communication between physicians and you					.853	.857		
Your relationship with physicians					.811	.874		
How well physicians listen to what you have to say					.785	.779		
Total income earned							.947	.951
Hourly Wage That You Receive							.945	.955
Total Variance Explained US = 69.9%								
Total Variance Explained Germany = 68.1%	21.0%	20.7%	17.5%	17.6%	17.5%	16.3%	13.9%	13.5%

Table 5
Regression Results by Country

Bonds	United States		Germany	
	Std Beta	Sig	Std Beta	Sig
Structural	.386	.001	.324	.001
Nurse Social	.136	.01	.185	.05
Physician Social	.255	.001	.165	.05
Financial	.282	.001	.265	.01
	F = 22.1, R-square = .31		F = 5.0, R-square = .19	

DISCUSSION

Satisfied frontline employees, such as nurses in healthcare, are important to the service delivery process, service quality, and customer satisfaction (Homburg et al. 2009; Sousa and Coelho 2013). In recognition that loyal frontline employees can build customer relationships that result in service provider and personal loyalty (Salegna and Goodwin 2005; Salegna and Fazel 2011), this study provides a starting point for filling the cross-border internal customer (employee) gap in the consumer satisfaction/dissatisfaction literature (Davidow 2012). Building on the internal marketing bond literature, the present study developed and validated a parsimonious internal marketing, employee satisfaction, and loyalty scale for the nursing profession with a high level of cross-country reliability and validity.

The study achieves parsimony through a 14-item nursing internal marketing scale identifying the internal bonds most important to establishing employee satisfaction and loyalty in healthcare organizations. Four dimensions surfaced in our model including structural, nurse social, physician social and financial bonds. In line with other studies, structural bonds focusing on control over care issues had the largest positive impact on overall employee satisfaction/loyalty across both countries. Importantly, the cross-country validation analysis indicates all four dimensions retain their

relative impact across the two countries, suggesting the scale may be generalizable to healthcare organizations in multiple countries and different healthcare systems.

Healthcare organizations around the globe will continue to face challenges related to nursing shortages and increased care demands (MacLean et al. 2014). The cross-country nursing internal marketing scale offers value to healthcare organizations seeking ways of increasing nurses' job satisfaction and loyalty. Focusing internal relationship marketing efforts on the internal bonds identified by our scale may help healthcare organizations reduce the growing care demand-supply chasm and reduce common complaints about job dissatisfaction, job stress, and burnout. Importantly, healthcare organizations in various countries can use the instrument to identify the specific internal marketing efforts that will lead to improvements in employee satisfaction and loyalty within their organization. While internal marketing efforts addressing all four bond dimensions are important, our results suggest enhancing structural bonds related to nurses' empowerment and input into care decisions is especially important. Furthermore, this aligns with research that commonly held perceptions about nurses' limited role in care decisions are a major barrier to attracting and retaining nurses (Chaguturu and Vallabhaneni 2005).

Although this study provides a starting point for cross-country internal marketing scale

development and validation, a few limitations exist. First, the study was conducted with nurses from only five healthcare locations in the U.S. and Germany. While the response rate was high across all five locations, the overall sample size in each country was relatively small. Future research should test the scale in other cultural and organizational settings, with a range of small and large-sized healthcare organizations from both rural and urban settings, and include healthcare staff beyond nurses. Second, the surveys occurred at only one point in time at each of the locations. Longitudinal studies investigating how internal marketing approaches utilized by healthcare organizations impact internal satisfaction and loyalty are also needed. Finally, this study provides a starting point for examining internal consumer (employee) satisfaction/dissatisfaction and loyalty. Given the service-profit chain relationship between employee satisfaction/loyalty, consumer satisfaction/loyalty, and organizational performance, similar cross-country efforts should be taken to extend and validate our internal marketing scale to service industries beyond healthcare that rely on personal and frequent contact between frontline employees and customers.

REFERENCES

- Ahmed, Pervaiz K. and Mohammed Rafiq (2003), "Internal marketing issues and challenges", *European Journal of Marketing*, 37(9), 1177-86.
- Ahmed, Pervaiz K., Mohammed Rafiq, and Norizan M. Saad (2003), "Internal marketing and the mediating role of organizational competencies", *European Journal of Marketing*, 37(9), 1221-41.
- Aiken, Linda H., Sean P. Clarke, Douglas M. Sloane, Julie A. Sochalski, Reinhard Busse, Heather Clarke, Phylliss Giovannetti, Jennifer Hunt, Anne Marie Rafferty, and Judith Shamian. (2001), "Nurses' reports on hospital care in five countries", *Health Affairs*, 20(3), 43-53.
- Aiken, Linda H., Walter Sermeus, Koen Van den Heede, Douglas M. Sloane, Reinhard Busse, Martin McKee, Luk Bruyneel, Anne Marie Rafferty, Peter Griffiths, Maria Teresa Moreno-Casbas, Carol Tishelman, Anne Scott, Tomasz Brzostek, Juha Kinnunen, Rene Schwendimann, Maud Heinen, Dimitris Zikos, Ingeborg Stromseng Sjetne, Herbert L. Smith, and Ann Kutney-Lee (2012), "Patient safety, satisfaction, and quality of hospital care: cross sectional surveys of nurses and patients in 12 countries in Europe and the United States", *British Medical Journal*, 344, e1717, Open access article available at <http://www.bmj.com/content/344/bmj.e1717>.
- Anderson, James C. and David W. Gerbing (1988), "Structural equation modeling in practice: a review and recommended two-step approach", *Psychological Bulletin*, 103(3), 411-423.
- Ballantyne, David (2003), "A relationship-mediated theory of internal marketing", *European Journal of Marketing*, 37(9), 1242-60.
- Behling, Orlando and Kenneth S. Law (2000), *Translating Questionnaires and Other Research Instruments: Problems and Solutions*, Sage Publications, Inc., Thousand Oaks, CA.
- Berry, Leonard L. (1995), *On Great Service*, Free Press, Lexington, MA.
- Bowen, David E. and Benjamin Schneider (2014), "A service climate synthesis and future research agenda", *Journal of Service Research*, 17(1), 5-22.
- Bowers, Michael R. and Charles L. Martin (2007), "Trading places redux: employees as customers, customers as employees", *Journal of Services Marketing*, 21(2), 88-98.
- Boyle, Diane K. and Chiemi Kochinda (2004), "Enhancing collaborative communication of nurse and physician leadership in two intensive care units", *Journal of Nursing Administration*, 34(2), 60-70.
- Brown, Steven P. and Son K. Lam (2008), "A meta-analysis of relationships linking employee satisfaction to customer responses", *Journal of Retailing*, 84(3), 243-255.
- Buerhaus, Peter I., David I. Auerbach, and Douglas O. Staiger (2009), "The recent surge in nurse employment: causes and implications", *Health Affairs*, 28(4), 657-668.
- Chang, C. and H. Chang. (2007), "Effects of internal marketing on nurse job satisfaction and organizational commitment: example of medical centers in Southern Taiwan", *Journal of Nursing Research*, 5(4), 265-73.
- Chang, C. and H. Chang. (2009), "Perceptions of internal marketing and organizational commitment by nurses", *Journal of Advanced Nursing*, 65(1), 92-100.
- Chaguturu, Sreekanth and Snigdha Vallabhaneni. (2005), "Aiding and abetting – nursing crises at home and abroad", *New England Journal of Medicine*, 353(17), 761-1763.
- Churchill Jr., Gilbert A. (1979), "A paradigm for developing better measures of marketing

- constructs", *Journal of Marketing Research*, 16(1), 64-73.
- Davidow, Moshe (2012), "CS/D&CB: the next 25 years", *Journal of Consumer Satisfaction, Dissatisfaction & Complaining Behavior*, 25, 1-6.
- Fornell, Claes and David F. Larcker (1981), "Evaluating structural equation models with unobservable variables and measurement error" *Journal of Marketing Research*, 18(1), 39-50.
- Homburg, Christian, Jan Wieseke, and Wayne D. Hoyer (2009), "Social identity and the service-profit chain", *Journal of Marketing*, 73(2), 38-54.
- Hong, Ying Hui Liao, Jia Hu, and Kaifeng Jiang (2013), "Missing link in the service profit chain: a meta-analytic review of the antecedents, consequences, and moderators of service climate", *Journal of Applied Psychology*, 98(2), 237-267.
- Huang, Yu-Ting and Sharyn Rundle-Thiele (2014), "The moderating effect of cultural congruence on the internal marketing practice and employee satisfaction relationship: an empirical examination of Australian and Taiwanese born tourism employees", *Tourism Management*, 42, 196-206.
- Kane, Robert L., Tatyana Shamliyan, Christine Mueller, Sue Duval, and Timothy J. Wilt (2007), "Nursing staffing and quality of patient care evidence report/technology assessment no. 151", Prepared by the Minnesota Evidence based Practice Center under Contract No. 290-02-0009, AHRQ Publication No. 07-E005. Rockville, MD: *Agency for Healthcare Research and Quality*. March 2007.
- Laschinger, Heather K. Spence and Joan E. Finegan (2004), "Empowerment, interactional justice, trust and respect: a nursing recruitment and retention strategy", *Academy of Management Proceedings*, C1-C6.
- Lings, Ian N. and Gordon E. Greenley (2005), "Measuring internal market orientation", *Journal of Service Research*, 7(3), 290-305.
- Lings, Ian N. and Gordon E. Greenley (2009), "The impact of internal and external marketing orientations on firm performance", *Journal of Strategic Marketing*, 17(1), 41-53.
- Lings, Ian N. and Gordon E. Greenley (2010), "Internal market orientation and market-oriented behaviours", *Journal of Service Management*, 21(3), 321-343.
- MacLean, Logan, Susan Hassmiller, Franklin Shaffer, Kathleen Rohrbaugh, Tiffany Collier, and Julie Fairman (2014), "Scale, causes, and implications of the primary care nursing shortage", *Annual Review of Public Health*, 35, 443-457.
- Mathwick, Charla and Edward Rigdon (2004), "Play, flow, and online search experience", *Journal of Consumer Research*, 31(2), 324-332.
- Miller, Joan F. (2006), "Opportunities and obstacles for good work in nursing", *Nursing Ethics*, 13(5), 471-87.
- Mudie, Peter (2003), "Internal customer: by design or by default?", *European Journal of Marketing*, 37(9), 1261-1276.
- Murrells, Trevor, Michael Clinton, and Sarah Robinson (2005), "Job satisfaction in nursing: validation of a new instrument for the UK", *Journal of Nursing Management*, 13(4), 296-311.
- Nedd, Nicole (2006), "Perceptions of empowerment and intent to stay", *Nursing Economic*, Vol. 24(1), 13-19.
- Nunnally, Jum C. (1978), *Psychometric Theory*, 2nd Ed., McGraw-Hill, New York, NY.
- Organization for Economic Cooperation and Development (OECD). (2014), "OECD health statistics", available at <http://www.oecd.org/els/health-systems/health-data.htm> (accessed 25 July 2014).
- Patrick, Allison and Heather K. Spence Laschinger. (2006), "The effect of structural empowerment and perceived organizational support on middle level nurse managers' role satisfaction", *Journal of Nursing Management*, 14(1), 13-22.
- Peltier, James W., Lucille Pointer, and John A. Schibrowsky (2008), "Internal marketing and the antecedents of nurse satisfaction and loyalty", *Health Marketing Quarterly*, 23(4), 75-108.
- Peltier, James W., John A. Schibrowsky, and Alexander Nill (2013), "A hierarchical model of the internal relationship marketing approach to nurse satisfaction and loyalty", *European Journal of Marketing*, 47(5/6), 899-916.
- Powers, Thomas L. and Dawn Bendall Valentine (2008), "A review of the role of satisfaction, quality, and value on firm performance" *Journal of Consumer Satisfaction, Dissatisfaction & Complaining Behavior*, 21, 80-101.
- Rafferty, Anne Marie, Sean P. Clarke, James Coles, Jane Ball, Philip James, Martin McKee, and Linda H. Aiken (2007), "Outcomes of variation in hospital nurse staffing in English hospitals: cross-sectional analysis of survey data and discharge records", *International Journal of Nursing Studies*, 44(2), 175-182.
- Rosenstein, Alan H. and Michelle O'Daniel (2005), "Disruptive behavior and clinical outcomes:

- perceptions of nurses and physicians”, *Nursing Management*, 36(1), 18-29.
- Salegna, Gary J. and Farzaneh Fazel (2011), “An examination of the relationships and interactions among product, brand, personal and service provider loyalty”, *Journal of Consumer Satisfaction, Dissatisfaction & Complaining Behavior*, 24, 41-55.
- Salegna, Gary J. and Stephen A. Goodwin (2005), “Consumer loyalty to service providers: an integrated conceptual model”, *Journal of Consumer Satisfaction, Dissatisfaction & Complaining Behavior*, 18, 51-67.
- Snell, Ian and Lesley White (2009), “An exploratory study of the application of internal marketing in professional service organizations”, *Services Marketing Quarterly*, 30(3), 195-211.
- Somers, Mark J., Linda Finch, and Dee Birnbaum (2010), “Marketing nursing as a profession: integrated marketing strategies to address the
- Willem, Annick, Marc Buelens, and Ives De Jonghe (2007), “Impact of organizational structure on nurses’ job satisfaction: a questionnaire survey”, *International Journal of Nursing Studies*, 44(6), 1011-1020.
- nursing shortage”, *Health Marketing Quarterly*, 27(3), 291-306.
- Sousa, Carlos M.P. and Filipe Coelho (2013), “Exploring the relationship between individual values and the customer orientation of front-line employees”, *Journal of Marketing Management*, 29(15/16), 1653-1679.
- Spector, Paul E. (1997), “Measurement of human service staff satisfaction: development of the job satisfaction survey”, *American Journal of Community Psychology*, 13(6), 693-713.
- Tortosa, Vicent, Miguel A. Moliner, and Javier Sanchez (2009), “Internal market orientation and its influence on organizational performance”, *European Journal of Marketing*, 43(11/12), 1435-1456.
- Vasconcelos, Anselmo F. (2008), “Broadening even more the internal Marketing concept”, *European Journal of Marketing*, 42(11/12), 1246-1264.

Send correspondence regarding this article to:

James W. Peltier, Ph.D.
 University of Wisconsin-Whitewater
 Whitewater, WI 53190
 peltierj@uww.edu

SERVICE GUARANTEES: THE IMPACT OF PLAYING 'HARD TO GET' ON PERCEPTIONS OF FIRM CREDIBILITY AND REPURCHASE INTENT

Susan E. Myrden, University of Maine, Orono
E. Kevin Kelloway, Saint Mary's University, Halifax, Nova Scotia

ABSTRACT

Within a competitive economy, achieving high standards of customer service is important to the survival of any business. For service-based businesses in particular, recovering from inevitable service failures is essential to ensuring this success, which is based on keeping the promises that are made. Effectively using tools such as service guarantees as a part of a firm's service recovery strategy is one way firms can ensure delivery of these promises.

Data from a vignette study (N=318) supported the research hypotheses that customers perceive higher levels of fairness (when presented with a no-questions-asked service guarantee) leading to higher levels of customer satisfaction, perceptions of firm credibility and repurchase intent. Partial support was found for the proposition that firm credibility mediates the relationship between higher levels of service recovery satisfaction and repurchase intentions. Study results suggest that service companies should consider the implementation of a hassle-free service guarantee as it is important for achieving positive organizational outcomes.

Key words: service guarantees, service recovery, service failure, credibility, repurchase intent.

INTRODUCTION

Achieving customer satisfaction and earning repeat business is important to the survival of any business, especially when operating in a competitive economy. Due to the unique nature of services it is impossible to ensure error-free service provision at all times. Even the most customer-oriented organization with the strongest quality program is unlikely to be able to eliminate all service failures (del Rio-Lanza, Vazquez-

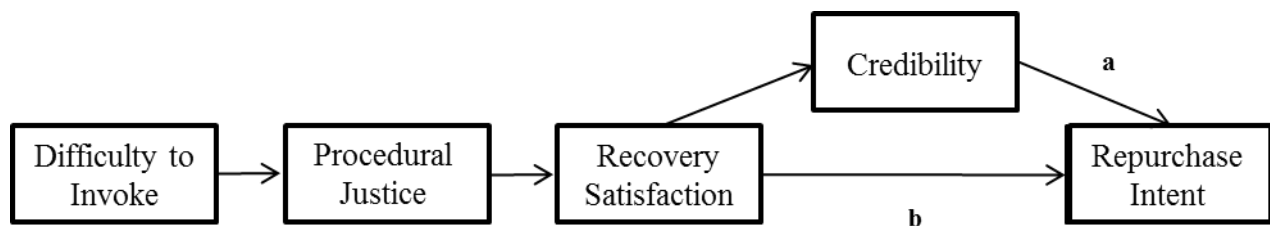
Casielles, and Diaz-Martin 2009). For instance, although a 98 percent service performance record may seem respectable, using this standard, the United Parcel Service (UPS) would lose or misdirect 302,000 packages and documents each day (UPS Fact Sheet 2009). Therefore, it is important that failed situations be handled appropriately. For most service-based businesses, success is based on keeping the promises that you make. Therefore, without proper recovery efforts when things do go wrong, a firm could leave itself open to a tarnished reputation because for most customers, "you're only as good as your word." In fact, customers rank companies' handling of complaints of service failures as the second most important factor, behind product quality, when making purchase decisions (Conlon and Murray 1996), in addition to having significant effects on customer outcomes such as repurchase intent and customer advocacy. It follows that properly managing service failures and delivering on intended promises with effective strategies is an important objective for any company in order to promote customer satisfaction and develop long-term relationships. A desirable benefit to delivering on these promises is increasing perceptions of firm credibility, or believing that the firm will do what they say they are going to do on the next consumption experience with the firm. Building these perceptions of credibility is recognized by consumers as a long-term investment by the firm, a connection that is sacrificed only when those promises are broken (Wernerfelt 1988). Service guarantees provide a mechanism with which firms can ensure delivery of the promises that they make. However, it is unclear as to how tools such as service guarantees contribute to perceptions of credibility and how such perceptions contribute to favorable customer outcomes such as repurchase intent.

A number of scholars have examined various aspects of service guarantees, such as the design (e.g. McDougall, Levesque, and VanderPlaat 1998; Wirtz 1998) and the outcomes (for both employees and customers) (e.g. Hays and Hill 2001, 2006; Kandampully and Butler 2001; Ostrom and Iacobucci 1998; Tucci and Talaga 1997), but there has been a call for more research surrounding the process of invoking such

a recovery tool and its impact on customer perceptions of firm credibility (Hogreve and Gremler 2009). By focusing on aspects of customer perceptions of fairness, satisfaction and credibility, the purpose of the study to be described and discussed in this article is to investigate the role that the level of difficulty in invoking a service guarantee plays in a customer's perceptions of firm credibility and repurchase intent (see Figure 1 for the proposed model).

FIGURE 1

Proposed Mediation Model



Notes: Path a is deleted to obtain the non-mediational model. Path b is added (and path a retained) to obtain the partially mediated model

The article is organized as follows. First, a theoretical overview of service failure, service recovery and service guarantees is presented, along with the study's constructs, which include justice, satisfaction, credibility and repurchase intent. Next, methods are outlined and results presented followed by an analysis and discussion of how the process of invoking a service guarantee can influence perceptions of credibility and behavioral intentions. We conclude by discussing managerial implications, limitations and directions for future research.

LITERATURE REVIEW

Service Failure and Recovery

Post-purchase behavior is recognized as important to any firm because of its influence on repeat purchases and word-of-mouth recommendations (Berkman and Gilson 1986). Therefore, in any business, knowledgeable companies do their best

to provide superior performance to satisfy their customers in order to achieve these favorable customer outcomes.

Consumers purchase goods and services based on expectations about the company's anticipated performance, defined as a set of pre-exposure beliefs about the product prior to purchase (Olson and Dover 1979). Expectations are based on information a person is exposed to such as prior experience, word-of-mouth recommendations, comparisons of similar providers, etc. Once the product or service has been consumed, perceived outcomes are compared against prior expectations. When the perceived outcome matches or exceeds expectations, the consumer is satisfied (Oliver 1980). However when performance falls short of expectations, a failure is said to have occurred.

Although the creation of a satisfied customer is every company's ultimate goal, due to the nature of service-based businesses, failures, or

errors, are inevitable. Services tend to be higher in experience qualities than tangible goods, so customers are not always confident in what they will get before consuming the service. In addition, consistency in service delivery is not always possible due to the variability of many services. As a result, failed experiences are inevitable and have the ability to negatively affect the satisfaction and future behavior of customers (Mattila 2001). It is therefore important that service firms manage their failed experiences with effective recovery strategies.

Service recovery refers to the action taken by a service provider to address a customer complaint regarding a perceived service failure (Grönroos 1988), an action that provides a means by which a company can rectify a situation that has gone wrong. In a tangible goods producing company, managers can safeguard against errors in production by providing warranties in order to reduce the customer's perceived risk and to lower the likelihood that a consumer develops negative feelings toward the firm if something were to go wrong. If a product were to break, the company can simply replace it if requested by the customer. However, in a service-based context, recovery tools similar to warranties, or service guarantees, are much less common (McCullough 2010).

Service failures left unaddressed will promote negative consumer behavior such as defection from the firm and negative word-of-mouth about the firm. The existence of a well-designed service recovery strategy provides the firm with the ability to rectify the situation, affording the company an additional opportunity to satisfy the customer.

Service Guarantees

Similar to expectation formation prior to a service encounter, the existence and communication of a service guarantee is one way that a firm can help a consumer form recovery expectations. It acts as a signal or cue of the anticipated quality of the recovery effort. In a very real sense, service guarantees inform customers about what to expect and communicate the standard of service that they can expect from the company (Kandampully and Butler 1998). It provides pertinent information to the customer as to what constitutes a failure, as this is not always clear.

According to Hogueve and Gremler (2009), a service guarantee is "an explicit promise made by the service provider to (a) deliver a certain level of service to satisfy the customer and (b) remunerate the customer if the service is not sufficiently delivered" (p. 324). Notably, research has revealed that, due to the risks involved and characteristics associated with service-based businesses, firms make very few commitments regarding the final outcome of their services (McCullough 2010), despite the fact that service guarantees are presumed to have a positive effect on service recovery (Tax and Brown 2000).

The study of service guarantees dates back over 20 years (for a review, see Hogueve and Gremler 2009), covering a variety of domains. The area that has received the most attention is in the evaluation of services, which include topics such as perceived service quality and risk and customer satisfaction (e.g., Andaleeb and Basu 1998; Kandampully and Butler 2001; Liden and Skalen 2003). In addition, researchers have looked at many outcome aspects that have an effect on a customer's behavioral intentions, such as their intent to purchase/repurchase (e.g., Kandampully and Butler 2001), consumer opportunism (e.g., Wirtz and Kum 2004), and on employees or the service firm, including employee motivation and learning (e.g., Hays and Hill 2001, 2006), quality improvements, service development and innovation (e.g., Liden and Saden 2004).

One area that has received less consideration in the literature is service guarantee design. Some of the more prominent topics include appropriate level of compensation to provide in case of a service failure and the scope of the guarantee (Kukar-Kinney, Walters, and MacKenzie 2007; Liden and Edvardsson 2003). Other topics surrounding design issues are related to the invocation of the service guarantee. One study looked at the invocation of the guarantee, examining customer expectations of the service guarantee and found that fair rules surrounding the invocation of the guarantee after a service failure are most appropriate (Liden and Edvardsson 2003). Another study, conducted by Wirtz and Kum (2004), found that consumers expect the rules of invoking the guarantee to be communicated by the service guarantee. However, there has been a call for more research

around the process of invoking a service guarantee and its effect on customer perceptions of the firm (Hogreve and Gremler 2009).

With respect to its design, a service guarantee can either be explicit or implicit. If explicit, it is stated specifically in writing what is guaranteed. However, an implicit guarantee represents an understanding that the company will do whatever it takes to ensure customer satisfaction (McCullough, 2010). It has been well documented that the number one aspect that customers expect when consuming a service is reliability (Parasuraman, Berry, and Zeithami 1991), or for the service to be performed as promised. It can be argued that this promise carries an implicit guarantee. However, because there are so many elements associated with a service experience, the unspecified nature of the implicit guarantee may leave the customer unsure as to what exactly is being guaranteed (McCullough 2010). For new customers in particular, an explicit guarantee will lower customers' perceived risk (Barlow and Moller 1996; McDougall et al. 1998), which is advantageous in competitive markets. For the purpose of the study described in this article, we focus solely on explicit guarantees.

Despite the fact that it has been suggested that service guarantees are more effective if a customer is able to obtain the guarantee easily (Hart 1988), the majority of service firms are unwilling to expose themselves to the inherent risks associated with offering a guarantee (McCullough 2010). Some firms fear that the guarantee will be abused by opportunistic consumers (Wirtz 1998; Wirtz and Kum 2004); however, clear evidence to support this claim does not exist (Hogreve and Gremler 2009). It has been suggested that firms that make invoking the guarantee difficult may help such firms in avoiding opportunistic types of behavior (Hart 1993); however, making the process difficult may generate other, less favorable outcomes. Offering a guarantee in the first place may lead a customer to adjust their (recovery) expectations, providing the company with a second chance to satisfy the customer. Making the process difficult for the customer, further amplifying a customer's level of frustration, would fail to alleviate the dissatisfaction experienced with the initial service failure.

Along with the creation of customer satisfaction, firms hope to gain repeat business through the effective implementation of their service guarantee. That guarantee represents a promise to the customer, and if the firm delivers successfully on that promise, a customer is likely to perceive that firm as being more credible, or believing that that the firm will do what they say they are going to do on the next consumption experience. A firm has the opportunity to build a relationship with the customer by delivering on its promises, which can lead to positive behavioral outcomes. Notably, no study to date has looked specifically at the impact that the process of invoking a guarantee has on the perception of credibility about the firm, which is important to the development of a customer-firm relationship. Accordingly, this is one of the primary focuses of this study (see Figure 1 for the study model).

Justice

Buyers and sellers are not able to anticipate, nor prevent, every potential incident that may arise in an exchange process. However, each partner in the exchange expects "fair" treatment from the other. A number of scholars have added to the literature on service recovery by examining customers' evaluation of complaint experiences using justice theory, which appears to be the dominant theoretical framework applied to recovery efforts to demonstrate the importance of how the process takes place (Tax, Brown, and Chandrashekar 1998; Wirtz and Mattila 2004).

According to justice theory, there are three dimensions of justice that influence an individual's evaluation of a service recovery, namely **distributive** (i.e., fairness of the outcome), **interactional** (i.e., fair interaction) and **procedural** (i.e. fair processes), all of which have been found to be important in achieving customer satisfaction (Tax et al. 1998). Distributive justice refers to the customer's perception about the firm's efforts to correct the problem (Smith, Bolton, and Wagner 1999; Tax et al. 1998) and include tangible benefits customers might receive after a failure has occurred, such as replacements, refunds or discounts on future purchases. Interactional justice focuses on the interpersonal elements of the exchange between employees and customers. It includes customers' perceptions

about such things as employee empathy, friendliness, explanations and apologies. Finally, procedural justice reflects the perceived fairness of the complaint handling process. It is judged based on the methods the firm uses to deal with problems in areas such as accessibility, timing/speed (i.e., time taken to refund money), process control (i.e., receiving a quick response, expression of concerns) and flexibility to adapt to the consumer's recovery needs (Blodgett, Hill, and Tax 1997; Tax et al. 1998).

Although all three types of justice are important from a customer's point of view, in the study discussed in this article we will be specifically focusing on the process of invoking a service guarantee, which is directly related to **procedural justice**, keeping everything else constant (i.e., the refund and the way the customer is treated). We believe that this is an appropriate focus for several reasons. First, by offering a service guarantee, organizations are showing a concern for distributive justice. Second, we believe that few organizations are likely to encourage employees to be purposively rude or insensitive to customers. In a very real sense, interactional justice provides the basis for customer service. Finally, although organizations have a direct concern with ensuring distributive and interactional justice, they are also concerned with cost minimization. In responding to the latter concern, organizations might well try to ensure that service guarantees are invoked infrequently and to make the guarantee more difficult to invoke. In so doing, they may inadvertently violate procedural justice and this possibility provides the motivation for the current study.

(Explicit) service guarantees may reduce hassle costs by helping set customer expectations for service and, if something does go wrong, providing clear procedures that make it easier for customers to complain and receive compensation for their failed experience. Essentially, explicit guarantees remove the ambiguity from the service experience. It has been suggested that unless considerable customer opportunism exists, a no-questions asked guarantee is preferred to more restrictive policies as it entails the least risk of customer dissatisfaction (Chu, Gerstner, and Hess 1998; Hart 1988). Research shows that when the guarantee requires too much effort to claim, few

customers even bother to report the failure (Ettore 1994), leaving the company without any recourse to rectify the problem. Therefore, in order for guarantees to be effective, the process for invoking the "promise" should be relatively hassle-free (Maher 1991). Service guarantees can improve perceptions of fairness by simplifying the process to remedy a service error. Taking the above-detailed into account, we offer the following research hypothesis:

H1: *Ease in invoking a service guarantee will be positively associated with perceptions of procedural justice.*

Procedural Justice and Customer Satisfaction

Procedural justice refers to customers' perceived fairness of policies, procedures and tools used to handle service failure complaints and the amount of time taken to deal with a complaint (Maxham and Netemeyer 2002). Fornell and Wernerfelt (1987) demonstrated that a well-executed service recovery strategy is required to enhance customer satisfaction. It seems that customers form their procedural justice perceptions based on their personal experiences with the company's complaint handling procedure. Therefore, increasing procedural justice perceptions requires a rapid and appropriate response to customer complaints. Hoffman and Kelley (2000) claim that even though a customer may be satisfied with the type of recovery tool offered, their evaluation of the recovery may be poor due to the process endured to obtain the recovery outcome. Numerous studies have shown that perceived procedural justice has a significant positive effect on customers' satisfaction with complaint handling (Homburg and Fürst 2005; Karatepe 2006; Vázquez-Casielles, Suárez Álvarez, and Díaz Martín 2010). Taking the above-detailed into account, we offer the following research hypothesis:

H2: *Perceptions of procedural justice will be positively associated with customer satisfaction with the recovery effort.*

Customer Satisfaction and Credibility

An organization's credibility is an extremely important dimension in the consumer's assessment of services, due to their intangible nature (de Ruyter and Wetzels 2000). Credibility of the firm or brand can be defined as the believability of the information conveyed by the firm, which requires that consumers perceive that the firm has the ability and willingness to continuously deliver what has been promised (Erdem and Swait 1998; 2004). More specifically, credibility about the brand or firm comprises two components: expertise (i.e., the belief that the firm is capable of delivering on its promises) and trustworthiness (i.e., the belief that the firm is willing to deliver on its promises). Note that trustworthiness is distinct from trust and can be described as a characteristic of an entity (e.g., person or firm). Extant research suggests that the receiver's perception that the source possesses higher levels of expert power, referring to the perceived level of contextually relevant knowledge of the firm (Sharma 1990), enhances the source's trustworthiness (and thus credibility) in the eyes of the recipient (Moorman, Deshpande, and Zaltman 1993; Palmatier, Dant, Grewal, and Evans 2006). An important aspect that reflects the firm's credibility from the point of view of an exchange partner is the firm's expertise, reliability, and intentionality (Ganesan 1994).

Aurier and Siadou-Martin (2007) found perceived justice to be part of the service evaluation process, which in turn influenced satisfaction and relationship quality. Perceptions of credibility play an important role in the development of any relationship. The perception of credibility reflects the consumer's view relative to the provider's ability to deal with events, allowing customers to anticipate the firm's subsequent behavior (Aurier and Siadou-Martin 2007). The customer's expectation in the context of a service failure, for instance, must match the customer's perception after a service recovery has occurred. Accordingly, if the firm creates a service recovery expectation for the customer in the event of a failure and subsequently delivers on that created expectation, it is reasonable to assume that the outcome will be judged favorably, resulting in satisfaction with the encounter as a

result of the process being followed according to the firm's "promise," meeting the customer's expectations. As a result, by delivering on its promises, the customer will perceive the firm as being more trustworthy and believable (Kelley and Davis 1994; Vázquez-Casielles et al. 2010). It is then reasonable to suggest that if satisfied with a service recovery effort, the firm will be perceived as being more credible. Taking the above-detailed into account, we offer the following research hypothesis:

H3: *Satisfaction with the recovery effort will be positively associated with firm credibility.*

Credibility, Customer Satisfaction and Repurchase Intentions

Service guarantees have become an effective means to not only attract but also to retain customers (Evans, Clark, and Knutson 1996; Hays and Hill 2006). In the latter instance, the concept of extending or enhancing the relationship becomes relevant. In general, firms report positive customer attitudes and behaviors and increased revenues from implementing service guarantees (Hart 1993).

Marketing researchers usually consider purchase intentions to be one of the main attitudinal consequences of satisfaction (Fornell 1992; Oliver and Swan 1989; Taylor and Baker 1994). It has been well demonstrated that there is a strong relationship between customer satisfaction with service recovery efforts and a willingness to do business with the service provider in the future (Goodwin and Ross 1992; Kelley and Davis 1994; Smith and Bolton 1998; Sparks and McColl-Kennedy 2001; Vázquez-Casielles et al. 2010). Taking the above-detailed into account, we offer the following research hypothesis:

H4: *Satisfaction with recovery efforts will be positively associated with repurchase intentions.*

Perceiving a company as credible inherently decreases a consumer's perceived risk because it increases the consumer's confidence in the firm. Signaling theory suggests that brands are credible (i.e., believable and trustworthy) signals, which motivate firms to be truthful about

their product and services and to deliver on the promises that they make. Baek and King (2008) found that credibility is positively correlated with perceived quality, information costs saved and purchase intentions. The process of providing a guarantee can also play a role in assisting customers in making future judgments about purchases with that firm. For instance, by effectively delivering on the promised guarantee (i.e., timely, non-burdensome), it would seem reasonable to expect customers to put more faith in that service provider in the future.

Customer loyalty is enhanced when customers are confident that a company has an effective policy for responding to customer complaints (Bowen and Lawler 1995). It has been demonstrated in the literature that a customer that sees a company as being highly credible is more likely to purchase from them (Eisend 2006; Sweeney and Swait 2008). Taking the above-detailed into account, we offer the following research hypothesis:

H5: *Credibility will be positively associated with repurchase intentions.*

Perceptions of credibility of an exchange partner creates an expectation held by an individual that the partner can be relied on in the future (Lindskold 1978). This affects a customer's long-term orientation with the firm by reducing the perception of risk. It was shown in a 2004 meta-analysis that perceptions of credibility resulted in a change in customer attitudes, cognitions and subsequent behavior (Eisend 2004). It offers a reassurance of consistent and competent performance, assuring that the consumer will be satisfied with future experiences with the same service provider (Sirdeshmukh, Singh, and Sabol 2002). If a firm is believed to be credible, based on past positive experiences with this company, the level of confidence towards the firm inherently increases, reducing the level of risk that is often associated with consuming an intangible service. Therefore, if the perceived level of risk decreases, an individual would be more likely to purchase from this firm in the future. Extending prior service recovery research, we propose that higher levels of satisfaction with recovery efforts may increase repurchase intentions when a customer perceives a company

as being more credible.

H6: *Credibility will mediate the relationship between satisfaction with the recovery effort and repurchase intention.*

METHODS

Study Context and Manipulation

The study was conducted whereby a situational variable (difficulty of invocation) was manipulated in an after-only, between-groups experimental design in order to create sufficient variance to test the null form of the research hypotheses. The study created a situation whereby the participants experienced a service failure (lengthy wait to be served throughout the evening) within a restaurant context and were provided an unconditional (if you are dissatisfied in any way you qualify to invoke the guarantee), explicit service guarantee in order for the firm to recover from the event. Customers were promised a 25 dollar gift certificate if they were unsatisfied with the service in any way.

Past studies (see Liden and Skalen 2003) have pointed out that some participants were dissatisfied with the level of compensation that they were provided. For most people "the punishment should fit the crime." These authors point out that finding an appropriate compensation level that satisfied the customer and relates to the level of failure is oftentimes difficult. Therefore, in the current study, the specific amount of compensation was stated in order to set expectations before invocation. Although each respondent is an individual and may react differently with respect to satisfaction with the compensation, we felt that remuneration of \$25 for a lengthy wait throughout the evening was sufficient. Participants were given identical service scenarios with one manipulated change (see the **Appendix** for the two scenarios). One half of the respondents were randomly chosen to be presented with a situation whereby the process to claim the service guarantee was easy (i.e., after explaining the situation, the server immediately apologizes and promptly hands the customer the \$25 gift card). The other half of the respondents were randomly chosen to receive the situation

whereby the process to claim the service guarantee was more onerous (i.e., having to explain in *detail* specifically the situation to the server and subsequently to the manager, having to fill out a form explaining the situation and finally receiving the \$25 gift card). A hypothetical company was used so that participants did not have any preconceived notions or experience with any real, specific company. The idea was to create a context whereby the participant was visiting this restaurant for the first time.

A restaurant scenario was used as the context of the service failure for two reasons. First, the scenarios that were presented were realistic, as most people would have experienced a similar situation in the past (i.e., visiting a restaurant). Second, the service must be one that could be repeatedly purchased to allow for the testing of repeat purchase intent. Finally, the specific failure that was presented was used because most people can relate to being subjected to a lengthy wait in a restaurant context.

Sample and Research Procedure

From a large Canadian university, 318 undergraduate students participated in the study. Participants were randomly assigned to one of two experimental conditions – one involved a scenario whereby a service guarantee was 'easy' to invoke and the other whereby the service guarantee was 'difficult' to invoke.

All participants read a vignette (Alexander and Jay 1978) describing identical situations, apart from the different processes involved to invoke the guarantee. After reading the scenario each respondent was asked to fill out a questionnaire.

The respondents were guaranteed anonymity and were asked to place their questionnaires in an envelope without any markings that would help to identify the individual participant. The proposed study received review and approval from the university's ethics review board.

Measures

Manipulation Check--Perception of Ease of Invocation

One question was asked to determine the respondent's perception of the achieving the guarantee as easy or difficult (1 = very difficult to 5 = very easy).

Procedural Justice

Procedural justice was measured using a four-item scale from Maxham and Netemeyer (2002), using a 7-point Likert scale anchored by 'strongly disagree' and 'strongly agree.' The scale had a Cronbach's alpha of .82.

Satisfaction with Recovery

Satisfaction with the service recovery was measured using a three-item scale adapted from Bitner (1990). It was measured on a 5-point scale anchored by 'strongly disagree' and 'strongly agree.' The scale had a Cronbach's alpha of .77.

Credibility

Credibility was measured using an adapted version of Ganesan's (1994) scale, consisting of four items measured on a 5-point Likert scale anchored by 'strongly disagree' and 'strongly agree.' The Cronbach's alpha for this scale was .77.

Repurchase Intent

Repurchase intent was measured using an adapted version from Maxham and Netemeyer's (2002) and Blodgett et al.'s (1997) scales, which used a 7-point Likert scale (1 - strongly disagree; 7 - strongly agree). The Cronbach's alpha for this scale was .89.

RESULTS

Descriptive statistics and intercorrelations for all study variables are presented in **Table 1**. To confirm the manipulation we compared respondents' ratings of the perception of ease of

invoking the service guarantee across the two conditions. As anticipated, respondents who read the “easy” vignette reported that it was easier to invoke the guarantee ($M = 4.01$, $SD = 1.09$) than

did those who read the “onerous” vignette ($M = 2.34$, $SD = 1.07$), $t(316) = 13.72$, $p < .01$.

We operationalized our hypotheses as an observed variable path analysis and estimated parameters using maximum likelihood estimation.

TABLE I

Descriptive Statistics and Intercorrelations for all Study Variables (N=318)

Variable	M	SD	1	2	3	4	5
1. Repurchase Intent	5.00	1.22	.89				
2. Credibility	2.87	.67	.53**	.77			
3. Recovery Satisfaction	4.78	1.23	.63**	.55**	.77		
4. Procedural Justice	5.04	1.18	.50**	.37**	.66**	.82	
5. Difficulty of invoking service guarantee	-	-	-.31**	-.18**	-.34**	-.49**	-

Notes: Difficulty of invoking coded 1=easy; 2=difficult. * $p < .05$; ** $p < .01$

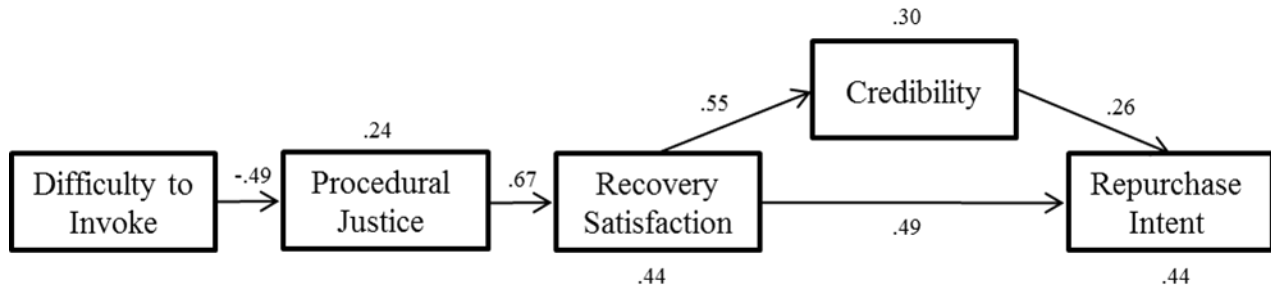
Following the procedures of two-stage modeling (Anderson and Gerbing 1988), we first established the fit of the measurement model. A four-factor model representing the four outcome measures described above provided an acceptable absolute fit to the data ($\chi^2(77, N = 318) = 217.86$, $p < .01$; CFI=.95; RMSEA = .08 $p < .05$) and a substantially better fit than did a one-factor model ($\chi^2(77, N = 318) = 936.47$, $p < .01$; CFI=.70; RMSEA = .19, $p < .01$), $\chi^2_{\text{(difference)}}(6, N=318) = 718.61$, $p < .01$.

We estimated a series of three models (Kelloway 1998). First, the fully mediated model as shown in **Figure 1** provided a poor fit to the data, $\chi^2(6, N = 318) = 91.50$, $p < .01$; NFI = .84; CFI=.85; RMSEA = .21, $p < .01$). The non-mediated model also provided a poor fit to the data, $\chi^2(6, N = 318) = 31.04$, $p < .01$; NFI = .94; CFI=.95; RMSEA = .12, $p < .01$). The partially mediated model, however, provided an absolute

fit to the data, $\chi^2(5, N = 318) = 8.77$, ns; NFI = .99; CFI=.99; RMSEA = .05, ns) and a significantly better fit than either the mediated ($\Delta\chi^2(1, N = 318) = 82.73$, $p < .01$) or non-mediated ($\Delta\chi^2(1, N = 318) = 22.27$, $p < .01$) models.

Standardized parameter estimates for the partially mediated model are presented in **Figure 2**. As shown, repurchase intention was predicted by both recovery satisfaction ($\beta = .49$, $p < .01$) and credibility ($\beta = .26$, $p < .01$). These two variables explained 43.5% of the criterion variance. Credibility was also predicted by recovery satisfaction ($\beta = .55$, $p < .01$; 23.8% of variance) and recovery satisfaction was predicted by procedural justice ($\beta = .67$, $p < .01$; 44.2% of variance). Finally, procedural justice was predicted by the difficulty of invoking the service guarantee as described in the vignette ($\beta = -.49$, $p < .01$), accounting for 25.7% of criterion variance.

FIGURE 2
Standardized Parameter Estimates for the Partially Mediated Model



DISCUSSION

This study aimed to extend the customer service literature on service failures and service recovery by examining how the process of invoking a service guarantee influences customer justice perceptions and outcomes in a service setting. Further, a mediated model was proposed in which customer (recovery) satisfaction influences repurchase intentions through the mediation of customer-perceived firm credibility. Data provided partial support for the proposed mediated relationships.

The results of this study suggest three contributions of some significance. First, although little research has been done on the process of invoking a service guarantee (Hogreve and Gremler 2009), path analysis results demonstrated that in the event of a service failure, consumers prefer companies to provide an 'easy' process when they decide to invoke a service guarantee. This finding suggests that if a company decides to offer a guarantee on their service quality, they should ensure that, when claimed, their frontline employees provide a speedy, non-burdensome response in the complaint management process. Although this may leave companies open to opportunistic behaviors (Wirtz 1998; Wirtz and Kum 2004), past research suggests companies have seen an

increase in profitability when a service guarantee is offered (Hart 1993).

Second, the focus on procedural justice theory is particularly important for service providers seeking to maintain a productive relationship with customers (Tax et al. 1998). There has been support in the literature that procedural justice has a strong effect on satisfaction in a service recovery setting (Vázquez-Casielles et al. 2010). Similarly, the present study indicated that when customers are presented with a no-questions-asked service guarantee during a service failure, they felt that the recovery effort was fair, and were satisfied with the experience as a result. The no-questions-asked service guarantee acts as a signal for the customer, providing a basis for setting recovery expectations. Satisfaction resulted when comparing the recovery experience with these expectations.

Finally, research has shown that a customer's perception of credibility has a significant, positive effect on a consumer's attitude, purchase intentions and subsequent behaviors (Eisend 2006; Sweeney and Swait 2008). It has been suggested that a customer that sees a company as being highly credible is more likely to purchase from them (Eisend 2006;

Sweeney and Swait 2008). Somewhat surprisingly, our study only found partial support for this conclusion. This may be explained by the lack of experience with the company in the vignettes provided in the study. In this context, customers were visiting the restaurant for the first time. But perceptions of credibility often take time to form. Therefore, although the customer was satisfied with the recovery effort and intended to patronize the establishment in the future, the results indicated that perceptions of credibility only partially increased these repurchase intentions. Still, the service guarantee provides a means by which a firm can deliver on its promise in the face of a service failure. It gives the firm a second chance to create customer satisfaction. Although perceptions of credibility take time to fully develop, results reveal that these perceptions are beginning to form.

MANAGERIAL IMPLICATIONS

This research offers implications for management and the development of customer relationships. A service guarantee serves many purposes, not only as a means of attracting and increasing customers' willingness to avail themselves of a firm's services, but also provides a firm with the opportunity to continuously improve the service experience for the benefit of the customer, effectively assuring their prospective customers of their service excellence (Kandampully and Butler 2001). In a competitive environment, customers choose one firm over another on the basis of their perceived knowledge of the firm's ability to offer the best service in the market, which from a customer's perspective is the one that exhibits a commitment to consistent superior service, which is exactly what a service guarantee promises.

Despite the many suggested benefits of implementing a service guarantee (Tax and Brown 2000), the use of service guarantees is still the exception, rather than the rule for most services firms (McCullough 2010). However, the findings from our study indicate that managers of service organizations need to recognize the importance of service guarantees in not only rectifying service failures in a single service encounter context, but also in the formation of credibility perceptions for the purpose of developing longer term relationships. If a firm makes it difficult for a

customer to receive what has been promised to them due to the fear of opportunistic customers, they risk customer relationship development. Customers may become skeptical that the firm is willing and capable of delivering on their promises. When implementing a recovery tool such as a service guarantee, it is more than just about its existence, but also the process that a customer has to go through to obtain it. Therefore, by first implementing a service guarantee on one or more aspect of the services provided and then delivering on that guarantee in an easy and straightforward manner, firms will be providing customers with critical information that will be useful in making future purchase decisions.

Another of the benefits of instituting a service guarantee is to provide employees with a specific standard that they must reach each and every time they serve a customer. However, failure at some point is inevitable. Therefore, based on the results of the current study detailed in this article, customers are more satisfied, see the firm as being more credible and have a higher intention to purchase if the guarantee is easy to secure. In order to properly facilitate a guarantee that is easy to invoke, employees must be properly trained in how to handle service failure situations and should be empowered to a certain degree in order to ensure that the process is quick, efficient, and painless.

LIMITATIONS AND FUTURE RESEARCH

This study was not without its limitations. First, the majority of the sample used consisted of people under the age of 22, posing a threat to the broader generalizability of the results. Therefore, we suggest a replication and perhaps extension of our study with an older sample. In addition, there is a potential interaction between the treatment used and the sample. In the study scenarios a remuneration of \$25 was promised as part of the service guarantee. This amount may be more salient to a younger sample than to the broader population, again suggesting the need for constructive replication with older samples.

Second, our focus was limited to the invocation of the service guarantee and, hence, to perceptions of procedural injustice. Other types

of justice perceptions (e.g., distributive -- dealing with the fairness of the outcome; or interactional -- dealing with the quality of the interaction) are potentially salient as well. Although the data speak to the importance of procedural justice, further investigations should incorporate other forms of justice perceptions.

Third, with our focus on the procedures involved in invoking a service guarantee the results are most pertinent to those firms that have already implemented such a guarantee. However we suggest that based on our results and the results of previous research, there are sufficient data to warrant the suggestion that both having a service guarantee and having a guarantee that is relatively easy to invoke will result in positive customer outcomes.

To reiterate, in the current study focus was placed on the procedures involved in invoking a service guarantee. We recognize that other aspects of justice, such as perceptions of interactional justice, emerging from the staff-customer interaction might play an important role in determining the customer experience. Therefore, we recommend that future research be based on a more complete consideration of justice perceptions.

SUMMARY AND CONCLUSION

Our data reveal that the difficulty in invoking a service guarantee has implications for perceived justice and, ultimately, customer outcomes. Fear of customer abuse and an interest in minimizing exposure may lead firms to consider making it more difficult to invoke a service guarantee. Analysis of the data suggests that this strategy has a larger cost and that making service guarantees more accessible may lead to enhanced credibility and favorable customer outcomes.

REFERENCES

- Alexander, C. S., and Jay, B. H. (1978), "The use of vignettes in survey research," *Public Opinion Quarterly*, 42(1), 93-104.
- Andaleeb, S. S., and Basu, A. K. (1998), "Do warranties influence perceptions of service quality? A study of the automobile repair and service industry," *Journal of Retailing and Consumer Services*, 5(April), 87-91.
- Anderson, James C. , and Gerbing, David W. (1988), "Structural equation modeling in practice: A review and recommended two-step approach," *Psychological Bulletin*, 103(May), 411-423.
- Aurier, P., and Siadou-Martin, B. (2007), "Perceived justice and consumption experience evaluations: A qualitative and experimental investigation," *International Journal of Service Industry Management*, 18(5), 450-471.
- Baek, T., and King, K. (2008), "Consequences of brand credibility in services," Paper presented at the American Academy of Advertising Conference.
- Barlow, J., and Moller, C. (1996), *A complaint is a gift - Using customer feedback as a strategic tool*, San Francisco, CA: Berrett Koehler Publishers.
- Berkman, H. W., and Gilson, C. C. (1986), *Consumer behavior: Concepts and strategies* (3 ed.), Boston, MA.
- Bitner, M. J. (1990), "Evaluating service encounters: The effects of physical surroundings and employee responses," *Journal of Marketing*, 54(2), 69-82.
- Blodgett, J. G., Hill, D. J., and Tax, S. S. (1997), "The effects of distributive, procedural, and interactional justice on postcomplaint behavior," *Journal of Retailing*, 73(2), 185-210.
- Bowen, D. E. , and Lawler, E. E., III. (1995), "Empowering service employees," *Sloan Management Review*, Summer, 73 - 84.
- Chu, Wujin, Gerstner, Eitan, and Hess, James D. (1998), "Managing dissatisfaction: How to decrease customer opportunism by partial refunds," *Journal of Service Research*, 1, 140-155.
- Conlon, D. E., and Murray, N. M. (1996), "Customer perceptions of corporate responses to product complaints: The role of explanations," *Academy of Management Journal*, 39, 1040-1056.
- de Ruyter, Ko, and Wetzels, Martin (2000), "Customer equity considerations in service recovery: a cross-industry perspective," *International Journal of Service Industry Management*, 11(1), 91-108.
- del Rio-Lanza, A. B., Vazquez-Casielles, R., and Diaz-Martin, A. M. (2009), "Satisfaction with service recovery: Perceived justice and emotional responses," *Journal of Business Research*, 62(8), 775-781.
- Eisend, M. (2004), "Is it still worth it to be credible? A meta-analysis of temporal patterns of source

- credibility effects in marketing," *Advances in Consumer Research*, 31, 352-357.
- Eisend, M. (2006), "Source credibility dimensions in marketing communication: A generalized solution," *Journal of Empirical Generalisations in Marketing Science*, 10, 1-33.
- Erdem, Tulin, and Swait, Joffe (1998), "Brand equity as a signaling phenomenon," *Journal of Consumer Psychology*, 7, 131-157.
- Erdem, Tulin, and Swait, Joffe (2004), "Brand credibility, brand consideration and brand choice," *Journal of Consumer Research*, 31, 191-198.
- Ettore, Barbara (1994), "Phenomenal promises that mean business," *Management Review*, 83(3), 18-23.
- Evans, M., Clark, J. D. , and Knutson, B. (1996), "The 100-percent unconditional money-back guarantee," *Cornell Hotel and Restaurant Administration Quarterly*, December, 56-61.
- Fornell, C. (1992), "A national customer satisfaction barometer: The swedish experience," *Journal of Marketing*, 56(1), 6-21.
- Fornell, C., and Wernerfeldt, B. (1987), "Defensive marketing strategy by customer complaint management: A theoretical analysis," *Journal of Marketing Research*, 24, 337-346.
- Ganesan, S. (1994), "Determininents of long-term orientation in buyer-seller relationships," *Journal of Marketing*, 58(2), 1-19.
- Goodwin, Cathy, and Ross, Ivan (1992), "Consumer responses to service failures: Influence of procedural and interactional fairness perceptions," *Journal of Business Research*, 25(2), 149-163.
- Grönroos, C. (1988), "Service quality: The six criteria of good perceived service," *Review of Business*, 9, 10-30.
- Hart, C. W. L. (1988), "The power of unconditional service guarantees," *Harvard Business Review*, 66(4), 23-27.
- Hart, C. W. L. (1993), *Extraordinary Guarantees*, New York, NY: American Management Association.
- Hays, J. M., and Hill, A. V. (2001), "A longitudinal study of the effect of a service guarantee on service quality," *Production and Operations Management*, 10(4), 405-423.
- Hays, J. M., and Hill, A. V. (2006), "An extended longitudinal study of the effects of a service guarantee," *Production and Operations Management*, 15(1), 117-131.
- Hoffman, K. D., and Kelley, S. W. (2000), "Perceived justice needs and recovery evaluation; A contingency approach," *European Journal of Marketing*, 34(3/4), 418-430.
- Hogreve, J., and Gremler, D. D. (2009), "Twenty years of service guarantee research: A synthesis," *Journal of Service Research*, 11(4), 322-343.
- Homburg, C., and Fürst, A. (2005), "How organizational complaint handling drives cusotmer loyalty: An analysis of the mechanistic and the organic approach," *Journal of Marketing*, 69(6), 95-114.
- Kandampully, Jay, and Butler, Liam (1998), "Service guarantee: A strategic mechanism to enhance feedback," *The International Journal of Business Transformation*, 1(4), 240-244.
- Kandampully, Jay, and Butler, Liam (2001), "Service guarantees: A strategic mechanism to minimise customers' perceived risk in service organisations," *Managing Service Quality*, 11(2), 112-120.
- Karatepe, O. M. (2006), "Consumer complaints and organizational responses: The effects of complainants' perceptions of justice on satisfaction and loyalty," *International Journal of Hospitality and Management*, 25, 69-90.
- Kelley, Scott W., and Davis, Mark A. (1994), "Antecedents to customer expectations for service recovery," *Journal of the Academy of Marketing Science*, 22(1), 52-61.
- Kelloway, E. K. (1998), *Using LISREL for structural equation modelling: A researcher's guide*, Thousand Oaks, CA: SAGE Publications.
- Kukar-Kinney, M., Walters, R. G., and MacKenzie, S. B. (2007), "Consumer responses to characteristics of price-matching guarantees: The moderating role of price consciousness," *Journal of Retailing*, 83(April), 211-221.
- Liden, S. Bjorlin, and Edvardsson, B. (2003), "Customer expectations on service guarantees," *Managing Service Quality*, 13(5), 338-348.
- Liden, S. Bjorlin, and Saden, B. (2004), "The role of service guarantees in service development," *Service Industries Journal*, 24(4), 1-20.
- Liden, S. Bjorlin, and Skalen, P. (2003). "The effect of service guarantees on service recovery," *International Journal of Service Industry Management*, 14(1), 36-58.
- Lindskold, S. (1978), "Trust development, the GRIT proposal and the effects of conciliatory acts on conflict and cooperation," *Psychological Bulletin*, 85(4), 772-793.
- Maher, Dan (1991), "Service guarantees: Double barreled standards," *Training* (June), 27-31.

- Mattila, A. S. (2001), "The effectiveness of service recovery in multi-industry setting," *Journal of Services Marketing*, 15(7), 583-596.
- Maxham, J. G. III, and Netemeyer, R. G. (2002), "Modeling customer perceptions of complaint handling over time: The effects of perceived justice on satisfaction and intent," *Journal of Retailing*, 78(4), 239-252.
- McCullough, Michael. A. (2010), "Service guarantees: A review and explanation of their continued rarity," *Academy of Marketing Studies Journal*, 14(2), 27 - 54.
- McDougall, G. H., Levesque, T., and VanderPlaat, P. (1998), "Designing the service guarantee: Unconditional or specific," *Journal of Services Marketing*, 12(4), 278-293.
- Moorman, C., Deshpande, R., and Zaltman, G. (1993), "Factors affecting trust in market research relationships," *Journal of Marketing*, 57(1), 81-101.
- Oliver, R. L. (1980), "A cognitive model of the antecedents and consequences of satisfaction decisions," *Journal of Marketing Research*, 17, 460-469.
- Oliver, R. L., and Swan, J. E. (1989), "Consumer perceptions of interpersonal equity and satisfaction in transactions: A field survey approach," *Journal of Marketing*, 53(2), 21-35.
- Olson, J. C., and Dover, P. A. (1979), "Disconfirmation of consumer expectations through product trial," *J. of Applied Psychology*, 64(2), 179-189.
- Ostrom, A. L., and Iacobucci, D. (1998), "The effect of guarantees on consumers' evaluation of services," *Journal of Services Marketing*, 12(5), 362-378.
- Palmatier, R. W., Dant, R. P., Grewal, D., and Evans, K. R. (2006), "Factors influencing the effectiveness of relationship marketing," *Journal of Marketing*, 70, 136-153.
- Parasuraman, A., Berry, L. L., and Zeithami, V. A. (1991), "Understanding customer expectations of service," *Sloan Management Review, Spring*, 39-48.
- Sharma, A. (1990), "The persuasive effect of salesperson credibility: Conceptual and empirical examination," *Journal of Personal Selling and Sales Management*, 10(4), 71-80.
- Sirdeshmukh, D., Singh, J., and Sabol, B. (2002), "Consumer trust, value and loyalty in relational exchanges," *Journal of Marketing*, 66(1), 15-37.
- Smith, A. K., and Bolton, R. N. (1998), "An experimental investigation of customer reactions to service failure and recovery encounters: Paradox or peril," *Journal of Service Research*, 1(1), 5-17.
- Smith, A. K., Bolton, R. N., and Wagner, J. (1999), "A model of customer satisfaction with service encounters involving failure and recovery," *Journal of Marketing Research*, 36, 356-372.
- Sparks, B. A., and McColl-Kennedy, J. R. (2001), "Justice strategy options for increased customer satisfaction in a services recovery setting," *Journal of Business Research*, 54(3), 209-218.
- Sweeney, Jill, and Swait, Joffe (2008), "The effects of brand credibility on customer loyalty," *Journal of Retailing and Consumer Services*, 15(3), 179-193.
- Tax, S. S., and Brown, S. W. (2000), "Service recovery research insights and practices," in T. Swartz and D. Iacobucci (Eds.), *Handbook of Services Marketing and Management*, Thousand Oaks, CA: Sage Publications.
- Tax, S. S., Brown, S. W., and Chandrashekar, M. (1998), "Customer evaluations of service complaint experiences: Implications for relationship marketing," *Journal of Marketing*, 62(2), 60-76.
- Taylor, S. A., and Baker, T. L. (1994), "An assessment of the relationship between service quality and customer satisfaction in the formation of consumers purchase intentions," *Journal of Retailing*, 70, 163-178.
- Tucci, L. A., and Talaga, J. (1997), "Service guarantees and consumers' evaluation of services," *Journal of Services Marketing*, 11(1), 10-18.
- UPS Fact Sheet (2009), from <http://pressroom.ups.com/Fact+Sheets/UPS+Fact+Sheet>.
- Vázquez-Casielles, Rodolfo, Suárez Álvarez, Leticia, and Díaz Martín, Ana María (2010), "Perceived justice of service recovery strategies: Impact on customer satisfaction and quality relationship," *Psychology and Marketing*, 27(5), 487-509.
- Wernerfelt, Birger (1988), "Umbrella branding as a signal of new product quality: An example of signalling by posting a bond," *Rand Journal of Economics*, 19(458-466).
- Wirtz, J. (1998), "Development of a service guarantee model," *Asia-Pacific Journal of Management*, 15(1), 51-75.
- Wirtz, J., and Kum, D. (2004), "Consumer cheating on service guarantees," *Journal of the Academy of Marketing Science*, 32(Spring), 159-175.
- Wirtz, J., and Mattila, A. S. (2004), "Consumer responses to compensation, speed of recovery and apology after a service failure,"

International Journal of Service Industry Management, 15(2), 150-166.

Send correspondence, including requests to see the actual questionnaire used in this study, to one of the following:

Susan E. Myrden
University of Maine
Orono, Maine 04401
(207) 581-4945
susan.myrden@maine.edu

E. Kevin Kelloway
Saint Mary's University
Halifax, Nova Scotia
B3H 3C3
(902) 491-8616
kevin.kelloway@smu.ca

APPENDIX The Vignettes

[Easy to Invoke]: You and a friend have gone out for dinner to a new restaurant, Benjamin's. Being a busy night, you have to wait a long time to be served by the waitress throughout the evening. As you pay your bill, you notice a sign that reads:

BENJAMIN'S SERVICE GUARANTEE:

If you are in any way unhappy with your service, simply tell your server and receive a \$25 gift card for your next visit.

Being displeased with the service, you explain the situation to your server who immediately apologizes on behalf of the restaurant and promptly hands you a \$25 gift card.

[Difficult to Invoke]: You and a friend have gone out for dinner to a new restaurant, Benjamin's. Being a busy night, you have to wait a long time to be served by the waitress throughout the evening. As you pay your bill, you notice a sign that reads:

BENJAMIN'S SERVICE GUARANTEE:

If you are in any way unhappy with your service, simply tell your server and receive a \$25 gift card for your next visit.

Being displeased with the service, you notify your server who asks you to explain in *detail* specifically why you were unhappy with your experience at Benjamin's. After listening to your explanation, the server proceeds to find a manager. When the manager appears, he asks you to retell the entire situation regarding your experience at Benjamin's. Finally, after ten minutes of thoroughly explaining the details of the poor service you received, the manager provides you with a form that you have to fill out in order to obtain the \$25 gift card. After you finish completing the form, you hand it to the manager who finally provides you with the gift card.

THE A-CRAFT MODEL OF ORGANIZATIONAL RESPONSES TO CUSTOMER COMPLAINTS AND THEIR IMPACT ON POST-COMPLAINT CUSTOMER BEHAVIOR

Moshe Davidow, Technion, Israel Institute of Technology

ABSTRACT

This research presents a model of organizational responses to customer complaints, detailing how customers evaluate those responses through the mediating effects of perceived justice and satisfaction and estimates the impact of those responses on post-complaint customer behavior.

The results provide plausible support for the model. The relationship between the organizational responses and the perceived justice dimensions (distributive, procedural, and interactional) was largely validated, showing that consumers could differentiate between an organizational response, and how they felt about such a response. However, the effect of some of the relationships between the perceived justice dimensions and post-complaint customer behavior were largely indirect through the satisfaction variable.

This research provides empirical evidence for this important area of research, thereby furthering our understanding of customer perceptions of complaint handling techniques. The model allows managers to accurately estimate consumer post-complaint repurchase behavior based on organizational response levels, thus allowing complaint handling optimization.

INTRODUCTION

Recent research into complaint management over the past ten years has revealed a plethora of articles purporting to show where we are as a discipline and where we are headed. Davidow (2003) started it off by throwing down the gauntlet on what we know and what we don't know about complaint handling. Most of his research propositions remain untested. De Matos et. al (2007) took an empirical meta analysis look at the much maligned service recovery paradox and found support for an increase in satisfaction, but no

support for increases in repurchase intentions, corporate image and word of mouth. This raises questions about the importance of satisfaction in determining repurchase intentions and word of mouth. Orsinger et al. (2010) did an empirical meta-analysis looking at complaint satisfaction as a mediator between perceived justice outcomes such as overall satisfaction, word of mouth and repurchase intentions. They found that while complaint satisfaction mediated the effects of perceived justice on word of mouth, it did not mediate the impact of perceived justice on overall satisfaction and repurchase intent. Missing is the antecedents of perceived justice. Gelbrich and Roschk (2011) looked at a meta-analysis of organizational responses leading to perceived justice, then satisfaction, culminating in loyalty (repurchase) and positive word of mouth. While all of these articles shone a light on different areas of complaint handling, we are still missing a comprehensive model of complaint handling from the organizational perspective. That is the purpose of this article.

The quality of a company's relationship with customers is a central determinant of its long term viability (Conlon and Murray 1996). Maintaining this relationship in the midst of customer problems with the product is the purpose of complaint handling. In practical terms, this means focusing on active post-complaint customer behavior such as repurchase or word of mouth rather than emotions and attitudes such as satisfaction and company image. The only reason to handle customer complaints effectively is to maintain the relationship between the customer and the organization. Satisfaction is only a means to the end.

Recent research has also focused on complainers' perceived justice and overall satisfaction with the organizational response, and its impact on repurchase intentions

(Orsinger et al. 2010). However, by focusing only on the consumer reaction to the organizational response, these models have also missed the point, missed the elusive connection between the various dimensions of the overall organizational response and post-complaint customer behavior. Indeed, as Conlon and Murray (1996) stated, little is known about how best to manage this process from an organization's perspective. While we have made some progress in this regard, this statement still rings true today.

We do not disagree with Blodgett (1994) or Orsinger (2010), who suggested that perceived justice (by the complainers) is a major determinant of complainers' repatronage intentions, however, we do feel it does not go far enough. Perceived justice is dictated by the organizational response to the complaint in the first place. In other words, it is how an organization responds to the complaint that is the prime indicator of post complaint customer behavior as suggested by Gelbrich and Roschk (2011).

Here, the evidence is scathing. Andreassen (1988) reported that one third of complaints ended with an unsatisfactory resolution. We have not gotten any better over the last thirty years. Kelly, Hoffman and Davis (1993) reported that over one third of retail recovery strategies were unacceptable to customers. Oliver (1997) found it reasonable to conclude that 50% (plus or minus 15%) of all complainers will remain dissatisfied even after receipt of redress from the firm. Broetzmann (2013) found that 56% of complainers felt that the organization did nothing to handle their complaint, up from 50% in 2003.

How organizations should handle complaints remains almost as much an enigma today as it did in the past. Managerial recommendations concerning how companies should respond to customer complaints have been developed (e.g., SOCAP 1994) and six different dimensions of organizational response were identified and tested in a complaint recovery model (Davidow 2000). However, to date, no other research study has addressed more than three of them simultaneously, and of those studies focusing on three dimensions, few have ever focused on the same three dimensions (see Davidow 2003 for review). By not focusing on all six dimensions, current research has mis-specified

the organizational complaint response model. In their meta-analysis, Gelbrich and Roschk (2011) tested only three dimensions, because not all six organizational responses have empirical relationships with every other construct in prior studies. They also claimed that the three dimensions chosen represent higher order factors of organizational responses.

From a managerial perspective, this lack of knowledge regarding the salient dimensions of organizational responses restricts companies' ability to develop long term customer retention strategies. Where does a company invest resources to manage customer complaints most effectively? Which of the six response dimensions is most critical in impacting post-complaint customer responses? Not knowing these answers precludes management from maximizing post-complaint repurchase intentions and optimizing organizational complaint responses.

From a theoretical perspective, not having an integrative framework that can explain the impact of the various organizational response dimensions on post-complaint customer behavior precludes our understanding of why or how the organizational response dimensions motivate customer behaviors, such as word of mouth activity or intentions to repurchase. It is not enough to know what works, we must be able to determine why it works, in order to be able to adapt to different situations.

One useful framework that has proven useful in the complaint management literature (Orsinger et al. 2010) is based on the justice literature. There are three types of justice, distributive (outcome based), procedural (procedure based), and interactional (enactment based). A company's complaint handling procedures lead to an interaction with the customer, at the end of which, a decision is made. Justice is considered an antecedent of satisfaction, leading to repurchase intentions and word of mouth activity (Tax, Brown and Chandrashekar 1998). Current research postulates that if we want to understand post-complaint customer behavior, we must first understand the three dimensions of perceived justice, and how they impact customer's attitudes, satisfaction and behaviors. However, as mentioned earlier, the customer's perceptions of fairness are prompted by the

actual organizational response. How the organization responds must be separated from how the complainers feel about that response. We must also investigate how these response dimensions affect the perceived fairness of the organization.

While previous research has largely ignored the possibility of mediators, it is the purpose of this research to first examine collectively the six dimensions of organizational responses, and then to investigate the mediating effect of perceived justice on the relationship between organizational responses and post-complaint customer responses in order to better understand the underlying nature of that relationship. More importantly, the perceived justice dimensions provide a specific framework for understanding why customers behave the way that they do (given a response to their complaint), thus adding managerial relevance to the theoretical relevance of the three justice dimensions.

This research will make several contributions. First, it will investigate the full spectrum of six organizational response dimensions and their direct influence on perceived justice and indirect influence on post complaint customer responses.

Second, this research will recognize the importance of the three justice dimensions as mediators in the relationship between the organizational responses and post complaint customer responses thus extending previous research by recognizing the cognitive process involved in a customer evaluating the organizational handling of a complaint.

Third, this research will extend the justice literature by enabling us to measure the impact of organizational response actions on the perceived justice dimensions. This addresses some of the limitations addressed by Blodgett (1994), such as adding key variables to the complaint handling model, and specifically addressing the three components of perceived justice.

Fourth, this research addresses the impact and importance of the perceived justice dimensions on post complaint customer responses, further building on previous research (Bowman and Narayandas 2001), with particular emphasis on intentions to repurchase, and word of mouth activity (also addressing limitations noted by Blodgett 1994,

such as addressing the valence as well as the nature of the word of mouth).

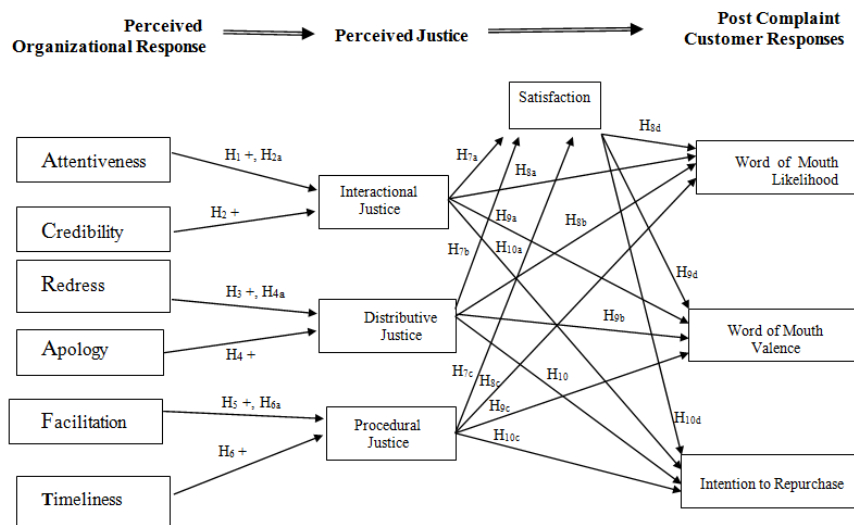
Lastly, it will enable us to determine, for the first time, the relative importance of each organizational response dimension in directly impacting each dimension of justice as well as the indirect influence of each response dimension on each facet of post complaint customer behavior (repurchase intentions, likelihood and valence of WOM).

CONCEPTUAL DEVELOPMENT OF THE MODEL

From a process perspective, complaint handling can be viewed as a sequence of events in which a procedure, beginning with communicating the complaint, generates a process of interaction through which a decision and outcome occurs (Tax, Brown and Chandrashekar 1998). The process is composed of three separate stages (see figure 1): perceived organizational response, perceived justice and satisfaction from that response, and the post complaint customer responses.

In the proposed model, the perceived response received by the complaining customer drives their feelings of perceived justice and satisfaction from the handling of the complaint, which in turn influences the customer's decisions regarding post complaint behavior such as word of mouth and repurchase behavior. In other words, how a company is perceived to respond to a complaint influences the likelihood of future repurchase and word of mouth activity by the complainers. Since the success of complaint handling is determined by the repurchase rate of the complainers (and not by satisfaction from the complaint handling, or some other measure), being able to analyze how perceived organizational responses influence repurchase behavior is an important managerial tool. This ability to decompose the overall satisfaction from complaint handling (inactionable) into separate actionable dimensions of the organizational response will enable managers to pinpoint areas for improvement and better enable researchers to understand the dynamics of complaint management. There are several

Figure 1
Hypothesized Relationships of the A-CRAFT Model



situational variables that may confound the results of any complaint handling model.

These include attributions of blame (Folkes 1984; Blodgett, Granbois & Walters 1993), situation importance (Richins 1981; Blodgett, Granbois & Walters 1993), and the consumer's attitude towards complaining (Richins 1980; Blodgett, Granbois & Walters 1993). In the present study, these variables were measured, and their effect was neutralized. Thus the effects of the model are clean of these confounding variables. This will be discussed in depth in the methodology section.

Relationships Between Organizational Response and Justice Dimensions

Organizational responses to customer complaint behavior are perceived and evaluated by the complainers on six basic dimensions (see Davidow 2000) and are summarized here by their acronym A-CRAFT; attentiveness, credibility, redress, apology, facilitation, and timeliness. These dimensions comprise the various facets of organizational complaint handling.

Attentiveness

This dimension captures the interaction between the company representative and the complainer. It addresses the style with which a decision is implemented, or the enactment of a company's procedures. Garrett, Meyers and Camey (1991) demonstrated that communication between the customer and the organization is a key construct in most complaint management situations. Lewis (1983) found that the way a complaint is handled is a major factor in the repurchase decision.

Attentiveness is comprised of courtesy and respect, which have been identified as principles of interactional justice (Bies and Moag 1986; Colquitt et al. 2001)), but it also includes factors such as empathy and willingness to listen. Empathy is identified as one of the five dimensions of service quality (Parasuraman, Zeithaml, and Berry 1988) embodying the provision of caring, individualized attention. A willingness to listen is at the center of any complaint handling incident (Jenks 1993). It sets the pace for the rest of the interaction by showing a customer that the company cares. This dimension is people oriented rather than process or outcome oriented. It does not focus

on what should be done (policies and procedures), but rather what was done (actual personal interaction). In light of this reasoning, it is hypothesized that:

H₁: *The higher the perceived level of organizational attentiveness, the higher the customer's perceived interactional justice level.*

Credibility means acknowledging the complaint, and recognizing that it has validity in the complainer's eye. It is the willingness of the organization to offer an explanation for the problem. A good explanation will give the customer further support that the complaint was justified, and that management is taking the complaint seriously. Organizations are evaluated not only by their individual response to the complaint, but also by their explanation or account of what happened, and what the company is going to do about preventing it in the future (Morris 1988). The repurchase intentions of complainers are highly correlated with the actions taken by the organization to correct a problem (Lewis 1983). Customers have a tendency to be able to differentiate between honest attempts at introspection and smokescreen tactics that imply going through the motions or a lack of interest in the problem. Honesty is cited as one of the principles of interactional fairness (Colquitt et al. 2001). Explanation, or justification is one of the four basic principles of fair communication (Bies and Moag 1986), which is an element of interactional justice. It is therefore hypothesized that:

H₂: *The higher the perceived credibility of the company, the higher the customer's perceived interactional justice level.*

Given the strong emphasis on the interpersonal aspects of interactional justice, it appears that attentiveness would carry more weight than credibility when determining their impact on interactional justice. Empathy and respect will affect the credibility message as well because the method of delivery is just as important as the message itself. In light of this, it is hypothesized that:

H_{2a}: *Attentiveness will have a stronger impact on interactional justice than credibility.*

Redress

Customers complain after going through some form of cost/benefit analysis (Day 1984). It stands to reason that they will evaluate an organizational response based on the benefits actually received. Customers expect this response to be fair, encompassing not only an attempt to fix the problem, but also compensation if the case warrants it. Compensation has a strong influence on perceived satisfaction and the intention to repurchase (Gilly 1987; Goodwin and Ross 1989). A fair resolution should be based on need, equity, or equality considerations (Deutsch 1975), depending on the circumstances. A delayed flight may only inconvenience one traveler, who has a flexible schedule, while it may victimize another traveler who needs to reach a business meeting on time. In this case, compensation based on equity or equality would be unacceptable. Based on this line of reasoning, it is proposed that:

H₃: *The fairer the organizational response is perceived to be by the customer, the higher a customer's perceived level of distributive justice.*

Apology

Apologies are one of the most powerful social exchanges between people (Barlow and Moller 1996). Genuine apologies can repair relationships while insincere apologies can further damage a relationship. An apology indicates that the relationship is important. According to Andreassen (1988), dissatisfaction can be caused psychologically as well as physically, therefore the loss suffered by the customer can be psychological or physical. Indeed, some complaints cannot be addressed in a satisfactory manner, such as lost film negatives, in the sense that no amount of compensation will restore the customer to equilibrium. In such a case, customers want a sincere apology more than anything else (Barlow and Moller 1996). According to Broetzmann (2013), in 2013 less than one third of all businesses gave an apology to complainers. An apology should be thought of as psychological compensation, in that it assists the customer to restore the equilibrium. Based on this, it is hypothesized that:

H₄: *The more sincere the company apology is perceived to be, the higher the customer's perceived level of distributive justice.*

Given that in the case of a physical loss due to a problem, an apology is not sufficient by itself to placate a complainer, it should be expected that redress would have a larger impact on distributive justice than apology. It is therefore hypothesized that:

H_{4a}: *Redress will have more of an impact on distributive justice than apology.*

Facilitation

An organization is evaluated by its facilitation of the complaint process. This includes all of the policies, procedures and tools that a company has in place to support customer communications and complaints. Facilitation will enable a customer to get a complaint heard, but it does not guarantee a favorable outcome. It involves reducing the "hassle" of complaining. It seems intuitively obvious that if you can't reach the organization, you can't voice a complaint. This widens the definition of process control (see Thibaut and Walker 1975), or voice.

While they do not define it as such, Halstead and Page (1992) are referring to voice (process control) when they state that formal complaining seems to provide consumers with more than just an opportunity to obtain redress. It also allows them to articulate dissatisfaction, obtain information and/or even place blame. These actions alone may relieve some of the dissonance created by the original cause of the complaint (Halstead and Page 1992). Gronroos (1984) in his description of functional quality, states that service accessibility is based on procedures. Based on this line of reasoning, it is hypothesized that:

H₅-: *The more a company is perceived to facilitate the complaint, the higher the customer's perceived procedural justice level.*

Timeliness

Organizational responses are evaluated by how fast the customer perceives the response to be. Previous research looking at this variable has found that response speed has a positive relationship with response satisfaction and intentions to repurchase (Clark, Kaminski, and

Rink 1992; Conlon and Murray 1996; Gilly 1987). Timeliness is a procedural issue and is one of the principles of perceived managerial fairness (Sheppard and Lewicki 1987). Therefore, it is hypothesized that:

H₆ : *The faster the perceived organizational response time, the higher the customer's perceived procedural justice.*

Since the policies and procedures of a company are formalized rules, a customer knows what to expect. Any deviation from those rules would have a major impact on customer's perceptions of the company's procedural justice. Timeliness on the other hand, is not as strictly controlled. A response sent by mail may arrive faster or slower than expected due to fluctuations beyond the company's control. Therefore, the impact of timeliness is expected to be less than the impact of facilitation on procedural justice. It is therefore, hypothesized that:

H_{6a} : *Facilitation will have a stronger impact on procedural justice than timeliness.*

Relationships Between Perceived Justice and Satisfaction

Previous research has shown a positive relationship between perceived justice and satisfaction (Orsinger et al. 2010; Bowman and Narayandas 2001; Smith, Bolton and Wagner 1999; Tax, Brown and Chandrashekar 1998). Based on this evidence, it is therefore hypothesized that:

H_{7a} - *As the level of interactional justice increases, satisfaction will also be increased.*

H_{7b}: *As the level of distributive justice increases, satisfaction will also be increased.*

H_{7c}: *As the level of procedural justice increases, satisfaction will also be increased.*

Relationships Between Perceived Justice and Post-Complaint Customer Responses

Word of Mouth

A negative relationship between perceived justice and the likelihood of engaging in word of mouth activity has already been postulated (Blodgett, Granbois and Walters 1993; Swan and Oliver 1989). However, these results were

based on a single overall justice or equity measure. We also know that dissatisfied consumers engage in more word of mouth than satisfied consumers (TARP 1986, Broetzmann 2013) and that dissatisfied consumers are more likely to engage in negative word of mouth, while satisfied consumers are more likely to engage in positive word of mouth (Tax and Chandrashekar 1992). Blodgett and Anderson (2000) reported that dissatisfied complainers were far more likely to engage in negative word of mouth activity than satisfied complainers, while satisfied complainers were far more likely to engage in positive word of mouth activity than dissatisfied complainers.

Based on these results, it is hypothesized that:

H_{8a}: *The higher (lower) the level of interactional justice perceived, the less (more) likely the complainers will be to engage in word of mouth activity.*

H_{8b}: *The higher (lower) the level of distributive justice perceived, the less (more) likely the complainers will be to engage in word of mouth activity.*

H_{8c}: *The higher (lower) the level of procedural justice perceived, the less (more) likely the complainers will be to engage in word of mouth activity.*

H_{8d}: *The higher (lower) the level of satisfaction perceived, the less (more) likely the complainers will be to engage in word of mouth activity.*

Repurchase Intentions

Previous research has linked intentions to repurchase to the justice literature (Orsinger et al. 2010). Blodgett and Anderson (2000) reported that satisfaction had a positive impact on repurchase intentions. Blodgett, Granbois and Walters (1993) found higher repatronage intentions among those customers who perceived that justice was served by the organizational response, than by those who perceived a lack of justice in the organizational response. Bowman and Narayandas (2001) reported that satisfaction with the response had an effect also on repurchase and also on word of mouth.

Based on this discussion, it is hypothesized that

H_{10a}: *The higher the level of interactional justice perceived by the complainers, the more likely the complainers will be to show intentions to repurchase behavior.*

H_{10b}: *The higher the level of distributive justice perceived by the complainers, the more likely the complainers will be to show intentions to repurchase behavior.*

H_{10c}: *The higher the level of procedural justice perceived by the complainers, the more likely the complainers will be to show intentions to repurchase behavior.*

H_{10d}: *The higher the level of satisfaction perceived by the complainers, the more likely the complainers will be to show intentions to repurchase behavior.*

STUDY METHODOLOGY

Design

A cross sectional survey design with controlling variables was chosen to test the proposed model. Respondents were asked to describe and analyze their reactions to a significant complaint experience they had encountered in the last few months. In the first part of the questionnaire respondents were asked to describe in detail the incident. This served to remind them of the specifics of the incident, thus reducing selective bias. Respondents then filled out the questionnaire analyzing their complaint experience in detail.

Sample

The respondents were 336 students (out of over 500 enrolled) in an introductory marketing class at a large southwestern university, who had complained in the last six months and received an organizational response. The questionnaire was voluntary and did not offer any incentive to the students. 46% of the sample was female, while almost 80% of the sample earned less than \$750 a month. More than 25% of the complaints involved the food industry, almost 20% involved a retail store, and almost 10% involved auto repair.

Scale Development

Following the guidelines proposed by Churchill (1979), an exhaustive literature search was undertaken, to analyze those criteria by which customers judge organizational responses to complaints. Key informants from the Society of Consumer Affairs Professionals, and the International Customer Service Association were interviewed. An open ended survey was administered to 125 undergraduates at a large southwestern university asking them to describe: their last complaint to an organization, what caused the dissatisfaction, why they chose to complain, their level of satisfaction from the organizational response, and the key factors that determined this satisfaction. This led to the development of six dimensions of organizational response, as well as providing a large pool of scale items for each dimension.

Each of the scales (see Table 1) was independently tested using exploratory factor analysis and reliability tests, and further refined using a series of pretests. The items were then combined in a single confirmatory factor analysis to determine that each construct loaded heavily on only one dimension, and that the three scales were not overlapping. The analysis was first done by utilizing the covariance matrix of all the variables in LISREL 8 (Joreskog and Sorbom 1996). A further analysis utilizing the correlation matrix revealed no major differences. Table 1 lists the actual items, their squared multiple

correlations (SMC), the constructs they load on, and the reliability and variance extracted of each measure from the final partial correlation matrix utilized to handle the situational variables. Reliability ranged from a low of 0.755 to a high of 0.959, the variance extracted ranged from a low of 0.506 (above the minimum of 0.500 suggested by Bagozzi and Yi 1988; Fornell and Larcker 1981) to a high of 0.886. Table 2 shows the goodness of fit measures both the measurement and structural models based on the partial correlations matrix. The normed χ^2 (χ^2 relative to the degrees of freedom) of the measurement model was 1.701 (far below the recommended 2.0), the root mean square error of approximation, and the standardized RMR are both well below the recommended 0.05. While the adjusted goodness of fit is only 0.821, both the normed fit index and the Tucker Lewis index are over the recommended 0.900 (see Hair et al. 1998). Convergent validity is demonstrated by the high factor loadings on the represented construct, while discriminant validity is supplied by the test of validity (Anderson and Gerbing 1988; Bagozzi and Warshaw 1990), where the correlation of two factors is less than 1.0 by more than twice their respective standard errors. Correlations of the constructs from the measurement model are shown in Table 3.

Table 1
Operationalization of the Variables

Items	Reliability	Variance Extracted	SMC
Attentiveness	0.883	0.717	
1) The representative treated me with respect.			0.567
2) The representative paid attention to my concerns.			0.763
3) The representative was quite pleasant to deal with.			0.820
Credibility	0.757	0.525	
1) The company did not give me any explanation at all. (R)			0.206
2) I did not believe the company explanation of why the problem occurred. (R)			0.614
3) The reason that the company gave for the problem did not seem very realistic. (R)			0.753
Redress	0.758	0.517	
1) After receiving the company response, I am in the same shape or better than I was before the complaint.			0.543
2) The company response left me in a similar or improved position to where I was before the problem.			0.693
3) The outcome that I received from the company returned me to a situation equal to or greater, than before the complaint.			0.313
Apology	0.896	0.743	
1) I received a sincere "I'm sorry" from the company.			0.711
2) The company gave me a genuine apology.			0.834
3) The company expressed regret for the inconvenience.			0.683
Facilitation	0.755	0.506	
1) The company would not adapt their complaint handling procedures to deal with my situation. (R)			0.539
2) Following company guidelines made it a big hassle to complain. (R)			0.504
3) It was hard to figure out where to complain in this company. (R)			0.477
Timeliness	0.891	0.731	
1) It took longer than necessary to react to my complaint. (R)			0.710
2) They were very slow in responding to the problem. (R)			0.761
3) The complaint was not taken care of as quickly as it could have been. (R)			0.722
Procedural	0.839	0.637	
1) I feel the guidelines used by the company to process my complaint were fair.			0.691
2) I believe that this company is not equipped to deal with complaints in a timely fashion.			0.455
3) I believe that the company guidelines for listening to and processing customer complaints are fair.			0.764
Distributive	0.911	0.774	
1) I am pretty happy with what the company gave me.			0.822
2) I consider the outcome that I received from the company as unfair.			0.687
3) I think that the result I got from the company was appropriate.			0.812
Interactional	0.959	0.886	
1) I felt that the representative was very courteous.			0.867
2) I felt like the representative really cared about me.			0.856
3) I believe that the representative was very considerate.			0.934
Satisfaction	0.957	0.881	
1) My satisfaction with the company has increased.			0.850
2) My impression of this company has improved.			0.901
3) I now have a more positive attitude towards this company.			0.892
Word of Mouth Likelihood	0.831	0.623	
1) I am likely to tell as many people as possible about my complaint experience.			0.526
2) I am likely to talk about my complaint experience with anyone who will listen.			0.772
3) I am likely to mention my complaint experience at every chance.			0.572
Word of Mouth Valance	0.814	0.595	
1) While talking about my complaint, I emphasize how well the company took care of it.			0.605
2) Whenever I talk about my complaint, I stress the positive way that the company reacted.			0.695
3) When I talk about my complaint experience, I let people know how poorly it was handled by the company. (R)			0.484
Repurchase Intentions	0.844	0.643	
1) This brand will continue to be my main purchase choice in the future.			0.566
2) I will use this brand much less in the future. (R)			0.683
3) I will probably switch to another brand in the future. (R)			0.681

Confounding Variables

Several variables have been shown to have a significant impact on complaint behavior (Andreasen 1988; Blodgett, Granbois and Walters 1993) and could potentially influence post complaint customer behavior. In order to minimize any potential influence of these variables on the perceived justice of the organizational response, or the post complaint customer behavior, these variables were controlled to the extent possible. Three confounding variables were included in the study; attitude towards complaining, situation importance and attributions of blame for the dissatisfying incident.

Situation importance, or how important was the incident to the complainers, has a positive relationship with complaint behavior (Andreasen 1988; Dellande 1995, Richins 1985). The more important the incident, the more likely the consumer is to complain. It is therefore possible that it may also influence the perceived fairness of the organizational response. Situational importance is measured by a single item scale.

Blame for the complaint incident has an effect on whether consumers complain or not. Consumers who feel the company is to blame for the incident are more likely to complain than consumers who feel that they are at least partially to blame for the complaint incident (Andreasen 1988; Folkes 1984). These attributions may also affect consumer perceptions of the organizational response fairness. Attributions of blame are measured by a single item measure.

Attitude towards voicing a complaint has a significant positive effect on complaint behavior. The more positive a consumer's attitude towards complaining, the more likely a consumer will be to complain (Andreasen 1988, Halstead and Droge 1991). This attitude may also influence consumer's perceptions of

the fairness of the organizational response. Attitude towards complaining is measured as a single item scale.

The covariates were all first tested using regression analysis. The post complaint customer responses (repurchase and WOM) were used as dependent variables and the three justice dimensions and satisfaction as independent variables together with the covariates. Since one or more of the three covariates was significant in each relationship, it would appear that the covariates do have a significant influence on the model. Therefore, the decision was made to test the model after partialing out the effect of the covariates. The technique used was to partition out the effect of the covariates by using partial correlations, and then inputting the partial correlation matrix into the structural equations model instead of the covariance matrix (see Newcomb and Bentler 1988). This procedure eliminates all the variance associated with these three variables, thus allowing the model to reflect the actual relationships between the hypothesized variables.

Before using a partial correlation matrix, the original model was tested again using a correlation matrix instead of a covariance matrix in order to insure that there was no significant difference in the analysis between the two matrices. The results showed no differences in goodness of fit between the covariance matrix and the correlation matrix. Having shown that either matrix was a viable choice for the analysis, the model was then run using a partial correlation matrix to eliminate the influence of the three confounding variables. The results are fairly similar to the correlation and covariance matrices regarding the goodness of fit measures, thus allowing us to proceed with the analysis.

TABLE 2
Goodness of Fit Measures for the Tested Model

chi ²	Measurement 1061.172	Structural 1254.499
d.f.	624	657
Normed Chi Square	1.701	1.909
Root Mean Square		
Error of Approximation (RMSEA)	0.0455	0.0525
Standardized RMR	0.0456	0.051
Goodness of Fit	0.857	0.838
Adjusted Goodness of Fit	0.821	0.808
Normed Fit Index	0.902	0.891
Tucker Lewis (Non Normed Fit) Index	0.949	0.937
Comparative Fit Index	0.957	0.944
Critical N	213.501	199.748

TABLE 3
Correlations Between Variables (Phi) Based On Partial Correlation Matrix
Estimates, Standard Deviations, and t-value*

	1	2	3	4	5	6	7	8	9	10	11	12	13
Procedural (1)	1.00												
Distributive (2)	0.815 (0.027) 30.350	1.00											
Interactional (3)	0.792 (0.027) 29.317	0.723 (0.031) 23.678	1.00										
Satisfaction (4)	0.794 (0.027) 29.318	0.851 (0.020) 43.470	0.0.749 (0.027) 27.728	1.00									
Likelihood (5)	-0.292 (0.061) -4.806	-0.245 (0.060) -4.079	-0.251 (0.058) -4.311	-0.220 (0.058) -3.703	1.00								
Valance (6)	0.795 (0.033) 24.249	0.846 (0.026) 32.461	0.737 (0.033) 22.170	0.872 (0.022) 39.403	-0.204 (0.065) -3.160	1.00							
Repurchase (7)	0.495 (0.052) 9.502	0.486 (0.051) 9.621	0.464 (0.050) 9.250	0.608 (0.042) 14.538	-0.189 (0.064) -2.958	0.548 (0.051) 10.798	1.00						
Attentiveness (8)	0.819 (0.027) 30.076	0.740 (0.031) 23.589	0.978 (0.009) 114.26	0.0.751 (0.029) 25.881	-0.326 (0.058) -5.608	0.745 (0.035) 21.301	0.494 (0.051) 9.728	1.00					
Credibility (9)	0.605 (0.047) 12.942	0.585 (0.046) 12.764	0.556 (0.046) 12.090	0.582 (0.045) 13.056	-0.257 (0.063) -4.070	0.618 (0.048) 12.989	0.363 (0.060) 6.072	0.607 (0.045) 13.455	1.00				
Redress (10)	0.700 (0.042) 16.730	0.871 (0.026) 33.194	0.600 (0.045) 13.449	0.739 (0.035) 21.134	-0.273 (0.064) -4.267	0.389 (0.044) 15.580	0.326 (0.063) 5.217	0.639 (0.044) 14.416	0.545 (0.053) 10.204	1.00			
Apology (11)	0.695 (0.037) 18.763	0.640 (0.039) 16.506	0.809 (0.024) 34.005	0.609 (0.040) 15.399	-0.253 (0.060) -4.195	0.740 (0.035) 20.990	0.312 (0.059) 5.319	0.837 (0.024) 35.28	0.568 (0.047) 12.022	0.558 (0.049) 11.317	1.00		
Facilitation (12)	0.838 (0.033) 25.115	0.647 (0.045) 14.381	0.644 (0.043) 14.843	0.614 (0.046) 13.481	-0.361 (0.063) -5.740	0.634 (0.050) 12.729	0.398 (0.062) 6.465	0.721 (0.040) 17.849	0.551 (0.055) 10.032	0.499 (0.059) 8.416	0.593 (0.049) 12.123	1.00	
Timeliness (13)	0.691 (0.038) 18.261	0.529 (0.046) 11.375	0.481 (0.048) 10.105	0.531 (0.045) 11.803	-0.218 (0.062) -3.540	0.601 (0.046) 13.149	0.335 (0.058) 5.742	0.567 (0.045) 12.667	0.452 (0.054) 8.352	0.390 (0.058) 6.686	0.429 (0.052) 8.227	0.821 (0.033) 24.733	1.00

The top number in each square is the correlation estimate between two variables.
The middle number (in parentheses) is the standard deviation.
The bottom number is the t-value. All values are significant at the $p < 0.0001$ level.

ANALYSIS AND RESULTS

The data were tested in two stages using structural equations modeling. The first step was testing the measurement model to confirm that the scales are unidimensional and reliable. The hypotheses were tested using Lisrel 8.3 (Joreskog and Sorbom 1996). An examination of all the items loading on the constructs revealed that all were significant at the 0.001 level (the lowest t-value was 7.851). The overall fit of the model was tested using several measures (see Table 2). While the χ^2 is significant, that is not unexpected with a sample size of larger than 330, and alternative measures were used to determine goodness of fit. The normed chi square index is 1.909 (below the recommended maximum level of 2.0). The standardized root mean square residual (RMR) is 0.051, close to the limit of 0.05 for acceptable fit. The adjusted goodness of fit is slightly low at 0.808, but the Tucker Lewis (NNFI) index is 0.937, and the comparative fit index is 0.944, both above the acceptable level of 0.90. While the model does not have an excellent fit with the data, it does appear reasonable.

Of the hypotheses dealing with the relationships between the organizational responses to the perceived justice dimensions, almost all of them were supported (see Table 4). With the exception of credibility, all of the dimensions loaded on the respective perceived justice dimension. Credibility, despite previous research to the contrary (Conlon and Murray 1996, Morris 1988) had no significant relationship with interactional justice. This result is all the more surprising given the anecdotal evidence (SOCAP 1994) supporting it. Another interesting result was the direction of the relationship between timeliness and procedural justice. While it was hypothesized as a positive relationship, in effect, the results show a significant negative effect, which seems counter intuitive. This relationship could be a perception that the company hasn't had enough time to look into the complaint thoroughly. There is a tradeoff between being fast and being thorough. Not all wait time is the same (Gurney 1990). At a fast food restaurant, a customer appreciates speed, however, in the processing of a complex loan, the customer may prefer a little less speed and a little more care. Therefore, the longer it takes

to handle a meaningful complaint, the higher their level of procedural justice. Boshoff and Gnoth (1997) found that a long delay significantly lowered service recovery satisfaction, but a short delay actually slightly increased the satisfaction level. Response context is critical in evaluating this coefficient because in effect a negative coefficient implies the longer it takes, the higher the level of procedural justice. In fact, every company in the sample did respond. It seems intuitive that there is an upper bound to the time customers are willing to wait, and when reached, procedural justice drops, but within that bound, customers are willing to be patient. Timeliness has not consistently had a positive significant relationship. Gilly and Gelb (1982) found that timeliness was not a significant factor in complaints with a monetary value, a finding that was supported by Morris (1988). This is the first time that the relationship has been reported as negative, however, and further work needs to be done in this area.

Some of the hypotheses concerning the relationship between perceived justice and post-complaint customer responses were rejected. All three justice dimensions had a significant direct effect on satisfaction (supporting both Orsinger et al. 2010 and Gelbrich and Roschk 2011), but no justice dimension had a direct effect on all three post-complaint customer responses. Procedural justice has a significant relationship with both word of mouth variables, but not with repurchase intentions. Distributive justice has a direct impact on word of mouth valance, but not on word of mouth likelihood and a negative impact on repurchase intentions. It is very interesting that while distributive justice has a negative direct effect on repurchase intentions, there is a positive indirect effect through satisfaction. There is therefore no total effect of distributive justice on repurchase intentions.

One possible explanation could be the replacement effect. Since customers have received fair compensation, they have no need for immediate replacement. Only when they don't receive fair outcomes, then they have to purchase immediate replacements. In either case, it appears that satisfaction is the immediate driver of repurchase intentions, and not distributive justice.

TABLE 4: Test of Hypotheses

H #	Content	Support	Comments
1	Attentiveness has a positive relationship with interactional justice	Supported	
2	Credibility has a positive relationship with interactional justice	Rejected	
2a	Attentiveness has more impact on interactional justice than credibility	Supported	
3	Redress has a positive relationship with distributive justice	Supported	
4	Apology has a positive relationship with distributive justice	Supported	
4a	Redress has a stronger impact on distributive justice than apology.	Supported	
5	Facilitation has a positive relationship with procedural justice	Supported	
6	Timeliness has a positive relationship with procedural justice	Rejected	Relationship is significant and negative
6a	Facilitation has a stronger impact on procedural justice than timeliness	Supported	
7a	Interactional justice has a positive impact on satisfaction	Supported	
7b	Distributive justice has a positive impact on satisfaction	Supported	
7c	Procedural justice has a positive impact on satisfaction	Supported	
8a	Interactional justice has a positive impact on word-of-mouth likelihood.	Rejected	
8b	Distributive justice has a positive impact on word-of-mouth likelihood.	Rejected	
8c	Procedural justice has a positive impact on word-of-mouth likelihood.	Supported	
8d	Satisfaction has a positive impact on word-of-mouth likelihood.	Rejected	
9a	Interactional justice has a positive impact on word-of-mouth valence.	Rejected	
9b	Distributive justice has a positive impact on word-of-mouth valence.	Supported	
9c	Procedural justice has a positive impact on word-of-mouth valence.	Supported	
9d	Satisfaction has a positive impact on word-of-mouth valence.	Supported	
10a	Interactional justice has a positive impact on repurchase intentions.	Rejected	
10b	Distributive justice has a positive impact on repurchase intentions.	Rejected	
10c	Procedural justice has a positive impact on repurchase intentions.	Rejected	
10d	Satisfaction has a positive impact on repurchase intentions.	Supported	

Interactional justice had no direct effect at all on any of the post-complaint customer responses except for satisfaction. Interestingly enough, satisfaction impacted the valance of the word of mouth, as well as repurchase intentions, but not the likelihood of word of mouth. Procedural justice has emerged as a much stronger construct than previously hypothesized. This result emphasizes the need for companies to plan ahead and develop a strong infrastructure to handle customer communications, because it has a strong direct effect on all the post-complaint customer responses.

Interactional justice does not appear to significantly impact the post-complaint customer responses. This research suggests that interactional justice, being an isolated, one time event has a significant impact on satisfaction, but no impact on post complaint customer responses. These customer responses seem to be more driven by satisfaction and procedural justice, both of which have a lasting, long term effect. A smile can only go so far, but it takes something of more substance to initiate word of mouth activity. Complainers may forgive an employee for having a bad day, provided that they feel that the organization as a whole is motivated and committed to handling complaints well. It is only when customers perceive the employee's lack of interactional justice as stemming from a lack of organizational policies and procedures that the word of mouth activity will be significant.

These results do show that the perceived justice dimensions (contrary to both Orsinger et al. 2010 and Gelbrich and Roschk 2011) sometimes have a direct response (as well as an indirect response) on post complaint customer responses.

Another interesting result focuses on word of mouth activity. While it has been widely held that satisfaction drives word of mouth activity, this research suggests that it is in reality procedural justice that drives the likelihood of word of mouth activity. Satisfaction does significantly affect the valance of word of mouth activity, having a much stronger impact on the valance than either procedural justice or distributive justice. But it would appear that the trigger of word of mouth activity (likelihood) depends only on procedural justice, those policies and procedures that are in place long before the

complaint is even initiated.

DISCUSSION AND MANAGERIAL IMPLICATIONS

It has long been assumed that compensation is the dominant force behind complainer's satisfaction levels. This research suggests that while a certain level of redress is important, it is a necessary but not a sufficient condition for satisfaction and favorable post-complaint customer responses. Procedural justice appears to be the prime motivator of word of mouth activity. The process of handling the complaint is the infrastructure and the heart of the system. It must be developed long before the complaint has been voiced. This gives procedural justice additional visibility in the complainer's eyes, as well as a strong base for influencing post complaint customer behavior. It therefore plays a key role in complaint handling. Since these procedures are planned well in advance of the complaint, managers may want to make them more salient to the consumer. Focusing on Table 6 reveals that the key component of procedural justice is facilitation; however, even timeliness has a stronger impact on repurchase intentions than redress.

Interactional justice appears to be fleeting, while distributive justice can influence the content but not the likelihood of word of mouth activity. Procedural justice has a lasting impression which can be made more tangible and evaluated by the customer, before it is needed. This needs to be leveraged by the manager, in a sense, building up equity before the complaint is registered, and perhaps to a large degree, improving the odds that the complaint will reach the company, instead of to other, less productive channels such as social media.

TABLE 6
Total Effects Model
Standardized Estimates

Effect	Attentiveness	Credibility	Construct Redress	Apology	Facilitation	Timeliness
Procedural	-	-	-	-	1.595*	-0.740*
Distributive	-	-	0.794*	0.204*	-	-
Interactional	1.010*	ns	-	-	-	-
Satisfaction	0.168#	ns	0.433*	0.111*	0.352#	ns
Valence	0.142#	ns	0.394*	0.101*	0.474*	-0.220#
Repurchase	ns	ns	ns	ns	0.416#	ns
Likelihood	ns	ns	ns	ns	-0.502#	0.233#

* Significant at $\alpha = 0.01$

Significant at $\alpha = 0.05$

ns = not significant

CONCLUSION

This research study makes several significant contributions to the literature. First, it supports the strong effect of perceived justice on post-complaint customer responses reported in previous research (Orsinger et al. 2010 and Gelbrich and Roschk 2011) is largely mediated by satisfaction. This mediation provides further evidence that the perceived justice dimensions are antecedents to satisfaction. Based on this research, it appears that the perceived justice dimensions are more short term evaluations leading to a longer term evaluation called satisfaction. Perhaps there are three separate dimensions of satisfaction; procedural satisfaction, distributive satisfaction, and interactional satisfaction. The mediating effect of satisfaction does not really detract from the usefulness of the perceived justice dimensions in complaint management situations, rather it shifts it to another area. Instead of focusing on how justice impacts the post-complaint customer responses, research should look more into how perceived justice impacts satisfaction.

Second, the research on organizational response dimensions has been broadened and

deepened. This research reveals that the number of organizational response dimensions is larger than previously determined. This finding will help expand future research and contribute to more comprehensive models and solutions allowing managers to better handle customer complaints. This research has also expanded the impact of organizational research dimensions to include not only their impact on post-complaint customer responses, but also to include their impact on the mediating variables of perceived justice. This expansion enables researchers to determine not only the indirect effect of the organizational response dimensions on post-complaint customer responses (see for example Conlon and Murray 1996; Goodwin and Ross 1992; Lewis 1983), but also to determine the direct effect on the three dimensions of perceived justice and satisfaction. These results provide support for a more comprehensive complaint handling model, allowing us to measure the actual impact of the various variables. This is critical for managers, given the sad state of affairs in complaint handling today (Broetzmann 2013)

Third, the distinction between the three justice dimensions is significant. Being able to

differentiate between the different impacts of the three perceived justice dimensions allows researchers to better isolate the different influences of those justice dimensions on post-complaint customer responses. This in turn will enable researchers to determine which justice dimension is most important in influencing a specific post-complaint customer response. This research also calls into question the relationship between procedural justice and interactional justice by revealing that, in contrast to other studies, procedural justice has a much stronger influence in this study than did interactional justice (see for example Blodgett, Hill and Tax 1997). Further research in this area is warranted.

While it would be irresponsible to suggest far-reaching conclusions based on the limited generalizability of this study, there are still a number of observations that can be made. By understanding the empirical relationships, managers can better understand the dynamics involved. First of all, a strong infrastructure to facilitate complaints is an asset. Research has also shown that likelihood of success in a complaint situation is a powerful determinant of the likelihood of complaining (Blodgett, Granbois and Walters 1993; Richins 1983). Both of these concepts represent the organizational response of facilitation, the policies and procedures that a company has in place to support customer communications. This result suggests that not only do the policies have to be in place, but the customer must also be aware of their existence. Managers need to make more effort to make customers aware of alternative courses of contact with the company. In the past, companies were hesitant to draw attention to complaint-handling departments (Goodman and Stampfl 1983). Focusing on complaint handling was believed to lead to a lower perception of quality and intentions to repurchase. This research suggests that knowing how a company will handle complaints gives the customer a safety net, an added incentive to try a product. This concept is being implemented today by placing consumer department e-mail addresses, social media information, etc. on products. Knowing that they can easily contact the company seems to increase the customer's satisfaction with the company. According to Broetzmann (2013), organizations are doing all the right things, but are doing them the wrong way.

This would indicate that implementation is a serious issue.

Facilitation also impacts word-of-mouth in two ways. First of all it acts upon the likelihood of engaging in word-of-mouth. The higher the level of perceived facilitation, the less likely the complainers is to talk to other people. It appears that the complainers might assume that the problem is a one time occurrence. A certain level of trust develops in a company that goes to such lengths to prepare policies and procedures for any eventuality. Facilitation also impacts the valence of word-of-mouth. Given that a person has engaged in word-of-mouth, a high level of perceived facilitation has a strong positive influence on the word-of-mouth valence. Again, the effort to which the company has gone to build the facilitation infrastructure evidently causes a positive response in the customer, resulting in greater than normal positive feedback. In a sense, the facilitation infrastructure gives customers another positive thing about which to talk. Given the impact of word-of-mouth in general, this is an important finding.

Third, the question of fairness does count. It seems clear that fairness means not only that a fair outcome is important, but also a fair due process and a fair implementation of the policy and procedures. Given the importance of seeming fair and the significant impact it has on word-of-mouth and repurchase intentions, companies may want to increase the level of training, motivation, and pay for those employees handling such a sensitive issue as complaints. Given the importance of defensive marketing (Fornell and Wernerfelt 1987) and the impact of fairness on satisfaction and post-complaint customer responses, it seems rather shortsighted to put underpaid, undertrained, and under motivated employees in such a crucial position. All too often, the response to a complaint is a whining "it's not my department", or "it's not my problem" (Glen 1992). This response only tends to exacerbate the problem, leading to greater dissatisfaction. By measuring the impact that the six response dimensions have on satisfaction, repurchase and word of mouth activity, managers can then determine optimal levels for complaint handling to maximize the impact on post complaint customer behavior.

RESEARCH LIMITATIONS

First, and foremost among the limitations is the use of a judgment sample, which directly impacts the external validity and generalizability of these findings. Replication of these results using a random sampling procedure if possible, would yield more generalizable results. Failing that, multiple random samples from different populations might contribute to the generalizability of the results. These results are not generalizable in a statistical sense and should be regarded as such. Use of a student sample may have impacted these results in another manner as well. While the students made legitimate purchases and complaints, they may lack the maturity and experience to accurately evaluate the response. Further, the homogeneity of the sample in terms of age, income, and education may have contributed to some of the findings of this study.

Second, relying on respondents to accurately remember events that occurred some time in the past may have affected the results of this research. Problems associated with memory enhancement or memory loss could have impacted these findings. While these methods have been used in previous research, alternative methods that could minimize the problem should be explored.

Third, a better model fit could be achieved by improving the current measures. Looking at the residuals and the modification indices in the confirmatory factor analysis stage can give insights into those items that need improvement. Utilizing multi-method techniques may also improve the measures, because using a common method to measure the constructs may be contributing to the high correlations between some of the constructs. Measurement error may have contributed to the lack of significance between credibility and interactional justice.

Finally, while an attempt was made to look at a comprehensive model of complaint handling, there are still some variables that have not been accounted for. For instance, does the number of contacts people have with an organization have an effect on their perceived justice? Perhaps prior complaint experience may also impact the model. What about possible intervening variables? Do context importance, attitude towards

complaining, or attributions of blame have any impact on the model? These are all areas of future research.

FUTURE RESEARCH

This study has answered several questions, but has raised many others. First of all, better measures must be adopted. Research in this area is being hampered due to the lack of accepted measures for the constructs. In this void, researchers operationalize their constructs differently, thereby contributing to potentially conflicting results. If there are no rigorous measures for the constructs, then our ability to further our knowledge in this area is severely limited. This was also mentioned in Gelbrich and Roschk (2011).

Second, relying on customer recall may be introducing a bias into the research. Other methods of investigation should be attempted and evaluated. Perhaps it would be possible to link a customer's perception of an organizational response with the actual organizational response by comparing customer recollections to empirical company data. In this way, we could examine the difference between the actual complaint response and the perceived complaint response. This comparison could lead to research in the area of what affects customer perceptions of the response.

Third, more work needs to be done on the identification and integration of covariates into the model. While attitude, importance, and blame affect consumers' complaint processes (Andreasen 1988), do they also affect post-complaint customer responses? Other possible covariates might include previous complaint experience, number of contacts made with the organization to get the complaint handled, and the stability (how often this problem occurs)/controllability (how much control the company has over this problem) of the problem.

Fourth, future research should explore different consumer contexts in an attempt to generalize the results. Perhaps it would be possible to utilize companies' complaint data bases to reach respondents in similar situations or with similar products to test some of the relationships in a more controlled setting. Research in an international setting would also allow us to expand our knowledge of

complaint management to include cultural differences between countries. These cultural differences would have important implications for multinational companies attempting to centralize their complaint management.

Fifth, research needs to be done to determine the effect that high switching costs have on complaints and post-complaint customer responses. While this research included these cases in the sample, future research could examine whether the perceptual processes are the same in a high-switching-cost industry (airlines because of frequent miles, or computer gaming systems such as Nintendo or Sega) and a low-switching-cost one.

In conclusion, more research is needed into clarifying the organizational response dimensions. Are there five or six? Why did credibility not relate to any of the perceived justice or post-complaint customer response variables? What are the relationships between the organizational response dimensions and the perceived justice dimensions? Can one response dimension affect more than one justice dimension? The answers to these questions would have major implications for managers.

REFERENCES

- Anderson, James C. and David W. Gerbing (1988), "Structural Equation Modeling in Practice: A Review and Recommended Two Step Approach," *Psychological Bulletin*, 103 (3), 411-423.
- Andreasen, Alan R. (1988), "Consumer Complaints and Redress: What We Know and What We Don't Know," in *The Frontier of Research in the Consumer Interest*, E. Scott Maynes and the ACCI Research Committee, eds. Columbia, MO: American Council on Consumer Interests, 675-722.
- Bagozzi, Richard P. and Paul R. Warshaw (1990), "Trying to Consume," *Journal of Consumer Research*, 17 (September), 127-140.
- _____ and Youjiae Yi (1988), "On the Evaluation of Structural Equation Models," *Journal of the Academy of Marketing Science*, 16 (Spring), 74-94.
- Barlow, Janelle and Claus Moller (1996), *A Complaint Is A Gift: Using Customer Feedback As A Strategic Tool*. San Francisco, CA: Berrett-Koehler Publishers, Inc.
- Bies, Robert J. and Joseph S. Moag (1986), "Interactional Justice: Communication Criteria of Fairness," in *Research on Negotiations in Organizations*, Vol. 1, Roy J. Lewicki, Max H. Bazerman, and Blair H. Sheppard, eds. Greenwich, CT: JAI Press, 43-55.
- Blodgett, Jeffrey G. (1994), "The Effects of Perceived Justice on Complainers Repatronage Intentions and Negative Word of Mouth Behavior," *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 7, 1-14.
- _____, and Ronald D. Anderson (2000), "A Bayesian Network Model of the Consumer Complaint Process," *Journal of Service Research*, 2 (4), May, 321-338.
- _____, Donald H. Granbois, and Rockney G. Walters (1993), "The Effects of Perceived Justice on Complainers Negative Word of Mouth Behavior and Repatronage Intentions," *Journal of Retailing*, 69 (4), 399-428.
- _____, Donna J. Hill, and Stephen S. Tax (1997), "The Effects of Distributive, Procedural, and Interactional Justice on Postcomplaint Behavior," *Journal of Retailing*, 73 (2), 185-210.
- Boshoff, Christo and Juergen Gnoth (1997) "The 'What, How, When, and Who' of Service Recovery," in *Proceedings, Marketing: Progress Prospects Perspectives*, European Marketing Academy Conference, Warwick Business School, May 20-23
- Bowman, Douglas and Das Narayandas (2001), "Managing Customer-Initiated Contacts with Manufacturers: The Impact on Share of Category Requirements and Word-of-Mouth Behavior," *Journal of Marketing Research*, 38 (August), 281-97.
- Broetzmann, Scott (2013), "Will We Ever Learn?: The Sad State of Customer Care in America (Results from the 2013 Customer Rage Study)," Customer Care Measurement and Consulting, Alexandria, Virginia
- Churchill, Gilbert A., Jr. (1979), "A Paradigm for Developing Better Measures of Marketing Constructs," *Journal of Marketing Research*, 16 (February), 64-73.
- Clark, Gary L., Peter F. Kaminski, and David R. Rink (1992), "Consumer Complaints: Advice on How Companies Should Respond Based On an Empirical Study," *The Journal of Consumer Marketing*, 9 (3), 5-14.
- Colquitt, J. A., Conlon, D. E., Wesson, M. J., Porter, C. O. L. H., & Ng, Y. K. (2001). Justice at the Millennium: A Meta-Analytic Review of 25 years of Organizational Justice Research." *Journal of Applied Psychology*, 86(3), 425-445.
- Conlon, Donald E. and Noel M. Murray (1996), "Customer Perceptions of Corporate

- Responses to Product Complaints: The Role of Explanations," *Academy of Management Journal*, 39 (4), 1040-1056.
- Davidow, Moshe (2000), "The Bottom Line Impact of Organizational Responses to Customer Complaints," *Journal of Hospitality and Tourism Research*, 24 (4), November, 473-490.
- _____ (2003) "Organizational Responses to Consumer Complaints: What Works and What Doesn't," *Journal of Service Research*, Vol. 5 (3) February, 225-250
- Day, Ralph L. (1984), "Modeling Choices Among Alternative Responses to Dissatisfaction" in *Advances in Consumer Research*, Vol. 11, Thomas Kinnear, ed. Provo, UT: Association for Consumer Research, 496-499.
- Dellande, Stephanie (1995), "Consumer Response to Dissatisfaction: An Overview," GSM Working Paper #MK95012, August, Graduate School of Management, University of California, Irvine.
- De Matos, Celso Augusto, Jorge Luiz Henrique, and Carlos Alberto Vargas Rossi (2007), "Service Recovery Paradox: A Meta Analysis," *Journal of Service Research*, Vol. 10 (1), August, 60-77
- Deutsch, M. (1975), "Equity, Equality and Need: What Determines Which Value Will Be Used As The Basis of Distributive Justice," *Journal of Social Issues*, 31 (3), 137-149.
- Folkes, Valerie S. (1984), "Consumer Reactions to Product Failure: An Attributional Approach," *Journal of Consumer Research*, 10 (March), 398-409.
- Fornell, Claes and David F. Larcker (1981), "Evaluating Structural Equation Models With Unobservable Variables and Measurement Error," *Journal of Marketing Research*, 18 (February), 39-50.
- _____ and Birger Wernerfelt (1987), "Defensive Marketing Strategy by Customer Complaint Management: A Theoretical Analysis," *Journal of Marketing Research*, 24 (November), 337-346.
- Garrett, Dennis E., Renee A. Meyers, and John Camey (1991), "Interactive Complaint Communication: A Theoretical Framework and Research Agenda," *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 4, 62-79.
- Gelbrich, Katja, and Holger Roschk (2010), "A Meta Analysis of Organizational Complaint Handling and Customer Responses," *Journal of Service Research*, Vol. 14 (1), 24-43
- Gilly, Mary C. (1987), "Postcomplaint Processes: From Organizational Response to Repurchase Behavior," *Journal of Consumer Affairs*, 21 (2), 293-313.
- _____ and Betsy D. Gelb (1982), "Post Purchase Consumer Processes and the Complaining Consumer," *Journal of Consumer Research*, 9 (December), 323-328.
- Glen, Peter (1992), *It's Not My Department: How America Can Return to Excellence Giving and Receiving Service Quality*. Berkley, CA: Berkley Publishing Group.
- Goodman, John A. and Ronald W. Stampfl (1983), "The Consumer Affairs Department in Business: Expanding Its Functions and Identifying It's Bottom Line Contributions," Wisconsin Working Paper, 10-83-19, Graduate School of Business, University of Wisconsin-Madison.
- Goodwin, Cathy and Ivan Ross (1989), "Salient Dimensions of Perceived Fairness in Resolution of Service Complaints," *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 2, 87-92.
- _____ and Ivan Ross (1992), "Consumer Responses to Service Failures: Influence of Procedural and Interactional Fairness Perceptions," *Journal of Business Research*, 25, 149-163.
- Gronroos, Christian (1984), "A Service Quality Model and Its Marketing Implications," *European Journal of Marketing*, 18, 36-44.
- Gurney, Peter (1990), "Wait A Minute," *Bank Marketing*, 22 (4), 37-39.
- Hair, Joseph F., Ralph E. Anderson, Ronald L. Tatham, and William C. Black (1998), *Multivariate Data Analysis*. Fifth Edition. Upper Saddle River, NJ: Prentice Hall.
- Halstead, Dianne and Cornelia Droge (1991), "Consumer Attitudes Toward Complaining and the Prediction of Multiple Complaint Responses," in *Advances in Consumer Research*, Vol. 18, Rebecca Holman and Michael Solomon, eds. Provo, UT: Association for Consumer Research, 210-216.
- _____ and Thomas J. Page, Jr. (1992), "The Effects Of Satisfaction and Complaining Behavior On Consumer Repurchase Intentions," *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 5, 1-11.
- Jenks, Monica (1993), "Ten Easy Steps to Defusing Anger," *Mobius*, 12 (2), 36-39.
- Joreskog, Karl G. and Dag Sorbom (1996), *LISREL 8: User's Reference Guide*. Chicago, IL: Scientific Software International, Inc.
- Kelley, Scott, K. Douglas Hoffman, Mark A. Davis (1993) "A Typology of Retail Failures and Recoveries," *Journal of Retailing*, Vol. 69 (4), Winter, 429-452.
- Lewis, Robert C. (1983), "Consumers Complain - What Happens When Business

- Responds?," in *International Fare in Consumer Satisfaction and Complaining*, Ralph L. Day and H. Keith Hunt, eds. Bloomington, IN: Bureau of Business Research, p. 88-94.
- Morris, Susan V. (1988), "How many Lost Customers Have You Won Back Today? An Aggressive Approach to Complaint Handling in the Hotel Industry," *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 1, 86-92.
- Newcomb, Michael D. and P. M. Bentler (1988), "Impact of Adolescent Drug Use and Social Support on Problems of Young Adults: A Longitudinal Study," *Journal of Abnormal Psychology*, 97 (1), 64-75.
- Oliver, Richard L. (1997), *Satisfaction: A Behavioral Perspective on the Consumer*. New York: Irwin/McGraw-Hill.
- Orsingher, Ciara; Sara Valentini, Matteo de Angelis (2010), "A Meta Analysis of Satisfaction with Complaint Handling in Services," *Journal of the Academy of Marketing Science*, Vol. 38 (2), 169-186
- Parasuraman, A., Valerie A. Zeithaml, and Leonard L. Berry (1988), "SERVQUAL: A Multi-Item Scale for Measuring Consumer Perceptions of Service Quality," *Journal of Retailing*, 64 (1), 12-40.
- Richins, Marsha L. (1980), "Consumer Perceptions of Costs and Benefits Associated with Complaining," in *Refining Concepts and Measures of Consumer Satisfaction and Complaining Behavior*, H. Keith Hunt and Ralph L. Day, eds. Bloomington, IN: Bureau of Business Research, 50-53.
- (1983), "Negative Word of Mouth by Dissatisfied Consumers: A Pilot Study," *Journal of Marketing*, 47 (Winter), 68-78.
- (1985), "The Role of Product Importance in Complaint Initiation," in *Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, H. Keith Hunt and Ralph L. Day eds., Bloomington, IN: Dept. of Marketing, Indiana University, 50-53
- Sheppard, Blair H. and Roy J. Lewicki (1987), "Toward General Principles of Managerial Fairness," *Social Justice Research*, 1 (2), 161-176.
- SOCAP (1994), *Corporate Guide to Effective Complaint Management*, M. Lauren Basham, ed. Alexandria, VA: SOCAP.
- Smith, Amy, Ruth Bolton, and Janet Wagner (1999), "A Model of Customer Satisfaction With Service Encounters Involving Failure and Recovery," *Journal of Marketing Research*, 36 (3), August, 356-372.
- Swan, John E. and Richard L. Oliver (1989), "Post-purchase Communications by Consumers," *Journal of Retailing*, 65 (4), 516-533.
- TARP (1986), *Consumer Complaint Handling in America: An Updated Study*. Washington, D.C.: Office of Consumer Affairs, Technical Assistance Research Programs.
- Tax, Stephen Saul, Stephen Brown, and Murali Chandrashekar (1998), "Customer Evaluations of Service Complaint Experiences: Implications for Relationship Marketing," *Journal of Marketing*, 62 (April), 60-76.
- Thibaut, J. and L. Walker (1975), *Procedural Justice: A Psychological Analysis*. Hillsdale, NJ: Lawrence Erlbaum

Send correspondence regarding this article to:

Moshe Davidow, Ph.D.

Industrial Engineering & Management Faculty
Technion, Israel Institute of Technology
Technion City, Haifa 32000
ISRAEL
Tel: 972-4-834-1554
e-mail: moshe@service2profit.com

How Imperfect Practice Leads to Imperfection: A Hierarchical Linear Modeling Approach to Frustration during an Iterative Decision

Anjala Krishen, University of Nevada, Las Vegas

Han-Fen Hu, University of Nevada, Las Vegas

ABSTRACT

This paper proposes the concept of law of diminishing returns and decisional commitment, by studying the way in which subjects hone in on a set of choices to make a decision over several decision occasions. We conducted an experiment with seventy-nine subjects who had to choose a computer they would buy, given monetary constraints, from a large choice set. Our goal in this research was to study how elapsed time and number of decision occasions affect choice quality.

We utilized hierarchical linear modeling in order to study the individuals' choice quality growth over time along with several individual-level covariates. Specifically, we posited that there may be conditions under which the law of diminishing returns may not always prevail to explain choice decisions. Our findings show significant results for two different models. The first model shows that choice quality and elapsed time are related in a quadratic fashion with confidence as a significant level 2 predictor. The second model shows that choice quality and number of decision occasions are linearly related with frustration as a significant level 2 covariate. Overall, the results show that the choice quality decreases over time, especially for those with high confidence level; choice quality increases with the number of decision occasions, especially for those with high frustration level.

BACKGROUND LITERATURE

In order to understand how consumers arrive iterate to a choice gradually, we must first introduce and explain the literature surrounding the models we will formulate.

Amount of information presented. Previous research on choice set construction has shown that when the amount of information

displayed is structurally varied, information overload, resulting from less information acquisition, can result in lowered decision quality (Keller & Staelin; 1987; Lurie, 2004). Many researchers have shown that the two primary causes of the overchoice effect are cognitive load and anticipation of regret (Gourville & Soman, 2005). Cognitive load has been shown to be induced by increasing the set size (Iyengar & Lepper, 2000) whereas anticipation of regret can be reduced by offering warranties or returns on products. When consumers perceive a higher level of complexity with information than they were expecting, whether this is on a website or in a choice set, they tend to experience lower satisfaction and higher frustration (Krishen & Kamra, 2008). This research aims to explore an interesting question in regards to the ultimate choice quality, amount of time required, and the subjective state of the person.

The law of diminishing returns, stated as "When increasing amounts of one factor of production are employed in production along with a fixed amount of some other production factor, after some point, the resulting increases in output of product become smaller and smaller" (Johnson, 2005). Although this law was originally proposed to explain productivity in farming situations, it has continued to be applied to consumer choice models to explain, for example, attribute valuation (Johnson & Meyer, 1995). Economics literature has introduced cost-benefit analysis, which has been applied to consumer decision making strategy (Payne, Bettman, & Johnson, 1993) in terms of the trade-off between effort (cognitive load) and accuracy (choice quality). This framework suggests that compensatory decision making strategies are often bypassed in order to save effort and use noncompensatory heuristic ones, leading to a possible decrease in decision accuracy (Luce, Bettman & Payne, 2001).

Decisional commitment. Wood (2001) studied decision commitment in the context of return policies and signaling theory in e-commerce purchasing decisions. The commitment she discussed centered on a situation in which a consumer makes an initial decision, is presented further information, and then either chooses to commit to the initial decision or explore other alternatives. Other researchers have discussed decision commitment in terms of post-rationalization of a choice or judgment, discussing factors such as accountability (Tetlock, 1991; Luce, Bettman & Payne, 2001).

In the current research, subjects are presented with a set of choices which they can choose to iterate through as many times as they wish, until they reach a suitable decision. The aim is to investigate the relationship between the subjective outcomes of confidence and frustration as they relate to the objective outcomes of choice quality and elapsed time. Commitment, defined as, "...the state of being bound emotionally or intellectually to a course of action..." can be applied to a decision making context when subjects actually have the ability to freely choose until they reach their final decision (Houghton Mifflin, 2000). Thus we introduce the concept of decisional commitment in order to allow subjects to actively decide when they want to commit to a choice.

Frustration, Satisfaction, and Confidence. Fitzsimons, Greenleaf, and Lehmann (1997) discuss consumption satisfaction and decision satisfaction, noting that the latter is a more specific case of the former. In an empirical setting, Zhang and Fitzsimons (1999) suggest that the key delineator in this particular outcome variable is the word "process." Whereas most satisfaction research focuses on a consumers' post-choice satisfaction with the choice itself (Houston, Sherman, & Baker, 1991), choice process satisfaction as a variable was created in order to separate the *process* of making a choice with the choice itself. Krishen, Nakamoto and Herr (2008) conduct several studies which delineate between a choice process and a choice outcome (or choice process satisfaction or frustration versus decision satisfaction). They find that frustration and

satisfaction are consistently significantly negatively correlated across several experiments.

Botti and Iyengar (2004) highlight the difference between choosers and non-choosers by finding that the simple act of choosing is not a sufficient condition for outcome satisfaction. At a glance, this is something often taken for granted – that when an individual is presented with an array of goods and provided with one gratis, he/she will experience some level of satisfaction *above* that of someone who is merely presented with the same array of choices and not allowed to pick one. Yet Botti and Iyengar (2004) showed that it is not the simple act of choosing which produces increased satisfaction; individual goals and desires interact with the situation to determine final satisfaction. Iyengar and Lepper (2000) found similar angularities in subjective response to their extensive choice participants. In their sample, extensive choice participants reported enjoying the choice process more while still finding it to be more frustrating and difficult. Iyengar and Lepper (2000) conclude that the overchoice condition may have been more enjoyable but it was still overwhelming. Whereas frustration seems to be tied more to the *process*, satisfaction (even though it is measured as *choice process* satisfaction) appears to be linked more to the *outcome*. Research shows that higher knowledge normally translates to higher confidence (Krishen, Nakamoto, & Herr, 2008). Wood and Lynch (2002) reason that high knowledge consumers may have more confidence than they should about a new stimulus and therefore may process it less extensively.

HYPOTHESES

A combination of the law of diminishing returns with this effort-accuracy framework would lead to the notion that choice quality, at some point, would be lessened by the addition of effort (computed as elapsed time), after passing the optimal choice in the optimal elapsed time. If the amount of information presented to the subjects is varied either systematically or randomly, the above hypothesis still holds true. Thus, the shape of the relationship between quality and elapsed time will hold constant even when the amount of

information presented varied. Thus we posit the hypothesis:

H1: *The shape of the relationship between choice quality and elapsed time will be quadratic, as in the law of diminishing returns; thus as the elapsed time increases, the choice quality will increase to a point past which the relationship will curve downwards.*

The second hypothesis of this study entails how measurement occasions, which, in some sense measures decisional commitment, relates to choice quality across subjects. Specifically, consumers with more experience are presented with more information regarding the alternatives, and would learn from the iterations of decision. The consumer then can choose to commit to his/her own initial decision, or switch to a better choice; as a result, the decision quality would increase as the latter iterations of decision occasions. We thus hypothesize that:

H2: *As the number of decision occasions increases, the choice quality per choice set will also increase.*

THE MODELS

Model 1: Quality Over Time

This research utilizes hierarchical linear modeling (HLM) to study how subjects change as they move towards their final choice decision. HLM allows the creation of two levels, the first which utilizes within-person data as separate decision occasions, and the second which allows single person-level outcome measurements to be integrated into the overall model (Raudenbush & Bryk, 2002). Given that our H1 hypothesis calls for a diminishing returns model, we formulate our level one equation as follows:

$$Y_{it} = \pi_{0i} + \pi_{1i}(\text{Elapsed Time})_{it} + \pi_{2i}(\text{Elapsed Time})_{it}^2 + e_{it} \quad (1.1.1)$$

The level one model is specified such that the dependent variable, Y_{ij} represents the choice quality per choice decision at time t for subject i . The first term on the right-hand side of equation

1.1.1, the intercept parameter, is the base ability of the person i at time 0. The independent variable in the equation is elapsed time. The first coefficient π_{1i} is the growth rate (i.e. improvement or decline) for subject i over the multiple subsequent occasions; thus it is the expected change during a fixed period of time. Finally, as this is formulated as a quadratic model, we also include π_{2i} as the acceleration of the growth rate for subject i over multiple subsequent occasions.

At the aggregate level, we also consider confidence as a critical individual characteristic that affects how the choice decision changes over time for a consumer. For a consumer with a higher level of confidence, his/her choice quality may decrease dramatically when he/she spent more time on making the decision. Therefore, at level 2 we have these equations:

$$\pi_{0i} = \beta_{00} + \beta_{01}(\text{Confidence}) + r_{0i} \quad (1.2.1)$$

$$\pi_{1i} = \beta_{10} + \beta_{11}(\text{Confidence}) + r_{1i} \quad (1.2.2)$$

$$\pi_{2i} = \beta_{20} + \beta_{21}(\text{Confidence}) + r_{2i} \quad (1.2.3)$$

The level two model, represented by equations 1.2.1, 1.2.2, and 1.2.3, allows for the specification of several person-level covariates, measured as independent variables.

Model 2: Quality Over Occasions

Our second model will be used to test the second hypothesis which centers on the individual learning which occurs during the choice process. Again, hierarchical linear modeling will allow for measurement from the individual growth perspective. Thus, our level one equation will be as follows:

$$Y_{it} = \pi_{0i} + \pi_{1i}(\text{Decision Occasions})_{it} + e_{it} \quad (2.1.1)$$

At the aggregate level, we also take an individual difference into account to model the cross-individual differences. Level of frustration while making the decision may have an influence on how consumers' choice quality improves through the learning process. Thus, we posit frustration as a predictor as the personal level. At level 2, we have these equations:

$$\pi_{0i} = \beta_{00} + \beta_{01}(\text{Frustration}) + r_{0i} \quad (2.2.1)$$

$$\pi_{1i} = \beta_{10} + \beta_{11}(\text{Frustration}) + r_{1i} \quad (2.2.2)$$

Unlike model 1, this model is formulated such that occasions should be linearly related to choice quality. The variable specifications are identical to those given above, with the exception of the independent variable, decision occasions, which represents the number of times each person traverses through the decision process. The important note model 2 is that decision occasions are user-determined, i.e. the subjects are free to stay or leave the decision making process at will.

THE EXPERIMENT

In this research, each subject was given the task of selecting the best possible computer from the choice set given to them per iteration, at or under \$3000. The initial set of choices they were presented was randomly constructed from the database of over 4000 computers. Regardless of the number of computers presented to the subject, we wish to study the within-subject behavior which unfolds as the person progresses through subsequent decision occasions. The present research question, then, centers on the relationship between the concept of decisional commitment, the time-quality tradeoff, and several post-choice subjective measures. The process used to make a decision is not specifically measured or relevant in this study, making it different than studies of, for example, emotional reaction to information/time constraints (as in Luce, Bettman & Payne, 2001) or effort-accuracy with regards to information overload (as in Lurie, 2004).

A software program was created in order to allow subjects to traverse through a choice process gradually (or abruptly, if they chose to do so). In order to simultaneously assess the quality and efficiency of the choice experience for each subject, we used both subjective measures (frustration and confidence) and objective measures (total elapsed time, total number of computers viewed, and final choice quality). The subjective measures were measured one time during the choice experiment per person, thus they are present as level 2 variables in our HLM model. The objective

variables were measured each time the subjects made a choice, and since the number of choices each subject made varied, these are present as level 1 variables in our HLM model.

Experimental Procedure

Design and Task. After conducting two pretests, we determined attributes along with corresponding information to form a valid set of data for our choice paradigm. For our main experiment, 79 marketing undergraduates, enrolled in an introductory level marketing course participated in this study.

Information Acquisition System. A computer program (as shown in Figure 1) was designed in order to create the choice paradigm for the subjects; it contains a dataset of over 4000 choices. Subjects were presented with the following attributes per choice:

1. Make (brand) – Gateway, Dell, IBM, HP (4 options)
2. Model (fictitious combination of letters and numbers)
3. Processor speed – 1.0, 1.5, 2.0, 2.5, 3.0, 3.5, 4.0 (7 options)
4. Hard drive size – 20, 40, 60, 80 (4 options)
5. RAM – 256 MB, 512 MB, 1024 MB (3 options)
6. Drive type – none, CD-ROM, CD-RW, DVD/CD-RW (4 options)
7. Internet connectivity – none, modem, ethernet, ethernet/wireless (4 options)
8. Price - ranges from \$499.99 to \$5044.99

Our pretests allowed for brand ranges in the dataset so as to reduce the impact of brand preference (Krishen and Nakamoto, 2009). Also, we assessed brand preferences for the brands represented in our dataset, and did not find any significant brand preferences for the participants. In the experiment, each subject was presented with the following task:

After hitting continue, you will be presented with a set of computers on the right hand side of your screen. Given a budget of at or under \$3000,

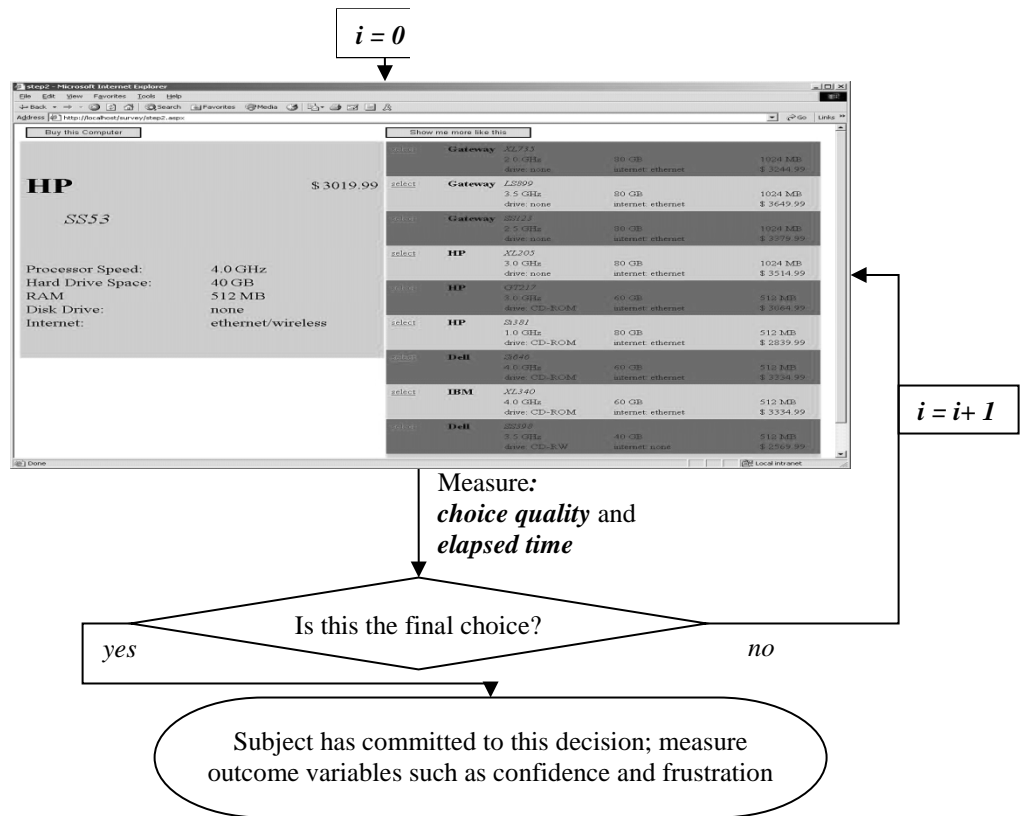
select the computer that best fits your needs for each set you see. Each time you pick one from the group presented to you, you will be presented with another set to choose from. Continue selecting computers until you think you've found the best selection for you. At that point, click the "Buy" button.

The set of initial choices presented to each subject was randomly generated. Determining which computers to display in the software program, following the initial random set, was accomplished through an "adaptive windowing" process using what we term the p-q choice algorithm. The P-Q metric is calculated for each occasion of the choice set experienced by the subject. To make this decision, we use a square window, centered on the previous choice on the p-q plane. We choose 80% of the next set of

computers to be displayed from inside this window. The remaining 20% are uniformly randomly selected. If the user clicks a choice again inside this window, the window size is adaptively reduced. Further, if the user clicks outside of this window, the window size is adaptively increased.

It is important to note that although this adaptive windowing should create higher quality choices over time; that is not guaranteed programmatically. This is due to the fact that subjects may make a less optimal choice which will then be adapted to in their next decision occasion. Figure 1 shows the decision process and the interplay between the variables of our model.

Figure 1
Decision Making Process



Experimental Variables

Choice quality was collected as the dependent variable in this study, measured by comparing the chosen computer per choice set with the best and worst ones in that set; this method of determining choice quality was also used by Luce (2004). The dependent variable, elapsed time was measured in seconds per choice set; Covariates, such as frustration and confidence, are also included in the level 2 model; the measurements of the covariates are listed in Appendix A.

Table 1 shows the descriptive statistics for the model variables. Elapsed time and choice quality are measured per choice occasion (which are collected per subject multiple times) and thus have $n=699$. On the other hand, the level 2 variables of interest are collected per person following the completion of the choice task, therefore there are only $n=75$. It is also interesting to make note that confidence and frustration have the high variances.

Table 1
Model 1 And 2 Variables

Variables	N	Mean	Standard Deviation	Minimum	Maximum
Occasion	699	10.84	12.62	1	71
Elapsed time	699	12.95	14.21	1	87
Chosen quality	699	41.58	14.35	6	77
Confidence	75	4.98	1.41	1.67	7
Frustration	75	2.71	1.34	1	6

Assumption Checks

Tables 2 and 3 illustrate the process used to check the required assumptions for formulation of models 1 and 2. As shown in the tables, the assumptions seem to be close to met. The one possible problem can be seen in Table 2, in the scatterplot of residuals and elapsed time for the assumption of homogeneity of variance; this plot does not necessarily appear to be homogeneous. There is more of a fan pattern in this graph. The other assumption checks for both Table 2 and 3 show that the assumptions are otherwise met.

Table 2
Level 1 Assumptions

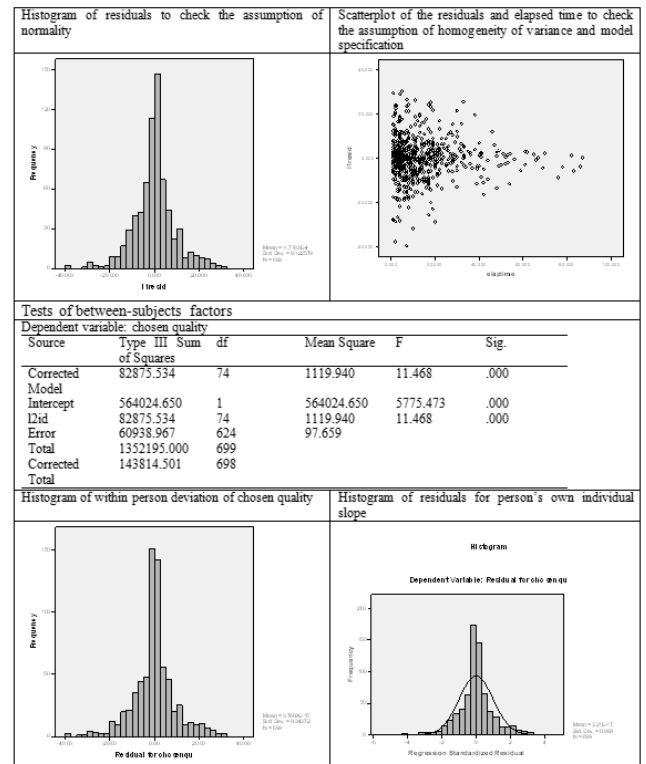


Table 3
Level 2 Assumptions

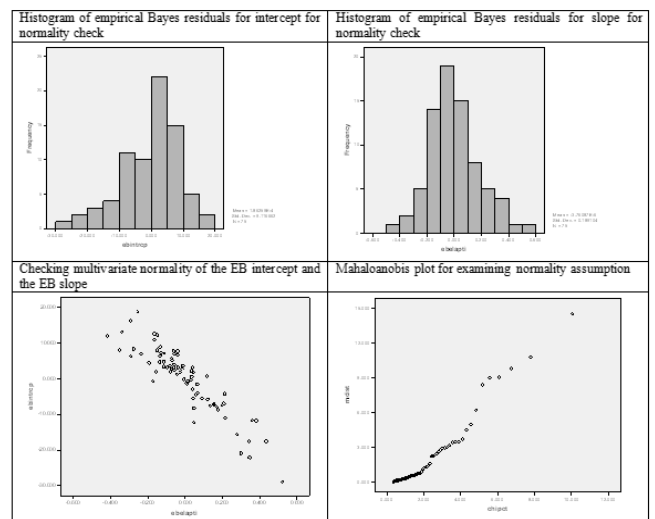
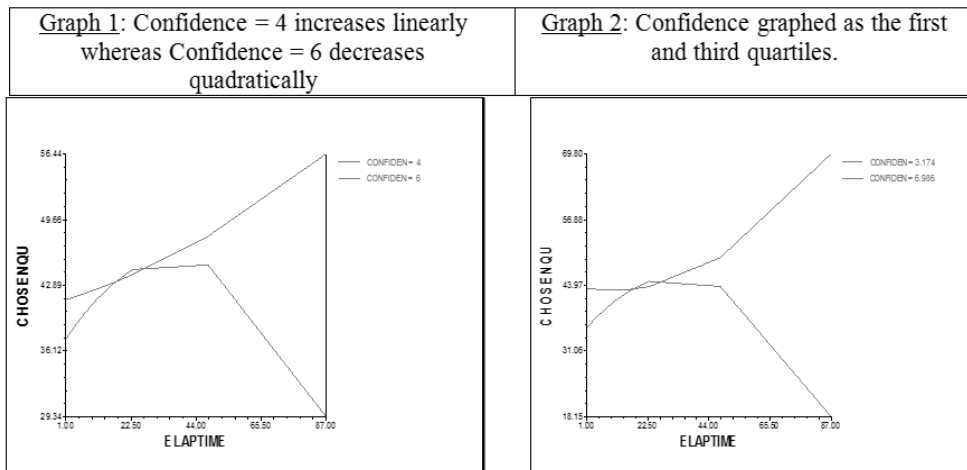


Table 4
Model 1 Results

<i>Fixed effect</i>							
	<i>Fixed effect</i>		27.870548	6.477309	4.303	73	0
	CONFIDEN,	B01	2.243724	1.246581	1.8	73	0.076
	For ELAPTIME SLOPE, P1, INTRCPT2	B10	1.266048	0.397114	3.188	73	0.003
	CONFIDEN	B11	-0.195301	0.07838	-2.492	73	0.015
	For ELAPSQUA SLOPE, P2, INTRCPT2	B20	-0.021517	0.005013	-4.292	73	0
	CONFIDEN	B21	0.003738	0.001014	3.686	73	0.001
<i>Random effect</i>			<i>Standard deviation</i>	<i>Variance component</i>	<i>df</i>	<i>Chi-square</i>	<i>P-value</i>
	INTRCPT1	R0	11.10442	123.30812	22	160.67007	0
	ELAPTIME SLOPE	R1	0.55287	0.30567	22	47.03835	0.002
	ELAPSQUA SLOPE	R2	0.0064	0.00004	22	34.67878	0.042
	level-1	E	9.44786	89.26204			

Figure 2
Confidence as a Covariate



RESULTS

Model 1: Quality Over Time

Tests of H1 began by checking the linear model for choice quality and elapsed time. Table 4 shows model 1 results.

In the final analysis of the relationship between chosen quality and elapsed time, the results show that the decision quality decreases quadratically with elapsed time. In addition, the effects of the squared elapsed time differ by a consumers' level of confidence regarding the decision. The results suggests that with a high level of confidence, a consumer's decision quality will more prominently decrease with squared elapsed time, as compared to one with lower level of confidence.

The results can be illustrated by Figure 2. For a consumer with low level of confidence, his/her choice decision would increase if he/she spends more time on the decision; however for a highly confident consumer, the decision quality decreases with time elapses.

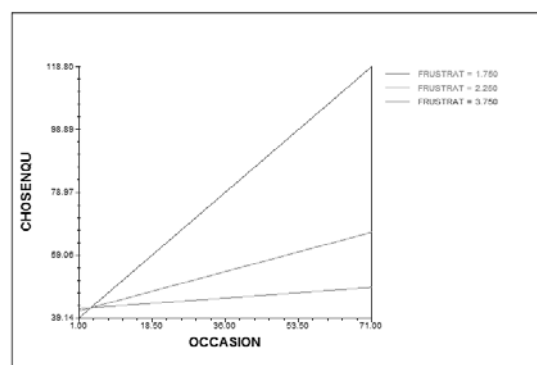
Model 2: Quality Over Occasions

Tests of H2 began again by the same unconditional model as is given above. Table 5 shows the results for the analysis of this model.

Table 5
Model 2 Results

Fixed effect							
	Fixed effect		45.426866	3.802149	11.948	73	0
	FRUSTRAT	B01	-1.98008	1.257234	-1.575	73	0
	Random effect		-0.815277	0.604708	df	73	0.182
	FRUSTRAT	R0	9.54047	0.201328	74	73	0
Random effect			9.89393	97.88991			
	OCCASION SLOPE	R1	1.47999	2.19037	69	414.88208	0
	level-1	E	8.69812	75.65721			

Figure 3
Frustration as a Covariate



The result shows that the decision quality increases linearly with choice occasions, indicating the learning effect in the decision process. This relationship between decision quality and choice occasion is more prominent when the level of frustration is high for the consumer. The results can be illustrated by Figure 3. When the data is plotted in quartiles, it shows the positive association between decision quality and the number of choice occasions; the association increases and the choice quality increases. For a consumer with high level of frustration, the increase rate of decision quality with decision occasions is higher than those with low level of frustration.

CONCLUSIONS AND IMPLICATIONS

The results of this study show several interesting characteristics of choice decisions which hold even when the amount of information presented to a subject varies between choices. Using hierarchical linear modeling to analyze the data provides interesting insight into the way in which subjects traverse through their decision process at their own pace, with their own level of perfection, to meet their final decision. In the present research, respondents iterated through a choice process, and eventually reported their frustration and confidence, both of which serve as indicators of future satisfaction with the final decision. The connection between frustration with a shopping process and dissatisfaction with the decision itself has been studied and verified by several researchers (Yan & Lotz, 2009); this includes a study by Lee (2003) which suggests that frustrated customers are more likely to complain about their dissatisfaction with vending machines.

There are several important aspects of this research. First, our findings show that even though spending too much time often yields diminishing returns with regards to quality, there are exceptions to this phenomenon. As model 1 shows, when subjects spend too much time on making choice decisions, a consumer with high level of confidence is in fact suffer from lower choice quality. That is, highly confident consumers should not spend too much time on making choice decision. This finding is significant given that Lichtenstein et al. (1982)

have previously noted a highly researched finding in decision and judgment theory, overconfidence bias, which essentially shows that people often mis-calibrate their knowledge level. Second, we study the within-subject outcomes per decision iteration (occasion) using hierarchical linear modeling, which allows for rich formulation of the model and accounts for how subjects undergo a growth process as they make their decision.

Third, the second model was introduced to further expand on the relationships between occasions and quality. This model, as could be expected, showed how the quality of a subject's decision improves as he/she continues to iterate through occasions. Further, we found that frustration was a significant covariate in the model, and though not always the desired result, we showed that when subjects iterate through occasions and increase the quality of their decision more significantly; this relationship is stronger for consumers with higher level of frustration. This result could have direct impact, for example, on the way choice scenarios are constructed in the e-commerce domain and the process by which businesses can provide decision satisfaction. Essentially, consumers need to be provided with ample information so as to make decisions with as few iterations (i.e. clicks) as possible to improve their outcome satisfaction.

In summary, this research could be further extended such that we test the model with a different choice scenario, for example, by providing a website shopping experience. In a further study, we could take the confidence scale and research whether the phenomenon observed in terms of confidence level is more of an individual difference or if it is domain and task specific. Another avenue for future research would involve an extension of a choice process to eventually determine how the consumer would react to the decision made in terms of word of mouth. By providing an experiment in which the consumer could eventually choose to voice a complaint, the level of dissatisfaction or frustration with their choice could be determined (Koprowski & Aron, 2013). Finally, overconfidence and risk propensity are large research areas and may be an interesting set of scales to add in.

REFERENCES

- Alba, Joseph W and J Wesley Hutchinson (2000), "Knowledge calibration: What consumers know and what they think they know," *Journal of Consumer Research*, 27 (2), 123.
- Botti, S. and S.S. Iyengar (2004). "The psychological pleasure and pain of choosing: When people prefer choosing at the cost of subsequent outcome satisfaction," *Journal of Personality and Social Psychology*, 87(3), 312-326.
- Bruner, Gordon C., Karen E. James, and Paul J. Hensel (2001), *Marketing Scales Handbook*. Chicago: American Marketing Association.
- Company, Houghton Mifflin (2000), *The American Heritage® Dictionary of the English Language* (4 ed.): The American Heritage® Dictionary of the English Language.
- Fitzsimons, G., E.A. Greenleaf, and D.R. Lehmann (1997). "Decision and consumption satisfaction: Implications for channel relations." Working paper, UCLA Marketing Studies Center.
- Geissler, G., G. Zinkhan, and R. Watson (2001), "Web homepage complexity and communication effectiveness," *Journal of the Association for Information Systems*, 2 (2), 1-44.
- Gourville, J. T., and D. Soman (2005), "Overchoice and Assortment Type: When and Why Variety Backfires." *Marketing Science*, 24(3), 382-395.
- Haubl, Gerald and Valerie Trifts (2000), "Consumer decision making in online shopping environments: The effects of interactive decision aids," *Marketing Science*, 19 (1), 4.
- Houston, D. A., S.J. Sherman, and S.M. Baker (1991). "Feature matching, unique features, and the dynamics of the choice process: Predecision conflict and postdecision satisfaction," *Journal of Experimental Social Psychology*, 27, 411-430.
- Iyengar, S. S., and M.R. Lepper (2000), "When choice is demotivating: Can one desire too much of a good thing?" *Journal of Personality and Social Psychology*, 79(6), 995-1006.
- Johnson, Paul M. (2005), "A Glossary of Political Economy Terms," Department of Political Science, Auburn University.
- Johnson, Robert Meyer; Eric J. (1995), "Empirical Generalizations in the Modeling of Consumer Choice," *Marketing Science* (1986-1998), 14 (3), G180.
- Keller, Kevin Lane and Richard Staelin (1987), "Effects of Quality and Quantity of Information on Decision Effectiveness," *Journal of Consumer Research*, 14 (2), 200.
- Koprowski, W., and D. Aron (2013). "Planning for the Apes: Coping With Guerrilla Consumer Behavior When the Courts Won't Help," *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 26, 110-120.
- Krishen, A., and K. Kamra (2008), "Perceived Versus Actual Complexity for Websites: Their Relationship to Satisfaction." *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 21, 104-123.
- Krishen, Anjala and Kent Nakamoto (2009), "Improving consumer quality-efficiency by using simple adaptive feedback in a choice setting," *International Journal of Computer Applications in Technology*, 34 (3), 155-164.
- Krishen, A. S., K. Nakamoto, and P. Herr (2008). *The Dichotomy Heuristic in Choice: How Contrast Makes Decisions Easier*: VDM Verlag.
- Lee, D. H. (2003). "Consumers' Experiences, Opinions, Attitudes, Satisfaction, Dissatisfaction, and Complaining Behavior with Vending Machines," *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 16, 178-197.
- Lichtenstein, S., B. Fischhoff, and L. D. Phillips (1982), "Calibration of probabilities: The state of the art to 1980," in *Judgment under uncertainty: Heuristics and biases*, D. Kahneman and P. Slovic and A. Tversky, Eds. Cambridge: Cambridge University Press.
- Luce, Mary Frances, James R Bettman, and John W Payne (2001), "Consequences of trade-off difficulty," *Journal of Consumer Research* (1), 90.
- Luce, Mary Frances, Jianmin Jia, and Gregory W Fischer (2003), "How Much Do You Like It? Within-Alternative Conflict and Subjective Confidence in Consumer Judgments," *Journal of Consumer Research*, 30 (3), 464.
- Lurie, Nicholas H (2004), "Decision Making in Information-Rich Environments: The Role of Information Structure," *Journal of Consumer Research*, 30 (4), 473.

- Payne, John W., James R. Bettman, and Eric J. Johnson (1993), *The Adaptive Decision Maker*. New York: Cambridge University Press.
- Raudenbush, Stephen W. and Anthony S. Bryk (2002), *Hierarchical Linear Models* (2 ed.). Thousand Oaks: Sage Publications.
- Taylor, Shirley (1994), "Waiting for Service: The Relationship Between Delays and Evaluations of Service," *Journal of Marketing*, 58, 56-69.
- Tetlock, P. E. (1991), "An alternative metaphor in the study of judgment and choice: People as politicians," *Journal of Theory and Psychology*, 1, 451-75.
- Wood, Stacy L (2001), "Remote purchase environments: The influence of return policy leniency on two-stage decision processes," *Journal of Marketing Research*, 38 (2), 157-169.
- Wood, S. L., and J.G. Lynch (2002). "Prior knowledge and complacency in new product learning," *Journal of Consumer Research*, 29(3), 416-426.
- Yan, R.-N., and S. Lotz (2009). "Taxonomy of the Influence of Other Customers in

Consumer Complaint Behavior: A Social-Psychological Perspective," *Journal of Consumer Satisfaction, Dissatisfaction and Complaining Behavior*, 22, 107-126.

- Zhang, S. and G.J. Fitzsimons (1999). "Choice-process satisfaction: The influence of attribute alignability and option limitation." *Organizational Behavior and Human Decision Processes*, 77(3), 192-214.

Send correspondence regarding this article to:

Anjala S. Krishen, Ph.D.

Lee Business School

University of Nevada, Las Vegas NV 89154-6010

Phone: (540) 588-3961

anjala.krishen@unlv.edu

APPENDIX: Variable scales

1. *Confidence*

To measure the subject's confidence in her completion of the given task, we used a three-item seven-point semantic differential (Bruner, et al, 2001). The items consist of: uncertain/certain, not sure/sure, and not confident/confident (*Cronbach's* $\alpha = .97$).

2. *Frustration*

We adapted a four-item Likert-type scale (not at all – very) to measure the degree of frustration the subject's experience during their interaction with the program (Taylor, 1994). The items in this scale consist of: uneasy, frustrated, angry, and uncertain. We used the following question: "The choice task made me feel..." for each of the items; the results were reliable (*Cronbach's* $\alpha = .85$).

THE RELATIONSHIP BETWEEN EUDAIMONIC WELL-BEING AND SOCIAL WELL-BEING WITH MILLENNIALS

Steven A. Taylor, Ph.D, Illinois State University
Hulda G. Black, Ph.D., Illinois State University
Leigh Anne Novak Donovan, Ph.D., Illinois State University
Chiharu Ishida, Ph.D, Illinois State University
Kimberly Judson, Ph.D., Illinois State University

ABSTRACT

There appears to be growing support for calls to accentuate marketing practices in higher education that emphasize positive psychology forms of satisfaction over simple measures of credentialing for employment (i.e., marketization). A study is reported that empirically considers the potential of acting upon these recent calls for including eudaimonia and well-being in measures of success in the operations of universities. Such efforts will necessarily occur within the domain of positive social psychology. We propose and empirically assess a theory of positive social psychology that reconciles self-determination theory, goal hierarchy theory (and means-end theory), as well as the theory of the mind associated with these calls. The reported study provides empirical evidence supporting the possibility that universities can affect the social well-being of students as stakeholders by focusing on eudaimonic- and flourishing-related goal achievement. This suggests an emphasis on higher forms of satisfaction. The implications for university marketers and decision makers, as well as social science researchers, are presented and discussed.

INTRODUCTION

The average cost of a college education continues to rise year after year. Today a four-year in-state public education on average costs more than \$20,000 annually. This cost more than doubles for a private education (www.collegedata.com). Given that it takes

many students over four years to graduate, students (and their parents) are often facing a six-figure expense, an expense that continues to rise. This suggests that it is important as educators to step back and ensure that what students take-away from their college experience is both pertinent to their future job attainment as well as their lifelong pursuit of living well and happily. While a college degree may lead to a job, and subsequently an income, it is well accepted that money generally has a diminishing relationship with happiness. The present research supports the view that well-being is perhaps a better global measure of university “success” than simple employment counts (Taylor and Judson, 2014), and empirically demonstrates that eudaimonic goal achievement indeed does contribute to student well-being in higher education. .

These results are consistent with the emerging positive psychology literature. Fave (2013) argues that happiness is gaining increasing momentum as a core concept in social science research today, and that happiness research typically conceptualizes individual well-being from two different but complementary perspectives: hedonism and eudaimonism. Phillips (2006) asserts that the hedonism tradition highlights individuals and assumes that they are motivated to enhance personal freedom, self-preservation, and self-enhancement, whereas the eudaimonic tradition emphasizes goals related to (1) functioning to meet their full potential, or flourishing, (2) contributing to society, and/or (3) achieving the highest standards or morality. Sirgy (2012) relates eudaimonic goal achievement to

perfectionist forms of happiness as an expression of psychological well-being.

Arguments related to eudaimonic goal achievement and perfectionist forms of happiness as an expression of psychological well-being have been recently extended to the domain of higher education (Taylor and Judson 2011, 2014; Judson and Taylor 2014). Judson and Taylor (2014) take a marketing perspective in evaluating the co-creation of value in US higher education, and conclude: (1) the decline of the perspective of education as a public good is to be bemoaned; (2) US institutions of higher education appear to often be basing their marketing strategies largely upon outdated models of marketization (e.g. sales related to enrollment and value delivery) instead of marketing as value co-creation; (3) that environmental forces will exacerbate the trend toward the marketization of education for the foreseeable future; and (4) that a focus on educational goals related to enhancing human capabilities (including eudaimonia) as opposed to marketization goals in the marketing strategies related to value co-creation appears a more defensible long-term goal for marketing activities related to the missions of most institutions of higher education.

Taylor and Judson (2014) further extend these arguments by considering the nature of stakeholder satisfaction vis-à-vis their proposed eudaimonic perspective. They argue that: (1) a review of three important emerging literature streams all appear to support calls for moving from today's seeking of largely hedonistic forms of stakeholder satisfaction to higher forms more closely related to eudaimonia; (2) the nature of long-term value co-creation should focus on quality of life and well-being as measures of marketing "success"; and (3) critical to the success of creating such long-term value co-creation in the marketing of higher education will be the personal adoption of longer-term, eudaimonic goals by stakeholders. However, these arguments to date have been theoretical and conceptual in nature. A gap therefore exists in the literature in terms of empirical support for the potential efficacy of such models (i.e., evidence that they are "doable" both practically and from a social psychological modeling perspective).

The study reported herein helps close this gap by empirically assessing the existence and nature of the theorized influence of eudaimonic-related goal achievement on the realized (social) well-being of undergraduate students of higher education. In other words, this study empirically demonstrates that student's eudaimonic growth does matter in terms of student well-being, and that educators should consider focusing on enhancing such growth. First, an explanatory theory of eudaimonic goal achievement in relation to well-being is articulated based on self-determination theory (hereafter **SDT** -- Ryan et al. 2013). Second, the methods used in an empirical study to assess the proposed research model are articulated. Third, the results of empirical analyses are presented and discussed. Finally, the research and practitioner implications of the obtained results are considered.

THEORY

The theoretical model proposed and empirically assessed herein integrates self-determination theory and goal hierarchy theory. Each of these theories is discussed in brief.

Self-Determination Theory (SDT)

The theoretical model derived and empirically tested herein capitalizes on Ryan et al.'s (2013) distinction between hedonic and eudaimonic approaches to wellness based on SDT. These authors present a model of eudaimonic living that is characterized by four motivational concepts: (1) pursuing intrinsic goals and values for their own sakes rather than extrinsic goals and values; (2) behaving in autonomous, volitional, or consensual ways, rather than heteronomous or controlled ways; (3) being mindful and acting with a sense of awareness; and (4) behaving in ways that satisfy basic psychological needs for competence, relatedness, and autonomy. Ryan et al. (2013) assert that a central premise of their arguments is that eudaimonic conceptions focus on the content of one's life, as well as the processes involved in living well. Hedonistic conceptions of well-being, on the other hand, focus on specific outcomes (i.e., the attainment of positive affect and the absence of pain). In

addition, these authors suggest that a focus on hedonistic outcomes cannot by itself reliably lead to either individual or collective well-being. This perspective appears consistent with Sirgy's (2012) relating of eudaimonic goal achievement to perfectionist forms of happiness as an expression of psychological well-being, as well as Taylor and Judson's (2014) call for an emphasis on higher-education marketing based on eudaimonic goals rather than marketization seeking hedonistic goal satisfaction.

More specifically, in Ryan et al.'s (2013) view, eudaimonic living has a positive effect on psychological wellness because it facilitates satisfaction of the basic universal psychological needs of competence, relatedness, and autonomy. Consequently, people high in eudaimonic living tend to behave in more prosocial ways. Hedonistic and eudaimonic perspectives are not distinct because of different types of well-being states or outcomes, rather, because they have different targets (process versus outcome). There are, in short, multiple routes to pleasure, not all of which involve living eudaimonically.

Consequently, eudaimonia from this perspective is not conceived as a mental state, a positive feeling, or as a cognitive appraisal of satisfaction, but rather as a way of living. So, SDT posits that life goals that are eudaimonic in nature are intrinsic -- that is, they are ends in and of themselves. It is the social psychological process by which this occurs in university students that is of interest herein. Therefore, from the perspective of SDT, well-being achievement is a function of goal achievement. Goal achievement, as the next section demonstrates, is theoretically related to a hierarchy of goals.

Goal Hierarchy Theory and Marketing Practice

The present research integrates the hedonistic and eudaimonic perspectives of SDT (Ryan et al., 2013) with the various hierarchies of goals. There are three levels of goal-directed behavior (e.g. Baumgartner and Pieters, 2008): 1) the operation level or the "how;" 2) the identification level, or the "what;" and 3) the motivation level, or the "why." "How" goals are

subordinate, or concrete, and capture the feasibility of achieving the goals; "what" goals are basic level, or focal, goals the delineate content, while "why" goals are superordinate, or abstract" and indicate a desirability or importance (Baumgartner and Pieters, 2008).

Reynolds and Olson (2001) discuss the means-end approach to marketing and advertising strategy that is related to goal theory. These authors present the basic means-end model which explains how consumers see products (as a set of attributes) as a means to an end. The basic means end approach can be represented as a simple, hierarchical chain of associations (see equation [1]):

Attributes → Consequences → Values
[1]

Together, means-end theory and goal theory can be reconciled into a conceptual framework that can provide the basis for the theoretically predictive model that is empirically assessed herein. Table 1 presents this reconciliation which forms the basis of the research model presented as Figure 1. Specifically, the identified goal hierarchy suggests a causal order for our research to empirically assess.

CONCEPTUAL FRAMEWORK

Table 1 presents a summary of the linkages between goal theory and the SDT perspective and is useful in helping us to understand the expected order of goal-related concepts within the SDT perspective of eudaimonia in terms of social psychological processes. SDT proposes that eudaimonia is generally related to first-order pursuits, which appear consonant with terminal values as superordinate goals in traditional means-end theory (Reynolds & Olson, 2001; Bagozzi et al., 2002), or the motivational "why" level (Baumgartner & Pieters, 2008). Ryan et al. (2013) argue that SDT proposes that goals and intrinsic aspirations related to 1st-order outcomes are typically associated with greater well-being and social functioning because psychological need satisfaction (e.g., relatedness goals) mediate intrinsic goal attainment and well-being. This further supports an interpretation of considering well-being as endogenous (or a

Table 1

Relating Goal Structure To Self-Determination Theory

Theory	Lowest Structure/Level of Outcomes (Exogenous)	Mid-Level Structure/Level of Outcomes	Higher-level Structure/Level of Outcomes (Endogenous)
<i>Means-End Theory (Olson and Reynolds 2001)</i>	Focuses on Attributes	Focuses on Functional/Psychosocial Consequences	Focuses on Values (Rokeach 1973)
<i>Goal Theory (Bagozzi et al. 2002; Baumgartner and Pieters, 2008)</i>	Subordinate Goals (How to achieve that for which I strive?)	Focal Goals (What is it for which I strive?)	Superordinate Goals (Why do I want to achieve that for which I strive?)
<i>Self Determination Theory Structure (Ryan et al. 2013)</i>	2 nd -Order Outcomes & 3 rd -Order Outcomes – Defined as associated with extrinsic values. That is, the concept of extrinsic in this case implies: (1) the aspirations will often be instrumental, having their salience because there is something more basic that they serve, even though the person might not be conscious of the connection; and (2) they are goals without inherent value in their own right.		1 st -Order Outcomes – Defined as a value not reducible to other values. It is a basic value in its own right.
<i>Self Determination Theory Nature of Concept (Ryan et al. 2013)</i>	A non-eudaimonic lifestyle is often one in which a person becomes preoccupied with 3 rd or 2 nd order values or motives that are derivative and now disconnected from intrinsic needs that were unsatisfied.		Eudaimonic in nature. Determined by the degree to which one's energies and interests are focused on intrinsic values versus second- or third-order values and/or goals.
<i>Figure 1 Causal Ordering of Concepts</i>	<i>Flourishing</i> – Reflects instrumental values (i.e., refer to preferable modes of behavior, or means of achieving the terminal values) in Rokeach's (1973) typology of values. Suggests exogenous nature of concept.	<i>Eudaimonic Well-Being</i> – Combines flourishing-related consideration (based on objective eudaimonia) and subjective eudaimonic considerations as a mediator between (objective) flourishing and (subjective) social well-being.	<i>Social Well-Being</i> – Reflects terminal values (i.e., reflects desirable end-states of existence such as happiness) in Rokeach's(1973) typology of values. Suggests endogenous nature of concept.

dependent variable) in the current research. Thus, for purposes of the current research, social psychological well-being can be viewed as a set of outcomes of eudaimonic living. Consequently, our research model which focuses on the inter-relationships between eudaimonia, flourishing and well-being suggests that well-being represents the endogenous model construct (see Figure 1).

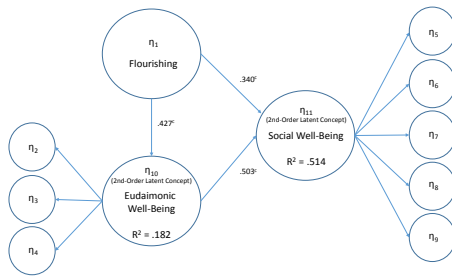


Figure 1: Theoretical Research Model

Flourishing and the Concept of Well-Being

The appropriate causal ordering of flourishing and eudaimonic well-being appears less obvious. The current research adopts the position advocated by Varelius (2013) that it is philosophically defensible to treat “happiness” and “well-being” as synonyms; with the notion of happiness concerning an individual’s own subjective experience and assessment of how well or badly (s)he is faring. Varelius (2013) asserts that philosophical theories of well-being divide into subjective and objective major categories. In short, subjective theories envision well-being as dependent on our attitudes of favor and disfavor. Objective theories, on the other hand, deny this dependence. Varelius (2013) asserts that philosophical questions of well-being are necessarily framed in terms of the value a life has for the person living it, i.e., to prudential value. Varelius (2013) concludes that objective theories of individual’s well-being cannot provide an acceptable explanatory account of prudential goodness. Thus, the domain of inquiry in the research presented

herein primarily concerns subjective theories of well-being.^{1, 2}

Kim-Prieto et al. (2013) specifically consider the domain of subjective well-being, which they agree is primarily concerned with people’s evaluations of their lives. In their view, subjective well-being at its core concerns affective and cognitive evaluations of one’s life, and encompasses a wide range of components, including happiness, life satisfaction, hedonic balance, fulfillment, and stress. These authors propose a framework that purports to reconcile the three main approaches to understanding subjective well-being in the literature: (1) as a global assessment of life and its facets; (2) as a recollection of past emotional experiences; and (3) as an aggregation of multiple emotional reactions across time. Kim-Prieto et al.’s (2013) proposed framework integrating the many diverse definitions of happiness purports to move beyond the idea that subjective well-being is just a vague term encompassing many different independent constructs, or that it is an underlying unitary construct for purposes of

¹ In short, Varelius (2013) argues that the nature of the relationship between prudential value or well-being and happiness depends on whether or not one accepts that only things that enter an agent’s experiences can have an effect on his or her well-being. Those who accept the experience requirement can interpret Varelius’s (2013) arguments as related to happiness, whereas, those who reject the experience requirement necessarily must assume that Varelius (2013) is specifically discussing well-being. We suggest that this nuance does not diminish the veracity of the findings reported in the current research.

² Interestingly, Varelius (2013) considers the question as to the relevancy of meta-prudential arguments to theories of well-being and focuses on the distinction between value-delivering versus value-determined desires in arguments relating to objective theories of well-being vis-à-vis folk theories of social psychology. Varelius (2013) argues that the domain of such inquiries concerns the notion of motivational internalism. A debate continues to exist in the literature concerning the existence of motivational internalism in folk conceptualizations of the social psychology underlying well-being. Bjornsson et al. (2014) present a series of studies that portray the current controversy and existing knowledge to date for interested readers.

measurement. Rather, these authors propose that while subjective well-being is indeed a unitary construct, it is one that changes through the passage of time. Consequently, the different components underlying the formation of subjective well-being are best envisioned as a time-sequential framework. In short, Kim-Prieto et al. (2013) argue that subjective well-being emerges from four major stages following a temporal sequence of (1) life circumstances and events, (2) affective reactions to these events, (3) recall of one's reactions, and (4) global evaluative judgment about one's life. Importantly, these authors further assert that understanding subjective well-being requires comprehending the entire sequence of stages. Kim-Prieto et al. (2013) summarize their proposed framework as relating external events and circumstances to individuals' affective and cognitive reactions in a systematic manner consistent with one's goals (consistent with our presentation in Table 1).

Kim-Prieto et al.'s (2013) proposed framework is consonant with the SDT-based perspective of well-being (Ryan et al. 2013) based upon goal hierarchy theory adopted herein (Reynolds & Olson, 2001; Bagozzi et al., 2002; Baumgartner and Pieters, 2008). In addition, the well-known folk conceptualization of behavior formation known as the Theory of the Mind (ToM; Mele, 2001) further supports the perspective advocated herein. In short, ToM argues that intentions and intentionality is a foundational antecedent of human behavioral formation and that there exists a consensus across social science disciplines that the ascription conditions for intention minimally include the presence of the basic mental categories of desire, belief, and some form of commitment.³ The point is that the basic constituents of behavioral intention formation, and by extension most behaviors, involve a social psychological process that integrates goal theory and appear consistent with the SDT perspective.

³ Mele (2001) further argues that intentionality's components represent basic mental categories such as beliefs, desire, and awareness.

The research model considered herein is consistent with each of the identified research perspectives. The exogenous influence in the model is flourishing as an objective form of eudaimonia (see Figure 1). Sirgy (2012) distinguishes subjective well-being from eudaimonia by citing Kesebir and Diener et al.'s (2009) assertion that high subjective well-being and eudaimonic happiness are not necessarily interchangeable concepts because one can easily imagine a person feeling subjectively happy without leading a virtuous life. However, they further note a measure of commensurability among many contemporary philosophers that subjective well-being and eudaimonic happiness are sufficiently close to reasonably use subjective well-being as a proxy for well-being. This suggests an expectation of high intercorrelations between subjective and eudaimonic forms of well-being. This leads to the first research hypothesis.

H1: *Eudaimonic well-being will be positively correlated with measures of flourishing and subjective well-being.*⁴

Given our interest in whether empirical evidence supports the identified calls for university marketers to incorporate eudaimonic goals and well-being outcomes in measures of marketing-based "success", the current research explores the notion that social well-being as a form of psychological well-being represents a unique endogenous concept to eudaimonic well-

⁴ Importantly, as previously noted, there are significant theoretical differences between hedonistic well-being and eudaimonic well-being. Sirgy (2012) notes that Vitterso et al. (2010) argue that goal attainment in hedonistic well-being reflects homeostatic balance (i.e., a state of equilibrium and assimilation), whereas, eudaimonic well-being may reflect a lack of goal achievement. These conclusions were based on a finding related to which forms of well-being are most closely associated with task difficulty. In addition, Sirgy (2012) argues that evidence exists supporting the conclusions that psychological well-being (i.e., about lives going well) subjectively combines well-being with effective functioning. Thus, subjective well-being as a summary concept potentially may too heavily emphasize positive emotions.

being and flourishing. That is, the theoretical evidence presented herein suggests that the construct used to operationalize subjective well-being in the current research should best serve as the most endogenous (i.e., the dependent) variable in the model. The concept of subjective well-being most closely relates in this context to a superordinate (abstract) goal reflecting the life attributes attributable to happiness from the perspective of goal theory (see Table 1). Waterman et al. (2010) argue that eudaimonic well-being (hereafter EWB), defined as the quality of life derived from the development of one's best potentials and their application in the fulfillment of personally expressive, self-concordant goals, has emerged as both a complement and contrast to subjective well-being for understanding and studying quality of life issues. Waterman et al. (2010, p. 41) recently proposes a survey-based, multi-dimensional operationalization of EWB, defined as the "... quality of life derived from the development of a person's best potentials and their application in the fulfillment of personally expressive, self-concordant goals." The development of this concept is an attempt to overcome the issue of subjective well-being measures failing to discriminate between hedonistic and eudaimonic forms of happiness. The authors envision the EWB concept to be discriminantly different from the concept of subjective well-being, and a concept that adds to the explained variance of other conceptions of well-being. This leads to the next general research hypothesis.

H2: *Eudaimonic well-being (EWB), flourishing, and subjective well-being will exhibit discriminant validity.*

There is also a basis for theorizing a general process ordering of the EWB and flourishing, as exogenous influences to subjective well-being in the predictive model to be assessed herein based upon the previously identified goal hierarchy (see Figure 1 and Table 1). Specifically, the subjective experience of feelings of expressiveness (eudaimonia) represents the byproduct of engaging in actions consistent with the development of one's best potentials and the pursuit of intrinsic goals.

Thus, the motive for eudaimonic activity is the value of the activity itself, not the subjective experiences that accompany it. This suggests that eudaimonic well-being is exogenous to perceptions of subjective well-being in terms of intention/behavior formation from a social psychological process perspective. In other words, we suggest herein the eudaimonic well-being motives are consonant with focal goals (or second order outcomes in Table 1) in that they reflect "What is it for which I strive?" This leaves flourishing as the third and final major theoretical concept in the model presented in Figure 1. Waterman et al. (2010) differentiates flourishing from eudaimonic well-being by asserting that there exists a long standing tradition of translating eudaimonia as happiness, whereas those adopting an objective understanding of eudaimonia have preferred the term flourishing. Waterman et al. (2010) argue that the EWB perspective recognizes these approaches as compatible rather than mutually exclusive. Specifically, Waterman et al. (2010) argue that EWB incorporates both objective and subjective elements. The subjective elements involve experiences of eudaimonia/feelings of personal expressiveness, whereas the objective elements include those behaviors involved in the pursuit of eudaimonic goals such as self-realization entailing identification and development of personal potentials and their use in ways that give purpose and meaning to life. Consequently, we would expect EWB (with its measures of both objective and subjective eudaimonia) to partially mediate objective forms of EWB (i.e., flourishing) and expressions of subjective well-being in the current research. This leads to the following predictive relationships in Figure 1:

H3: *Subjective well-being is positively related to eudaimonic well-being (EWB).*

H4: *Eudaimonic well-being (EWB) is positively related to flourishing.*

H5: *Eudaimonic well-being (EWB) partially mediates flourishing and subjective well-being.*

METHODS

Respondents were invited from students taking Introduction to Marketing courses at a large university in the Midwest of the United States to gather data for empirical analyses. A total of 232 respondents participated in the study in order to receive extra course credit. Recognizing issues related to mediation analyses and cross sectional data (Maxwell, Cole & Mitchell, 2011), a two-part online survey was used to collect the data over a 30-45 day period.

All scales of the relevant constructs are derived from the literature (see Appendix A). The measures of flourishing as a latent concept are based on Diener et al.'s (2010) Flourishing scale. The measures of EWB as a 2nd-order latent concept derive from Waterman et al. (2010). These authors report a 21-item self-report survey instrument that purports to be unidimensional in nature. However, the evidence they presented for unidimensionality was based on analyses of parcels, which Marsh et al. (2013) recommend as (almost) never appropriate

– particularly for purposes of scale development. Further, Schutte et al. (2013) identify a different three-factor multidimensional factor structure for the EWB scale that demonstrates acceptable convergent and discriminant validity. The results reported herein find evidence for a similar three-factor structure for EWB as that reported by Schutte et al. (2013). The final construct in the model reported in Figure 1 concerns the operationalization of the subjective well-being concept as the model dependent variable. Keyes (1998, p. 122) argues that the nature of a well-lived life concerns social well-being, defined as "... the appraisal of one's circumstance and functioning in society." Keyes (1998) presents a multidimensional scale comprised of five dimensions, including social integration, social acceptance, social contribution, social actualization, and social coherence. Keyes (1998) asserts that social well-being is particularly germane in educational contexts. Therefore, the measures of social well-being in the current research as a 2nd-order latent concept derive from Keyes (1998).

Table 2

Latent Variable Correlation Matrix

	Flourishing	Eudaimonic Well-Being	Social Well-Being	Marker Variable
Flourishing	.75			
Eudaimonic Well-Being	.427	.76		
Social Well-Being	.554	.649	.81	
Marker Variable	.033	.204	.119	.91
				.72

Note: The values on the diagonal represent construct reliability and variance extracted scores, respectively.

Table 2 presents a correlation matrix of the latent factors from the confirmatory factor analysis of the obtained data (including EWB and social well-being as 2nd-order latent factors). Construct reliability and variance extracted measures are included on the diagonal, supporting the general conclusion that the measures are reliable and valid. Nonetheless, readers are directed to the 1st-order latent factor reliability and validity scores for the second-order subscales in Appendix A. Readers will note that, consistent with the findings of Schutte et al. (2013), the EWB scale proposed by Waterman et al. (2010) reflects suspect reliability and validity (measured by variance extracted scores) as 1st-order latent predictors of EWB as a 2nd-order construct. We undertook the most charitable possible methods to identify a reliable and valid multidimensional factor structure using the reported items, but achieved only marginal success using this particular scale. However, we are encouraged by the overall reliability and validity scores of EWB as a 2nd-order construct as reflected in Table 2 (Hair et al. 1998). Clearly, improvements in measurement scales of EWB appear a worthwhile research objective in this stream of research. Thus, Hypothesis 1 is confirmed by the results in Table 2. That is, as predicted, eudaimonic well-being is positively correlated with measures of flourishing and subjective well-being.

Hypothesis 2 specifically addresses the need for discriminant validity among the major concepts in Figure 1. Analyses were conducted based on the methods advocated by Anderson and Gerbing (1988) who recommended that discriminant validity be assessed two latent factors at a time by constraining the estimated correlation parameter between them to 1.0. Discriminant validity is said to be established when the chi-square value is significantly reduced for the unconstrained estimates. Fornell and Larcker (1981) also recommend another discriminant validity assessment, which requires that the squared correlation between two constructs be smaller than the average variance extracted (AVE) for each construct. Both types of discriminant validity test were employed for all possible pairs of the study variables, and the results support the presence of discriminant

validity. Thus, H2 is confirmed in the current research.

We further used Williams et al.'s (2010) Comprehensive CFA Marker Technique (CMMT) to account for possible biases related to respondents' consistency motifs, transient mood states, illusionary correlations, item similarity, and social desirability (Podsakoff, et al. 2003). In short, CCMT is uses marker variables to assess potential shared variance associated with self-reports as a measurement model. We used a four-item scale we constructed about ease of textbook purchase to ensure that the marker variable was unrelated to the substantive concepts. The results in Table 3 demonstrate that common method variance does not appear to be a threat to the results reported in the current research. Specifically, the comparison of the Method-C and Baseline models provides a test for the presence of method variance associated with the marker variable. The comparison of the method-C and Method-U models provides a test of the key difference between common method variance restricted and unrestricted models and the assumption of equal method effects. Finally, the Method-R and Method-U model comparison provides a statistical test of the biasing effects of the marker variable on substantive relationships.

Finally, confirmatory factor analyses of the measurement model underlying the structural equation analyses validated acceptable fit of latent variable measurement models in the obtained data using the MPlus 7.20. The structural equation model fit indices included $\chi^2 = 1070.529$; $df = 615$; $\chi^2/df = 1.74$; $RMSEA = .057$, $CFI = .884$; $SRMR = .076$. Iacobucci (2010) argues that best practices reporting results of structural equation modeling analyses include not taking traditional rules of thumb about model fit too seriously (also see Marsh et al. 2004). She specifically recommends considering whether $\chi^2/df < 3$, a CFI close to .95, and an SRMR close to .09. In the case of the current research, the overall fit indices look good except for a marginal CFI. We were initially puzzled by this result, but found guidance in Kenny and McCoach (2003). These authors conducted an examination of the effect of the number of variables on measures of overall model fit in structural equation models.

Table 3
Common Method Variance Analyses

	χ^2	df	CFI	TLI	RMSEA
CFA	701.704	459	.940	.927	.048
Baseline Model	715.221	474	.941	.930	.047
Method-C Model	713.533	473	.941	.930	.047
Model-C vs Baseline	$\Delta \chi^2=1.688$	$\Delta df=1$	Standard at p=.05 is 3.84		
Method-U Model	674.662	445	.944	.929	.047
Model-C vs Model-U	$\Delta \chi^2=38.871$	$\Delta df=28$	Standard at p=.05 is 41.34		
Method-R Model	678.861	473	.949	.940	.043
Model-U vs Model-R	$\Delta \chi^2=4.199$	$\Delta df=28$	Standard at p=.05 is 41.34		

Their analyses led them to conclude that the CFI and TLI do not appear to function well with correctly specified models that included a large number of variables. The current research includes 30 variables operationalizing 1st-order concepts, corresponding to a large number of variables. Kenny and McCoach (2003) recommend that if the CFI seems slightly lower than hoped, but the RMSEA seems a bit better, then there is no real cause for concern. We encourage readers to consider these findings in their own interpretation of our reported results. Iacobucci (2010) also recommends fitting at least one non-trivial competing model, to demonstrate improvement. We therefore estimated the model without the 2nd-order factors associated with EWB and social well-being. This model failed to converge and estimate. We interpret this as evidence of higher consistency between our proposed theory and the data from this alternative.

RESULTS

The fit indices for the predictive model depicted in Figure 1 include $\chi^2 = 887.672$; $df = 484$; $\chi^2/df = 1.83$; $RMSEA = .060$, $CFI = .869$; $SRMR = .080$. Based on our previous discussion concerning our reported measurement model and

overall model fit indices, we interpret the fit indices to support a conclusion that it is defensible to interpret and discuss the obtained results of estimation using structural equation analyses. The standardized path estimates and explained variance (R^2) associated with the model constructs are encouraging (see Figure 1). In particular, over ½ of the variance associated with social well-being is accounted for by our parsimonious research model. These results support confirmation of both Hypothesis 3 and Hypothesis 4. We find support for Hypothesis 3; subjective well-being is positively related to eudaimonic well-being (EWB) and Hypothesis 4: eudaimonic well-being (EWB) is positively related to flourishing. Thus, EWB and flourishing are identified as important goal-related predictors of social well-being in the student cohort considered herein. This suggests that increasing flourishing and eudaimonic goal achievement in higher education can lead to greater student well-being, consistent with the recent marketing (versus marketization) calls previously identified.

Hypothesis 5 concerns a theoretically expected mediation effect. The most conclusive test for mediation is a statistically significant indirect effect in analyses (McKinnon 2008, Hayes 2013, Muthen 2011). In addition, there is

growing recognition that valid standard errors associated with the obtained indirect effects require bootstrapping methods. We utilized the INDIRECT command in MPlus 7.2, with 1,000 bootstraps. The results identify a statistically significant indirect effect of flourishing through EWB in predicting social well-being ($\beta = .215$, $p = .015$), thus supporting Hypothesis 5. No evidence was found for moderation between flourishing and EWB in predicting social well-being using the INTERACTION module of MPlus 7.2.

DISCUSSION AND IMPLICATIONS

We agree with Diener (2013) that the science of subjective well-being has made remarkable strides over the last three decades. This study concerns whether these strides can be generalized to the marketing practices of institutions of higher learning. Specifically, there are two general questions guiding this research. First, does it make sense to consider increasing measures of subjective well-being in assessing the marketing “success” of universities? Theoretical arguments are presented from a number of studies encouraging such movement (Taylor and Judson 2011, 2014; Judson and Taylor 2014). Therefore, the current research more closely relates to the question concerning whether or not it is operationally possible for universities to adopt such goals in terms of evaluating their organizational “success.” If possible, then it would be arguably incumbent on university marketers to strongly consider incorporating eudaimonic and well-being outcomes in measures of marketing-based “success.” We consider whether a social psychological framework can be identified and empirically validated that supports such calls.

We conclude that the current research demonstrates evidence supporting the hypothesized process of social well-being articulated herein. The theory supporting the identified process reconciles self-determination theory with goal theory and helps explain how eudaimonia and flourishing combine to affect social well-being of undergraduate students. Flourishing can be viewed as the “how” in goal theory. When students are engaged in their activities, have rewarding relationships, and feel

they are leading a purposeful life, they are more likely to have increased eudaimonic well-being, which, in turn, contributes to overall social well-being. We are able to validate that both objective (i.e., flourishing) and subjective eudaimonic well-being demonstrate a causal influence on subjective social well-being.

Therefore, if marketing practice can be generally defined as the management of stakeholder exchange to co-create long-term value by meeting needs, then measures of “success” associated with marketing communication strategies (e.g., advertisements, appeals, resource justifications, etc.) should arguably necessarily include some evidence of moving students as stakeholders toward greater flourishing and well-being as desirable marketing outcomes. This movement will necessarily occur within the domain of stakeholder’s social psychology. We have proposed a theory herein that models such social psychological movement by reconciling SDT, goal hierarchy, means-end theory, and the theory of the mind. We interpret the results reported herein as supportive of the possibility that organizations can affect the social well-being of students as stakeholders by focusing on eudaimonic- and flourishing-related goal achievement. Eudaimonic and flourishing related goals are identified as important constructs leading to overall social well-being.

However, even though we demonstrate herein that it is possible from a social psychological perspective, exactly how to use marketing tactics to achieve this possibility remain to be identified and are beyond the scope of this study. It would be disingenuous to suggest that this challenge will be easy to overcome, particularly for the current student cohort. Taylor et al. (2011) conduct goal maps of undergraduate business students in the United States and conclude that credentialing for purposes of employment appears to be the primary goal driving undergraduate students going to college. Specifically, how to reconcile strong credentialing goals with eudaimonic and well-being personal goals remains a challenge to be overcome by university marketers. Such reconciliation appears likely necessary if these marketers are to convince students that there is

value in flourishing above and beyond post-graduation employment.

Future research in this area of inquiry can be instrumental in overcoming the identified challenges. For example, Upadyaya and Salmela-Aro (2013) present evidence that increased student engagement is positively associated with several aspects of students' well-being, including positive emotions and life satisfaction. Thus, marketing tactics related to increasing student engagement should be positively related to higher levels of eudaimonic- and social well-being within the university cohort. Newman et al. (2014) relates value judgments to one's "true self," and present evidence that people show a general tendency to conclude that this true self is inside everyone and motivates the individual to behave in ways that are virtuous. Marketing appeals directed to one's true self may prove advantageous in strengthening eudaimonic- and/or well-being related goal pursuits within college students. Boudreaux & Ozer (2013) present results suggesting that attention to goal conflict will benefit the objectives identified herein. Specifically, multi-level analyses demonstrate that individuals who experience greater goal facilitation report greater positive affect, life satisfaction, and goal attainment. Consequently, these authors argue for distinguishing between goal- and person-level factors to increase understanding of goal striving. Hofmann et al. (2013) demonstrates the importance of trait self-control, and operates in being positively related to affective well-being and life satisfaction by managing goal conflict. Henderson et al. (2013) argue that increasing both hedonistic and eudaimonic behaviors may be an effective way to increase well-being and reduce psychological distress. The results of the current research do not appear inconsistent with their findings. Future research should seek to identify other potential mediator/moderator/control variables influencing predictive models based on the theory proposed herein.

There is also a great deal to be learned in terms of further distinguishing the theoretical and operational domains of the many concepts associated with positive psychology, including well-being, eudaimonia, and flourishing. We have been able to establish a model

demonstrating mediation and the importance of flourishing and eudaimonia in well-being. Diener (2013) argues for three separate, major components of subjective well-being: life satisfaction, positive experiences, and negative experiences. Kern et al. (2014) presents a multidimensional approach to measuring well-being that is worth considering in replications and extensions of the research reported herein. Renshaw and Cohen (2014) present evidence that life satisfaction serves as a distinguishing indicator of college students' functioning across academic, social, and physical health domains; as well as a strong predictor of the absence or presence of clinical symptoms and comorbidity. Clarifying how life satisfaction differs from the concepts considered herein, and how this concept fits into models such as reported herein is a worthy area of future inquiry.

Finally, the research reported herein adds to the empirical criticisms of Waterman et al.'s (2010) scale for eudaimonic well-being. Raibly (2012) makes a case that happiness is conceptually, metaphysically, and empirically distinct from well-being. In addition to continued work necessary to operationalize the constructs in this area of inquiry in reliable and valid manners, the levels of analyses should be considered in future research. Specifically, Diener (2013) calls for greater consideration of the societal and cultural differences in subjective well-being. He argues that there are essentially universal causes of subjective well-being across the globe, and some prediction of expected cultural influences on how these causes operate. This call is consistent with the results of Curhan et al. (2014) who present evidence that (1) subjective social status more strongly predicts life satisfaction, positive affect, sense of purpose, and self-acceptance in the United States, whereas (2) objective social status more strongly predicts life satisfaction, positive relations with others, and self-acceptance in Japan. These authors attribute these differences to divergent cultural models of self. Diener et al. (2013) extend calls for greater consideration of the theory and validity of life satisfaction across nations as well. All of these issues appear worthy of future research consideration vis-à-vis positive social psychology.

REFERENCES

- Anderson, J.C. and D.W. Gerbing (1988), Structural Equation Modeling in Practice: A Review and Recommended Two-Step Approach, *Psychological Bulletin*, Vol. 103, 411-23.
- Bagozzi, R. P., Gurhan-Canli, Z. & Priester, J. R. (2002). *The social psychology of consumer behavior*. Applying Social Psychology series, S. Sutton, Editor. Buckingham: Open University Press.
- Baumgartner, H. and R. Pieters (2008), "Goal-Directed Consumer Behavior: Motivation, Volition and Affect," in: Curtis P. Haugtvedt, Paul M. Herr, and Frank R. Kardes (Eds.), *Handbook of Consumer Psychology*, New York: Lawrence Erlbaum, 367-392.
- Bjornsson, G., Eriksson, J., Strandberg, C., Olinder, R. F., & Bjorklund, F. (2014). Motivational internalism and folk intuitions. *Philosophical Psychology*, 2014. DOI: 10.1080/09515089.2014.894431.
- Bodreaux, M. J. & Ozer, D. J. (2013). Goal conflict, goal striving, and psychological well-being. *Motivation and Emotion*, 37, 433-443.
- Curhan, K. B., Levine, C. S., Markus, H. R., Kitayama, S., Park, J., KaraSAWA, m., Kawakami, N., Love, G. D., Coe, C. L., Miyamoto, Y., & Ryff, C. D. (2014). Subjective and objective hierarchies and their relations to psychological well-being: A US/Japan comparison. *Social Psychological and Personality Science*, Forthcoming. DOI: 10.1177/1948550614538461.
- Diener, E., Wirtz, D., Tov, W., Kim-Prieto, C., Choi, D., Oishi, S., & Biswas-Diener, R. (2009). New measures of well-being: Flourishing and positive and negative feelings. *Social Indicators Research*, 39, 247-266.
- Diener, E., Wirtz, D., Tov, W., Kim-Prieto, C., Choic, D., Oishi, S., & Biswas-Diener, R. (2010). New well-being measures: Short Scales to assess flourishing and positive and negative feelings. *Social Indicators Research*, 97, 143-156.
- Diener, E. (2013). The remarkable changes in the science of subjective well-being. *Perspectives on Psychological Science*, 8 (6), 663-666.
- Diener, E., Inglehart, R., & Tay, L. (2013). Theory and validity of life satisfaction scales. *Social Science Indicators*, 112, 497-527.
- Fave, A. (2013). Chapter 1 – The Exploration of Happiness: Present and Future Perspectives. *The Exploration of Happiness: Present and Future Perspective*, A. Fave (Ed.). New York: Springer, 3-14.
- Fornell, C. and D.F. Larcker (1981). Evaluating Structural Equation Models with Unobservable Variables and Measurement Error, *Journal of Marketing Research*, Vol. 18, No. 1, 39-50.
- Hair, J. F., Jr., Anderson, R. E., Tatham, R. L., & Black, W. C. (1998). *Multivariate Data Analysis, Fifth Edition*. Upper Saddle River, NJ: Prentice Hall.
- Hayes, A. F. (2013). *Introduction to mediation, moderation, and conditional process analysis: A regression-based approach*. New York: The Guilford Press.
- Henderson, L. W., Knight, T., & Richardson, B. (2013). An exploration of the well-being benefits of hedonic and eudaimonic behaviour. *The Journal of Positive Psychology*, 8 (4), 322-336.
- Hofmann, W., Luhmann, M., Fisher, R. R., Vohs, K. D., & Baumesiter, R. F. (2013). Yes, But Are They Happy? Effects of Trait Self-Control on Affective Well-Being and Life Satisfaction. *Journal of Personality*, 82 (4), 265-277.
- Iacobucci, D. (2010). Structural equation modeling: Fit indices, sample size, and advanced topics. *Journal of Consumer Psychology*, 20, 90-98.
- Judson, K. M., & Taylor, S. A. (2014). Moving from marketization to marketing of higher education: The co-creation of value in higher education. *Higher Education Studies*, 4 (1), 51-67.
- Kenny, D. A. & McCoach, D. B. (2003). Effects of the number of variables on measures of fit in structural equation modeling. *Structural Equation Modeling*, 10 (3), 333-351.
- Kern, M. L., Waters, L. E., Adler, A., & White, M. A. (2014). A multidimensional approach to measuring well-being in students: Application of the PERMA framework. *The Journal of Positive Psychology*, Forthcoming.
- Kesibir, P. & Diener, E. (2009). In pursuit of happiness: Empirical answers to philosophical questions. In E. Diener (Ed.). *The science of well-being: The collective works of Ed Diener* (pp. 59-74). Dordrecht, the Netherlands: Springer.
- Keyes, C. L. M. (1998). Social well-being. *Social Psychology Quarterly*, 61 (2), 121-140.
- Kim-Prieto, C., Diener, E., Tamir, M., Scollon, C., & Diener M. (2013). Integrating the diverse definitions of happiness: A time-sequential framework of subjective well-being. In A. Delle Fave (Ed.), *The exploration of happiness: Present and future perspective* (pp. 47-75). New York: Springer.

- Marsh, H. W., Hau, K. T., & Wen, Z. (2004). In search of golden rules. *Structural Equation Modeling*, 11 (3), 320-341.
- Marsh, H. W., Ludtke, O., Nagengast, B., Morin, A. J. S., & Von Davier, M. (2013). Why item parcels are (almost) never appropriate: Two wrongs do not make a right – Camouflaging misspecification with item parcels in CFA models. *Psychological Methods*, 18 (3), 257-284.
- Maxwell, S. E., Cole, D. A., & Mitchell, M. A. (2011). Bias in cross-sectional analysis of longitudinal mediation: Partial and complete mediation under an autoregressive model. *Multivariate Behavioral Research*, 46, 816-841.
- McKinnon, D. P. (2008). *Introduction to statistical mediation analysis*. New York: Lawrence Erlbaum Associates.
- Mele, A. R. (2001). Acting intentionally: Probing folk notions. In Malle, B. F., Moses L. J., and Baldwin, D. A. (Eds.), *Intention and intentionality: Foundations of social cognition*. Cambridge, MA: The MIT Press.
- Muthen, B. (2011). Applications of causally defined direct and indirect effects in mediation analysis using SEM in MPlus. Working Paper, Statmodel.com, October 28, 2011. Accessed 4/7/2014, <http://www.statmodel.com/Mediation.shtml>.
- Newman, G. E., Bloom, P. & Knobe, J. (2014). Value judgments and the true self. *Personality and Social Psychology*, 40 (2), 203-216.
- Olson, J.C. and T.J. Reynolds (2001). The Means-End Approach to Understanding Consumer Decision Making, In Olson, J.C. and Reynolds T.J., *Understanding Consumer Decision Making: the Means-End Approach to Marketing and Advertising Strategy*, Ed. Mahwah, NJ: Erlbaum, 3-20.
- Phillips, D. (2006). *Quality of Life: Concept, policy, and practice*. London: Routledge.
- Podsakoff, Philip M., Scott B. MacKenzie, Jeong-Yeon Lee, and Nathan P. Podsakoff (2003), "Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies," *Journal of Applied Psychology*, 88 (5), 879-903.
- Raibley, J. R. (2012). Happiness is not well-being. *Journal of Happiness Studies*, 13 (1), 1105-1129.
- Renshaw, T. L. & Cohen, A. S. (2014). Life satisfaction as a distinguishing indicator of college student functioning: Further validation of the two-continua model of mental health. *Social Indicators Research*, 117, 319-334. DOI: 10.1007/s11205-013-0342-7.
- Reynolds, T. J. & Olson, J. C. (2001). *Understanding consumer decision making: The means-end approach to marketing and advertising strategy*. Mahwah, NJ: Lawrence Erlbaum Associates, Publishers.
- Rokeach, M. (1973). *The Nature of Human Values*. New York: Free Press.
- Ryan, R. M., Huta, V., & Deci, E. L. (2013). Living well: A self-determination theory perspective on eudaimonia. In A. Delle Fave (Ed.), *The exploration of happiness: Present and future perspective* (pp. 117-139). New York: Springer.
- Schutte, L., Wissing, M. P. & Khumalo, I. P. (2013). Further validation of the questionnaire for eudaimonic well-being (QEWB). *Psychology of Well-Being: Theory, Research, and Practice*, 3 (3), 1-22.
- Sirgy, M. J. (2012). *The psychology of quality of life: Hedonic well-being, life satisfaction, and eudaimonia*, 2nd Edition. New York: Springer.
- Taylor, S. A., Hunter, G. L., Melton, H., & Goodwin, S. A. (2011). Student engagement and marketing classes. *Journal of Marketing Education*, 33 (1), 73-92.
- Taylor, S. A., & Judson, K. M. (2011). A service perspective on the marketization of undergraduate education. *Service Science*, 3 (2), 1-18.
- Taylor, S. A. and Judson, K. M. (2014). The nature of stakeholder satisfaction with marketing education. *Higher Education Studies*, 4 (4), 89-107.
- Upadaya, K. & Salmela-Alto, K. (2013). Development of school engagement in association with academic success and well-being in varying social contexts: A review of the empirical research. *European Psychologist*, 18 (2), 136-147.
- Varelius, J. (2013). Objective explanations of individual well-being. In A. Delle Fave (Ed.), *The exploration of happiness: Present and future perspective* (pp. 15-30). New York: Springer.
- Vitterso, J., Soholt, Y., Hetland, A.,m Alekseeva Thoresen, I. & Roysamb, E. (2010). Was Hercules happy? Some answers from a functional model of human well-being. *Social Indicators Research*, 95, 1-39.
- Waterman, A. S., Schwartz, S. J., Zamboanga, B. L., Ravert, R. D., Williams, M. K., Bede Agocha, V., Kim, S.Y., & Donnellan, M. B. (2010). The questionnaire for eudaimonic well-being: Psychometric properties, demographic comparisons, and evidence of validity. *The Journal of Positive Psychology*, 5 (1), 41-61.

Williams, L. J., Hartman, N., and Cavazotte, F. (2010), "Method Variance and Marker Variables: A Review and Comprehensive CFA Marker Technique," *Organizational Research Methods*, Vol. 13 No. 3, pp. 477-514.

Send correspondence regarding this article to:

Steven A. Taylor, Ph.D.
Department of Marketing
Campus Box 5590
Illinois State University
Normal, IL 61790-5590.
Phone: (309) 438-8772
Email: staylor@ilstu.edu

Appendix A Study Measures

	Construct Validity
<p><i>Flourishing (Source: Diener et al. 2010; 7-Point Likert)</i> I lead a purposeful and meaningful life. My social relationships are supportive and rewarding. I am engaged and interested in my daily activities.</p>	Reliability = .75 Variance Extracted = .50
<p><i>Social Well-Being – Social Integration (Source Keyes 1998; 7-Point Likert)</i> You feel like you are an important part of your community. If you had something to say, you believe people in your community would listen to you. You feel close to other people in your community. You see your community as a source of comfort.</p>	Reliability = .91 Variance Extracted = .69
<p><i>Social Well-Being – Social Acceptance (Source Keyes 1998; 7-Point Likert)</i> You think that other people are unreliable. (-) You believe that people are self-centered. (-) You feel that people are not trustworthy. (-) You think people live only for themselves. (-) You believe that people are more and more dishonest these days. (-)</p>	Reliability = .85 Variance Extracted = .54
<p><i>Social Well-Being – Social Contribution (Source Keyes 1998; 7-Point Likert)</i> Your daily activities do not produce anything worthwhile for your community. You do not have the time or energy to give anything to your community. You feel that you have nothing important to contribute to society. (-)</p>	Reliability = .76 Variance Extracted = .52
<p><i>Social Well-Being – Social Actualization (Source Keyes 1998; 7-Point Likert)</i> You believe that society has stopped making progress. (-) Society is not improving for people like you. (-) You do not think social institutions like law and government make your life better. (-) For you, there is no such thing as social progress. (-)</p>	Reliability = .81 Variance Extracted = .53
<p><i>Social Well-Being – Social Coherence (Source Keyes 1998; 7-Point Likert)</i> The world is too complex for you. (-) You cannot make sense of what is going on in the world. (-)</p>	Reliability = .70 Variance Extracted = .54
<p><i>Eudaimonic Well-Being -- Factor 1 (Source: Waterman et al. 2010, Schutte et al. 2013; 7-Point Likert)</i> I believe that I have discovered who I really am. As yet, I have not figured out what to do with my life. (-) I believe that I know what I was meant to do in life.</p>	Reliability = .73 Variance Extracted = .47
<p><i>Eudaimonic Well-Being -- Factor 2 (Source: Waterman et al. 2010, Schutte et al. 2013; 7-Point Likert)</i> I feel best when I am doing something worth investing a great deal of effort in. I believe that it is important to know how what I'm doing fits with purposes worth pursuing. When engaged in activities that involve my best potentials, I have this sense of really being engaged. I find that a lot of things I do are personally expressive to me. It is important to me that I feel fulfilled by the activities that I engage in.</p>	Reliability = .80 Variance Extracted = .44
<p><i>Eudaimonic Well-Being -- Factor 3 (Source: Waterman et al. 2010, Schutte et al. 2013; 7-Point Likert)</i> Other people usually better what would be good for me than I know myself. (-) I cannot understand why some people want to work hard on the things that they do. (-) If something is really difficult, it is probably not worth doing. (-) I find it hard to get really invested in the things that I do. (-)</p>	Reliability = .59 Variance Extracted = .27
<p>Marker Variable – Textbook Ease of Purchase (Created for this Research: 5-Point Likert) Simple Easy Straightforward Convenient</p>	Reliability = .91 Variance Extracted = .72

APPROACHES TO DEVELOPING A COLLEGE COURSE ON CONSUMER SATISFACTION

David Aron, Dominican University

ABSTRACT

Consumer satisfaction is now constantly measured and assessed both online and in face-to-face encounters between marketers and customers. The attainment, measurement, and analysis of consumer satisfaction have grown to ubiquity in the overlapping worlds of the consumer and of the marketer, yet the topic is relatively uncovered by marketing educators in contemporary university marketing curricula. Three approaches to developing a consumer satisfaction course are presented: a stand-alone course on consumer satisfaction, a curriculum-wide integration of consumer satisfaction material, and an integration of two courses. Using this third approach, a masters-level course integrating a consumer satisfaction course with a course on social media marketing, is proposed. The structure for the course based on Richard Oliver's four-phase purchase decision model is recommended. Administrative and faculty issues are discussed.

INTRODUCTION

Consumer satisfaction is a niche field in academic marketing research. There are scholars who research consumer satisfaction, broadly and deeply. These researchers advance the state of knowledge in the areas of consumer satisfaction, dissatisfaction, and complaining behavior in a larger or meta-analytical sense (e.g. Davidow, 2012; Perkins, 2012), as well as more specific yet important areas including consumer loyalty (e.g., Dick and Basu, 1994; Oliver, 1999; Curtis, Abratt, Rhoades, and Dion, 2011), regret (e.g., Iman, Dyer, and Jia, 1997; Tsiros and Mittal, 2000), and grudgeholding (Hunt and Hunt, 1990; Aron, 2001). It might be expected that

many if not all of these scholars incorporate consumer satisfaction into their classrooms.

A survey of schools represented by the authors published in the *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, an academic journal dedicated to the study of consumer satisfaction and related topics, suggests that even at schools where the marketing faculty place a high priority on the study and dissemination of knowledge related to consumer satisfaction, courses on consumer satisfaction are not offered to its students (see Table 1, below).

Table 1: Schools represented in the Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior offering courses on consumer satisfaction

Schools represented in more than two JCS/D&CB articles 2004-2013 (may include multiple papers by same author)	Authorships in JCS/D&CB	Offers a course on consumer satisfaction?
Illinois State University	12	NO
Brigham Young University	6	NO
University of Southern Indiana	4	NO
University of Tennessee at Chattanooga	4	NO
Dominican University	3	NO
Florida Memorial University	2	NO
Loyola Marymount University	2	NO
New Mexico State University	2	NO
North Carolina State University	2	YES
Salem State University	2	NO

It should be noted that this table was created with a liberal definition of what might constitute a course on consumer satisfaction: the lone "yes" tally is a course called Customer Relationship Management.

The above is not meant to be an indictment of the schools listed or the many not listed but rather a call to action. Adding a course on consumer satisfaction to a marketing or business department curriculum is a daunting task. The purpose of the current study is threefold: to emphasize the importance of including a course on consumer satisfaction in marketing and business curriculum, to explore different approaches to incorporating such a course, and to share one innovative approach to introduce a course on consumer satisfaction to the curriculum of a School of Business at a small private university in the Midwestern United States.

To achieve these objectives, the need for a course based on the modern paradigm of ubiquitous measurement of satisfaction will be illustrated. Next, different strategies for building a consumer satisfaction course will be examined. Then, one particular approach to creating such a course will be offered. Finally, the outcome and the implications of this approach will be discussed.

BACKGROUND

The understanding and measurement of consumer satisfaction has never been of greater importance across industries. This observation is supported from the perspectives of both the consumer and the firm. From the business side, consumer satisfaction surveys are ever-present to the point of being invasive, found on the long receipts seemingly produced at the end of every transaction (“What Are Receipt Customer Satisfaction Surveys Good For?” 2014) and on pop-up banners that invade throughout any web-surfing session.

The only question is whether the cashier or server will directly ask their customer to complete the online survey for a chance to win a prize. Customer satisfaction cards are the norm after many purchase encounters, notably at automobile dealerships, where the salesperson may go so far as to implore a customer to check only the highest scores on the survey.

In addition to this constant condition of measuring consumer satisfaction, institutions have emerged concerning the analysis of consumer satisfaction scores. The American Consumer Satisfaction Index (ASCI), introduced to the United States in 1994 by Claes Fornell and his colleagues at The University of Michigan (Anderson and Fornell, 2000), is based on Fornell’s earlier work in Sweden. The ASCI was the first national benchmark of customer satisfaction, providing continuous comparative data on key industries’ level of satisfaction throughout the United States.

Another perspective on consumer satisfaction is called the Net Promoter Score. Developed by Frederick Reichheld (Reichheld, 2003), the Net Promoter Score demands that firms ask their customers one question: What is

the likelihood that you would recommend this company to a friend or colleague?”

The rush to measure and influence consumer satisfaction has even led to the creation of a new job title: social media listener. That job is self-explanatory: consumer comments, posted online regarding their levels of satisfaction and dissatisfaction are monitored and in many cases responded to by a firm’s representatives. This occupation is only growing in importance: from the point of view of the consumer, levels of satisfaction and dissatisfaction are shared at a pace that can only be described as instantaneous. Consumers are sharing their levels of satisfaction, often via smart phones and mobile devices, with each other and with firms on platforms including Twitter, Facebook, and Yelp before the transaction occurs, during the experience itself, and of course, afterward.

This is a paradigm shift away from the classic textbook truism that a happy customer will tell five (or some other single-digit number) friends but an unhappy customer will tell ten (or some much larger double-digit number) friends. Thanks to an effortless and often immediate access to the Internet enjoyed by consumers and the unprecedented ease with which comments can be shared around the world, combined with consumers’ access to an array of choices from near and far, the importance of consumer satisfaction has never been greater.

So why don’t more marketing instructors teach their students more about consumer satisfaction? Amid the growing importance of the study of consumer satisfaction, concern about the preparedness of college graduates continues (Harrigan and Hulbert, 2011; Keierleber, 2014). Who better to teach a course on consumer satisfaction than faculty members who dedicate their research to a better understanding of this increasingly important area? There are already numerous conferences and publications from which this information can be disseminated. A course on consumer satisfaction would have the effect of introducing more thoroughly informed college graduates into the workplace, a group of young professionals with a greater understanding of consumer satisfaction and its increasing impact on business and consumers.

Approaches to adding a course to a school's or department's marketing curriculum can vary. The purpose of this project is to share ideas about these different approaches and then focus on one such opportunity to create a course on consumer satisfaction. Attention will then be turned to the actual creation and execution of such a course. The steps that follow may be considered part of the preliminary work in creating a proposed course to submit to a curriculum committee. The next section will offer three different approaches to creating a course in consumer satisfaction.

ALTERNATIVE WAYS TO INCORPORATE CONSUMER SATISFACTION INTO THE CURRICULUM

In developing or modifying a course for the marketing or business curriculum, several questions must be considered:

- Who is the intended audience: undergraduates or graduate students?
- What are the learning goals for the course?
- How well do faculty teaching strengths and interests align with the new course offering?
- Would this course be required to complete a major or concentration?
- Would enrollment be restricted, or could non-majors also take this course?
- How many students are expected to take this course?
- How frequently would the course be offered?
- Would the course be branded and marketed to students under its own name or would it be a "special topics" course?
- Is the course aligned with the department, college, or university mission?
-

Researchers on marketing pedagogy have addressed the above questions in a number of ways (e.g., Joyce and Krentler, 1981; Stearns and Crespy 1995; Schibrowsky, 1995; Anderson, 1997; Sautter, Boberg, and Maltz, 1999) and have taken a different approaches to adding courses to their curriculum. Three approaches are presented below.

A Consumer Satisfaction Course

The first approach to adding a new course is the most straightforward one: design and offer a course dedicated to consumer satisfaction. However, the most straightforward tack may not be the best.

One obstacle to creating a course dedicated to consumer satisfaction is that there simply are not many textbooks to offer. While there are some, such as *Satisfaction* by Richard Oliver (Oliver, 2010) and *Consumer Satisfaction: Advancements in Theory, Modeling, and Empirical Findings* by Alessandro Peluso (Peluso, 2011), these books are written at a level more suitable for doctoral-level research or beyond. These books seem unlikely to be appropriate for an undergraduate course or even a masters-level course.

Another obstacle to the creation of an entire course dedicated to the topic of consumer satisfaction course is that of constrained faculty resources. Consumer satisfaction remains a niche research topic. Even if an academic researcher in the area of consumer satisfaction created such a course, it is possible that there would be nobody else to teach it.

From the administrative perspective, it is possible that restrictions in resources, space, and available credit hours would lead administrators to resist the creation of a consumer satisfaction course. The number of students in a marketing or business program might lead to low enrollment for this additional option in completing their marketing major or concentration.

A Consumer Satisfaction Component in Each Marketing Course

Another approach to including the topic of consumer satisfaction in the curriculum is to make the teaching of consumer satisfaction an integral component of other marketing courses. This addresses one issue against creating a specific course on satisfaction: the lack of textbooks. There are numerous textbooks in other fields of marketing, and many discuss consumer satisfaction at least in part, if not as an entire chapter.

Of course, one might argue that there are as many topics integrated into a marketing course as there are chapters in the textbook or class meetings during the semester, and in fact to blend consumer satisfaction into a marketing course isn't really emphasizing consumer satisfaction to any great degree. That is one disadvantage of this approach. Another concern is that while this approach would likely be more amenable to faculty members who are not experts in this area (as opposed to the first approach of creating a distinct course), there is a risk that consumer satisfaction would be neglected or taught in a less than optimal manner (Schibrowsky, 1995). In addition, there are so many topics that faculty are asked to add to any given course, in terms of content (e.g., international marketing, social media marketing, ethics, corporate social responsibility, green marketing) and assessment (e.g., assurance of learning measurements) that a shallow coverage of many topics might be coupled with faculty resistance over a perceived loss of control over their course and its delivery.

Like with the first approach, lack of familiarity with the area of consumer satisfaction might prevent faculty from incorporating this topic into the curriculum or into a particular course (Schibrowsky, 1995). There is a third option which, while not eliminating many of the barriers to teaching consumer satisfaction stated above, might prove to reduce the negative aspects while taking advantage of certain "economies of coverage" (Schibrowsky, 1995, p.34) to the advantage of all parties involved.

Integrate Consumer Satisfaction with another Marketing Course

A third approach to including greater coverage of consumer satisfaction in the marketing or business curriculum is to create a course that integrates consumer satisfaction with another relevant topic. This approach has been used in other areas and specialties within the marketing curriculum, including combining pricing with product management (Snyder and Stanley 1990; Schibrowsky, 1995), consumer behavior with marketing research (Anderson, 1997), and customer service with logistics (Sautter, *et al*,

1999). Some of the synergies created by these courses may be clear: marketing research might be presented within the context of almost any marketing course. Consumer satisfaction could also be combined with a course on marketing research or certainly consumer behavior.

A less intuitive partner for a consumer satisfaction course is the topic of social media marketing. The need for a course on social media marketing seems evident and, in the minds of many department administrators, more pressing than the need for a course on consumer satisfaction. On the other hand, the need for a course on social media marketing might be equated with the need for a course on global marketing. That is, globalization is included among the new marketing realities (Kotler and Keller, 2012), along with the influences of the Internet on marketing, including "retail transformation," "disintermediation," "consumer buying power," and "consumer information" (Kotler and Keller, 2012, pp.12-13). It could be argued that all marketing is global, and that the presence of the Internet and social media marketing is woven somehow through all marketing transactions. In this sense, there cannot be a sufficient marketing course without the integration of global marketing and social media marketing.

In this specific situation, the option to combine a course on social media marketing with a course on consumer satisfaction presented itself to the author. This was more a function of the author's desire to teach a course on consumer satisfaction combined with the imperative to offer a course on social media marketing. Yet this is more than a case of curricular serendipity. Just as several marketing topics might be considered to be easily paired with one another, as presented above, consumer satisfaction and social media marketing offer several synergistic characteristics. This can be understood in the context of the five-stage model of the buying decision process, an essential element of marketing textbooks, which serves as the basis for the following approach to the creation of a course integrating consumer satisfaction with social media marketing.

SUGGESTIONS FOR DEVELOPING AN INTEGRATED CONSUMER SATISFACTION AND SOCIAL MEDIA MARKETING COURSE

Overall Structure

The five-stage model of the buying decision process is familiar to marketing scholars and faculty as well as students. It consists of five stages as illustrated in Figure 1.

Figure 1: The five-stage buying decision process model



In this model, the purchase itself is implicit as a consequence of the purchase decision. The reality, that for a number of competitive and logistic reasons a particular purchase may not actually follow a purchase decision, is a topic for another study.

While the five-stage model is a foundational part of any Principles of Marketing course, Oliver offers a different perspective based in the realm of consumer satisfaction. In Oliver's four-phase purchase decision model (Oliver, 2010), the five buyer decision stages are reduced to four but the models can be compared, as illustrated in Table 2.

Note that there is not a one-to-one correspondence of stages to phases in comparing the two models. However, Oliver's phases are comparable to the five-stage model with an emphasis of what Oliver calls the "focus of uncertainty" (Oliver, 2010, p.266) which clarifies the relationship between the two models. That is, the focus of uncertainty at Oliver's predecision alpha phase is "desirability of alternatives," which might align with the problem recognition and information stages of the five stage model. The beta phase focus is on the desirability of chosen versus forgone alternatives (Oliver, 2010, p.266), representing movement from the alternative evaluation stage of the five stage model to the fourth, purchase decision stage. Desirability of foregone alternatives continues to be among the foci of uncertainty, along with uncertainty regarding the

performance of the chosen alternative in Oliver's gamma phase, the third stage of his model. This stage encompasses the post-purchase but prepossession and preusage timeframe, analogous to the purchase decision stage of the five-stage model. Finally, Oliver's delta phase, usage and postusage, can be compared to the post-purchase learning stage of the five stage model.

One implication of Oliver's four phase model is that consumer satisfaction is influenced at all stages of the consumer decision making process, and the pursuit of satisfaction influences behaviors at all four phases. Another implication, and of more direct application to the development of a marketing course that integrates consumer satisfaction with social media marketing, is that a model of consumer decision-making provides a relevant structure for combining these two topics. The next section will illustrate one example for the course under discussion.

Elements of an Integrated Course on Consumer Satisfaction and Social Media Marketing

The development and implementation of any college or university course must include several basic elements, including a course description and objectives, a course framework and syllabus organizing the topics, and assessment techniques. The following section describes one approach that was executed during the summer term, 2014.

The formal description for this integrated course on consumer satisfaction and social media marketing was as follows:

Two of the keys to contemporary marketing include the multi-platform, integrated environment that is social media and the demand for and measurement of consumer satisfaction. From the moment prospective consumers know of a need to be fulfilled, or are made aware of a purchase opportunity through a member of their network, until the time that the outcome of the behavior is shared with that network or the vendor, social media and customer satisfaction are intertwined. This course will explore these

Table 2
The Five Stage Buying Decision Process Model Compared to Oliver's Four Phase Model

Five Stage Model	Four Phase Model (Oliver, 2010)
Problem Recognition	Alpha: Predecision
Information Search	
Alternative Evaluation	Beta: Postdecision, prepurchase
Purchase Decision & Purchase	Gamma: Post-purchase, prepossession, postpossession, preusage
Post-Purchase Learning, Behavior	Delta: Usage, postusage

Table 3
Select Social Media Marketing Topics

Select Social Media Marketing Topics (listed alphabetically)
Blogging
Complaint/Anti-brand sites
Consumer review sites (e.g., Yelp)
Content marketing
Gameification
Google analytics
Location-based marketing
Mobile marketing
Multiplatform shopping
Paid vs. Earned vs. Owned media
Platforms (such as Etsy, Facebook, Instagram, LinkedIn, Twitter, YouTube, Pinterest)
Search engine optimization/Search engine management
Showrooming
Social Media metrics (e.g., Klout)
Viral marketing

Table 4
Select Consumer Satisfaction Topics

Select Consumer Satisfaction Topics (listed alphabetically)
American Customer Satisfaction Index
Brand communities
Brand review sites
Complaining
Cultural differences
Customer Relationship Management
Delight
Dissonance and Dissonance reduction
Engagement
Evangelists
Grudgeholding
Loyalty
Models of satisfaction
Net Promoter Score
Service recovery

relationships and what they mean for marketers, managers, and consumers.

The objectives for this course are based on a template used for many marketing courses offered by this author's institution.

Upon the successful completion of this course, each student should be able to achieve these marketing competencies:

- Describe and analyze the relationships between social media marketing and consumer satisfaction in the creation of marketing strategy, and the influence of marketing strategy on consumer and business behavior
- Analyze and synthesize marketing principals and opportunities in the contexts of consumer satisfaction and social media marketing with respect to organizational and external environments
- Evaluate marketing data, information, and knowledge regarding consumer behavior and marketing strategy decisions
- Develop and evaluate a social media marketing plan or strategy based on environmental, industry and company analyses
- Describe and defend a personal view of marketing opportunities and marketing decisions as related to a client, company, and industry of interest
- Write a coherent case analysis of a complex marketing problem
- Appreciate marketing as it applies to your chosen field/concentration/career

The course content is of great importance. Many courses, particularly those offered for the first time by a faculty member, are developed based on the chosen textbook or a sample syllabus provided by the textbook publisher. The lack of existing courses on consumer satisfaction as well as the absence of a consumer satisfaction textbook appropriate for the level of students to be taught, reduces the utility of this option.

On the other hand, there are numerous courses on social media marketing and several textbooks in this area, including *Social Media Marketing: A Strategic Approach* by Barker, Barker, Bormann, and Neher (2012) and *Social Media Marketing* by Tuten and Solomon (2012).

Several identified courses focusing on social media marketing (but without the integration of consumer satisfaction) use books more likely to be found among those on a business books best-seller list, that is, the popular press. At the time of this writing, examples of these books include *Socialnomics: How Social Media Transforms the Way We Live and Do Business* by Eric Qualman (2013), *The Thank You Economy* by Gary Vaynerchuck (2011), and *The New Rules of Marketing and PR* by David Meerman Scott (2013). The books selected for any course generally are up to the instructor of that course, perhaps with input from colleagues or department administration.

In this situation, there is an absence of precedent and of publisher templates. Therefore, the decision to create a syllabus based on the integration of the familiar five-stage buyer decision making model and Oliver's four phase model provides a structure for the slotting of the various social media and consumer satisfaction topics. These will be described in more detail below.

Organization of Course Topics

One of the motivations for the current project is to address the lack of consumer satisfaction courses offered in marketing curriculum. Social media marketing courses, on the other hand, are already found in university curricula. This makes the selection of which social media topics to include in the course under discussion one made from a position of abundant choices. A partial list of these topics is included in Table 3.

Many of the consumer satisfaction-related topics have already been mentioned above and can be readily found in the pages of journals such as the *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior* and are presented in Table 4.

Many of the areas listed in Tables 3 and 4 are clearly integral to both consumer satisfaction and social media marketing, such as consumer review sites. These and the remaining topics might be integrated into a course syllabus using the structure provided by Oliver's four phase model, presented alongside the more familiar five-stage buyer decision model in

Table 5
Proposed Structure of the Consumer Satisfaction Course

Five Stage Model	Four Phase Model (Oliver, 2010)	Possible CSD Topics	Possible SMM Topics
Problem Recognition	Alpha: Predecision		Google Analytics Location-based marketing
Information Search		Brand review sites Brand communities	Consumer review sites
Alternative Evaluation	Beta: Postdecision, prepurchase	Loyalty	Content marketing Showrooming
Purchase Decision & Purchase	Gamma: Postpurchase, prepossession and postpossession, preusage	Dissonance/Dissonance reduction	Gameification Mobile marketing Multiplatform shopping
Post-Purchase Learning, Behavior	Delta: usage, post-usage	American Customer Satisfaction Index Complaining Delight Engagement Net PromoterScore Service Recovery	Blogging Complaint/Anti-brand sites Consumer Review sites

Assessment

It has been written that the purpose of marketing is to sell stuff (Zyman, 1999) and social media marketing is no exception. The students in this integration of consumer satisfaction and social media marketing will be evaluated based on several criteria, including their ability to use social media marketing to sell a particular book written by a faculty colleague of the author. This book is on the topic of operations management and strategy. A book that is plainly not about marketing was selected intentionally, to avoid confusion about the purpose of the books for this class.

In this course, students will be divided into project teams, and each team will be asked to generate book sales and measure levels of consumer satisfaction by means of metrics including the book author's Facebook and LinkedIn activity and feedback as well as Klout scores throughout the accelerated summer semester.

Other grading criteria include more typical measures such as:

- Attendance and class participation
- A written creative brief based on student meetings with the author

- Weekly reports chronicling our client's online activity and feedback
- A social media marketing plan
- A final presentation

LIMITATIONS AND FUTURE RESEARCH

The integration of a course on consumer satisfaction with one on social media marketing is in itself an aggressive approach to teaching either topic, let alone both. It is important for the students' sake that the teacher of an integrated course avoid the phenomenon known as "course and a half," in which an instructor might be tempted to add course material until the demands of the course grow to substantially more than the typical course workload. Given the goals of this course, the instructor must be aware of, and avoid this, occurrence.

CONCLUSION

In the 1970s, there was a television commercial for Fabergé shampoo which was noteworthy for its observation about the impact of consumer satisfaction: when somebody enjoys their experience with a product, they will tell two friends, who will then tell two more friends, and

so on. Of course, the notion of expressing one’s level of consumer satisfaction or dissatisfaction by telling two friends is quaint by contemporary standards, even with the assumption that each friend will tell two more friends, increasing one’s influence exponentially. While the fundamentals of consumers expressing their level of satisfaction through word of mouth communication is essentially unchanged since that time, as a method of marketing communication it is more important than ever (Bechwati and Nasr, 2011; Lang and Hyde, 2013) and the sharing of consumer satisfaction and dissatisfaction has experienced a seismic shift thanks to social media.

The purpose of this article is to recognize this growing impact of consumer

satisfaction on the ways that consumers and marketers behave and communicate, and the importance of offering a marketing course to address this new reality. Contemporary marketing cannot be discussed without recognition of the importance of consumer satisfaction and of the role played by social media marketing. In terms of communication, reporting, and measurement, consumer satisfaction and social media marketing are bound together. The course presented in this article is meant to address this paradigm.

Table 7
Actual Schedule for the Integrated Consumer Satisfaction/Social Media Marketing Course

Topic	DATE	Class notes
1. Course Planning & Our Client	Mon 6/30	<ul style="list-style-type: none"> • Course organization and planning • Social media marketing overview • Create and discuss social media usage diary • Prepare for client meeting
	Weds 7/2	
2. Problem Recognition	Mon 7/7	<ul style="list-style-type: none"> • First client meeting • Lecture on Problem Recognition • Presentation on Facebook
	Weds 7/9	
3. Information Search	Mon 7/14	<ul style="list-style-type: none"> • Industry speaker • Faculty speaker on ethics • Lecture on Information Search • Presentation on LinkedIn
	Weds 7/16	
4. Alternative Evaluation	Mon 7/21	<ul style="list-style-type: none"> • Industry speaker SEO/SEM • Lecture on Alternative Evaluation • Presentation on YouTube
	Weds 7/23	
5. Purchase Decision & Purchase	Mon 7/28	<ul style="list-style-type: none"> • Industry speaker on social media strategy • Interactive session on ethics • Lecture on Purchase Decision; abandonment • Presentation on Twitter
	Weds 7/30	
6. Post-Purchase Learning	Mon 8/4	<ul style="list-style-type: none"> • Industry speaker on competition, start-ups • Lecture on Post-Purchase learning; engagement • Presentation on Pinterest
	Weds 8/6	
7. Put it all together: Client Presentation	Mon 8/11	<ul style="list-style-type: none"> • Industry speaker on loyalty • Final presentation to client
	Weds 8/13	

At this writing, several marketing or business departments offer courses on social media marketing but courses on consumer satisfaction are scarce and difficult to find. This article offers a framework for incorporating consumer satisfaction into a marketing department or business school curriculum. Three possible approaches can be considered: A stand-alone course on consumer satisfaction, the purposive inclusion of consumer satisfaction into existing marketing courses, and finally the integration of a consumer satisfaction with another course, one that might be more readily accepted into the marketing curriculum. It is this third approach that is being brought to reality, to be offered during the summer semester, 2014. The success of this approach will be monitored throughout the semester in which the course is taught and beyond, in preparation for a similar course that will be offered to undergraduates the following spring term.

POSTSCRIPT

The combined course on consumer satisfaction and social media marketing, officially called Special Topics in Marketing: Social Media Marketing, ran from June 29th through August 13th, 2014. The class of nine MBA students met two evenings per week for seven weeks, for up to three hours per meeting.

The class evolved rapidly from the start. The course schedule that was ultimately used is presented in Table 7, below. The class was hands-on in nature, with learning in social media marketing achieved through the actual development and execution of a social media marketing plan on behalf of the class client, supplemented with lecture on consumer satisfaction topics and guest lecturers from industry experts discussing social media issues and experiences.

The needs of the client, originally conceived as being centered around selling a book on operations management, quickly grew not only to include, but to focus on, the needs of the author and his partners' consulting firm. This firm, formed in 2001, provides consulting in the area of operations and supply chain management.

Nine students were randomly assigned to two project teams and produced weekly social media marketing activity reports. These reports included notes on what the teams themselves did to promote the client, the teams' plans and requests for approval of their next week's activities, and their recommendations for actions that the firm's executives themselves might take. Results of past week's activities, including reports on postings on LinkedIn, Facebook, Twitter, and the client's website, and KPI such as comments, views, and likes, were included. The client was an active participant in several class meetings as was one of his business partners, making several presentations to the class.

The course presented many challenges as faced by the students, the client, and the instructor. One such challenge was the clients' inexperience with social media marketing. While the client company and its leaders are successful consultants in the manufacturing field, they were unfamiliar with the execution of social media such as LinkedIn, Twitter, and YouTube, beyond simply having an account. They were also resistant to some of the modern approaches to marketing that are part of the social media environment, including the need for a steady, if not daily, presence. Even more troubling, and something the author has experienced with many in-class clients, is resistance to the need relinquish some control over the conversation conducted online. In particular, one member of the client team did not want to invite or allow responses to posts on LinkedIn or their blog because such comments might come from unhappy clients or competing consultants. Students addressed this concern by emphasizing the informative content of consumer complaining behavior, sharing examples of best practices in addressing complaints and negative comments, and stressing the importance of building a supportive online community.

Another challenge was that students began the course at varying levels of familiarity with social media marketing. All nine of the students had LinkedIn accounts (even though most were relatively inactive on that platform), eight had Twitter accounts, and only seven had Facebook

accounts. More importantly, all but one of the students, despite familiarity with these platforms, were passive consumers of these media (including YouTube) and customers of companies that advertised on these media, but were unfamiliar with the creation of marketing content and the marketing strategy implications and potential of social media marketing. The instructor addressed this deficit through several class activities:

- Online diary: Students were required to monitor and then discuss their online and social media behavior over the course of two days, to better understand the distinctions between passive consumption of social media and the marketing activity that is occurring online
- Guest speakers shared their backgrounds and experiences. The speakers included a social media consultant, a regional marketing director for a “daily deal” company, a sales representative for a customer relationship management consultant, and a University director of marketing communications.
- Students worked in pairs to research and share “platform presentations.” The platforms were LinkedIn, Facebook, Twitter, YouTube, blogging, and Pinterest. For this exercise, students were asked to discuss:
 - Overview and history of the platform
 - Usage, demographics, psychographics, and trends among users
 - Activities that are conducted on the platform (e.g., sharing of articles, posting of job opportunities or resumes, video presentations or demonstrations)
 - Best practices among businesses operating on this platform
 - Recommendations to our client on their use of this platform

The instructor had to adjust the syllabus to account for the demands of the client as well as the relative inexperience of the client and the students. For example, the instructor collaborated with a colleague to create a shared experience on the topic of business ethics. The nine students in Social Media Marketing teamed

up with eight students taking the University’s Business Law course to develop a three-hour workshop on ethics in marketing and social media marketing. Additional emphasis was also given to more contemporary issues that arise from the integration of social media and consumer satisfaction and dissatisfaction, including consumer engagement, consumer evangelism, abandoned shopping carts, and service recovery.

Perhaps the biggest challenge was finding an appropriate textbook. The instructor originally chose to use *Social Media Marketing* by Tracy Tuten and Michael Solomon (2012) as the textbook for the social media marketing elements of this course. However, roughly a month before the beginning of the summer course the instructor was notified by the manager of the University book store that the book was out of print. Despite the recent publication date, a book that was no longer in print, hardly seemed to fit the needs of a course on social media marketing. Instead, *Social Media Marketing: A Strategic Approach* by Barker, Barker, Bormann, and Neher (2012) was selected for this course. Given the rapidly changing social media environment, any reading material or class activities concerning social media marketing must be frequently reevaluated and updated to maintain relevance.

The instructor is now preparing an undergraduate level course, also called Special Topics in Marketing: Social Media Marketing. The intention remains to emphasize the natural, logical connection between social media marketing and consumer satisfaction and dissatisfaction. The lessons learned from the summer course will be integral to the creation of this next class, which will meet beginning in January, 2015.

REFERENCES

- Anderson, Beverlee B. (1997). “A Customer Analysis Course for the Marketing Curriculum.” *Journal of Marketing Education*, 19 (2), 2-15.
- Anderson, Eugene W and Claus Fornell (2000). “Foundations of the American Customer Satisfaction Index.” *Total Quality Management*, 11 (7), 869-882.

- Andreassen, Tor W. (2001). From Disgust to Delight: Do Customers Hold a Grudge? *Journal of Service Research*, 4(1), 39-49.
- Aron, David (2001). Consumer Grudgeholding: Toward a Conceptual Model and Research Agenda. *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 14, 108-119.
- Bechwati, Nada Nasr and Najolie I., Nasr (2011). Understanding Triggers of Offline and Online Consumer Recommendations. *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 24, 56-68.
- Curtis, Tamilla, Russell Abratt, Dawna Rhoades, and Paul Dion (2011). Customer Loyalty, Repurchase, and Satisfaction: A Meta-Analytical Review. *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 24, 1-26.
- Davidow, Moshe (2012). CS/D&CB: The Next 25 Years. *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 25, 1-6.
- Dick, Alan S. and Kunal Basu (1994). Customer Loyalty: Toward an Integrated Conceptual Framework. *Journal of the Academy of Marketing Science*, 22(2), 99-113.
- Harrigan, Paul and Bev Hulbert (2011). "How Can Marketing Academics Serve Marketing Practice? The New Marketing DNA as a Model for Marketing Education. *Journal of Business Education* 33(3), 253-272.
- Hunt, H. David and H. Keith Hunt (1990). Customer Grudgeholding: Further Conceptualization and Analysis. *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 3, 117-122
- Iman, J.Jeffrey, Dyer, James S., and Jianmin Jia. (1997). A Generalized Utility Model of Disappointment and Regret Effects on Post-Choice Valuation. *Marketing Science*, 16(2), 97-111.
- Joyce, Mary L. and Kathleen A. Krentler (1981). "Nonprofit Marketing as a College Course: Potential Problems and Probable Opportunities." *Journal of Marketing Education*, 3(2), 2-6.
- Keierleber, Mark (2014). "Business and Academic Leaders Disagree on Quality of College Grads, Survey Finds." *The Chronicle of Higher Education*. <https://chronicle.com/article/BusinessAcademic-Leaders/144977/> (accessed 3/25/14).
- Kotler Philip and Kevin L. Keller (2012). *Marketing Management (14th ed.)*. Boston: Prentice Hall.
- Lang, Bodo and Kenneth F. Hyde (2013). What We Know and What We Have Yet to Learn. *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 26, 1-18.
- Oliver, Richard L. (1999). Whence Consumer Loyalty? *Journal of Marketing*, 63 (Special Issue), 33-44.
- Oliver, Richard L. (2010). *Satisfaction (2nd ed.)*. Amronk, NY: M.E. Sharpe.
- Peluso, Alessandro M. (2011). *Consumer Satisfaction: Advancements in Theory, Modeling, and Empirical Findings*. Bern, Switzerland: Peter Lang.
- Perkins, Debra S. (2012). Future Directions in Consumer Satisfaction, Dissatisfaction, and Complaining Behavior: So Much More to Come. *Journal of Consumer Satisfaction, Dissatisfaction, and Complaining Behavior*, 7-23.
- Reichheld, Frederick F. (2003). "The One Number You Need to Grow." *Harvard Business Review*, 23 (December). <http://hbr.org/2003/12/the-one-number-you-need-to-grow/ar/1> (accessed 4/1/14)
- Sautter, Elise T., Kevin Boberg, and Arnold Maltz (1999). "A Customer Service Course: Bringing Marketing and Logistics Together." *Journal of Marketing Education*, 21(2), 138-145.
- Schibrowsky, John A. (1995). "Developing an Integrated Product and Price Management Course." *Journal of Marketing Education*, 17(2), 33-44.
- Snyder, John and Linda R. Stanley (1990). "Incorporating Price into the Marketing Curriculum." In *1990 Western Marketing Educators' Association Conference Proceedings* (Doutt, J.T. and McKinnon, G.F., eds.). Provo: Brigham Young University Press, pp. 24-26.
- Stearns, James M. and Charles T. Crespy (1995). "Learning Hierarchies and the Marketing Curriculum: A Proposal for a Second Course in Marketing." *Journal of Marketing Education*, 17(2), 20-32.
- Tsiros, Michael and Vikas Mittal (2000). Regret: A Model of Its Antecedents and Consequences in Consumer Decision-making. *Journal of Consumer Research*, 26(March), 401-417.
- "What Are Receipt Customer Satisfaction Surveys Good For?" *SurveyMethods.com*, June 2,

2014. SurveyMethods, Inc. Web. Accessed
Sept. 21. 2014.

Zyman, Sergio (1999). *The End of Marketing as We
Know It*. New York: Harper Business.

Send correspondence regarding this article to:

David Aron, Ph.D,
Brennan School of Business
Dominican University
7900 W. Division Street
River Forest, IL 60305
Ph: 708-524-6681
daron@dom.edu