THE EFFECT OF COUNTER-EXPERIENTIAL MARKETING COMMUNICATION ON SATISFACTION AND REPURCHASE INTENTION

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ABSTRACT

Counter-experiential marketing communication refers to a marketing message that runs contrary to what a customer has actually experienced through product or service use. The impact of counter-experiential communications on consumers, as measured by levels of customer satisfaction and repurchase intention, is analyzed through an empirical study. It is demonstrated that after a negative experience, a positive message about the product leads to lower levels of satisfaction and repurchase intention as compared to when that negative experience is followed by a more neutral message. Recommendations are offered to best prevent the detrimental effects of *de facto* counter-experiential advertising in the face of negative consumption experiences. Direction for future research in this area is provided.

INTRODUCTION

A consumer's expectations and subsequent satisfaction level are often shaped by marketing communications. Marketing communications, such as advertising, serve as a source of information and motivation for the consumer before the purchase is made, and continue to inform prospective, current, and past customers even while a product is in use. As such, marketing communications present the focal product or service in the best light. There are many strategic and creative approaches that a marketer might take toward presenting a product offering using marketing communications, such as advertising, with the overall effect of displaying benefits while creating and managing consumer expectations.

For the most part, purchases (whether provoked by marketing communications directly, indirectly, or not at all) have outcomes that are satisfying, or at least satisficing, with the performance of the product or service measuring as expected. However, when the service or product performance is below acceptable standards, customers suffer from the disappointment of their suboptimal consumer experience, what might be called a product-harm crisis (Dawar and Pillutla 2000), with the consumer blaming the company for the experience (e.g., Laufer, Silvera, and Meyer 2005). This is reflected in the loss of time, money, and other costs associated with an unexpectedly inequitable exchange. If the purchase outcome somehow goes awry, negative thoughts and feelings, such as dissatisfaction, anger, and regret, might be expected to follow. Consider, for example, two different purchases:

1. A woman living in the Midwestern United States purchased a living room set from a well-known regional furniture retailer whose light-hearted and family-oriented ads appealed to her. The actual purchase process was time-consuming and difficult, filled with delays, unfriendly service representatives, and the arrival of damaged goods. After several months' worth of arguments and poor service, the woman's furniture finally arrived in an acceptable state.

2. A college student purchased an MP3 player from an online store. Shortly after it arrived, the device suffered breakdowns of its hardware and pre-installed software, and seemed to spend more time in transit between the customer's apartment and the

manufacturer's service center than it spent playing music.

These examples illustrate two vivid scenarios of the possible outcomes involved in the consumer decision-making and acquisition process. The stories serve as illustrations of the monetary and nonmonetary costs of a dissatisfying consumer experience. With that in mind, consider these next steps in our two scenarios:

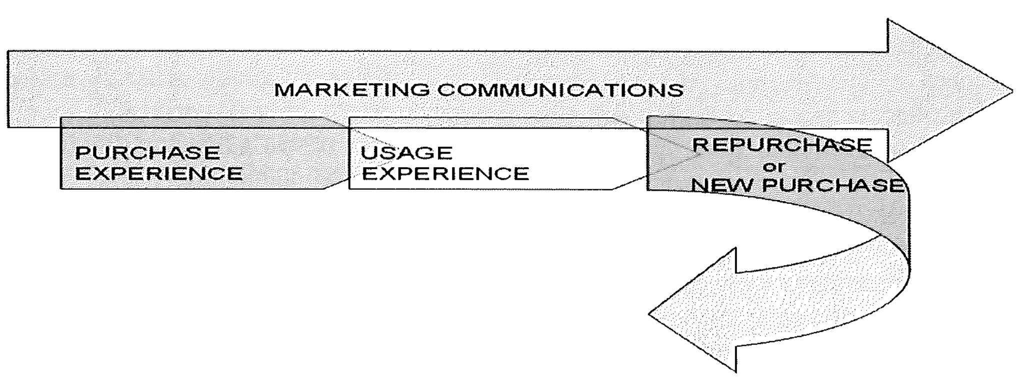
1. The furniture store from which the woman made her purchase bore its founder's name, and was familiar to many through its frequent and playful television advertisements depicting the founder's adult children engaging in gentle teasing and amiable sibling rivalry. Long after the furniture arrived and was arranged in the woman's home, it is not the product but the commercials that continue to rankle and fill this customer with anger and unpleasant reminders of her experience.

2. The college student with the faulty MP3 player watched in frustration as the manufacturer grew in terms of success and size, and its advertising increasingly boasted of the numerous industry awards that its products and service had won. The company continued to advertise in many magazines that our student read, much to his chagrin.

While advertising and other forms of marketing communication are generally meant to stimulate purchase or at least trial among prospective customers, many ads are seen by current product users; in fact, the purpose of the message itself might be to serve as a reminder to accelerate repurchase (e.g., a new version of this product is available and I should try it; or, that reminds me, I'm running low on this product) or initiate the search process. There are also examples of expressly post-purchase marketing communications, such as thank you letters from salespeople to their customers confirming the wisdom of their purchase, and television ads from movie studios urging customers to see a movie for a second time. A general look at the timing of marketing communications in relation to usage experience is presented visually in Figure 1.

Figure 1

The Timing of Marketing Communications



As presented above, marketing communications do not occur only before a purchase is made. Post-purchase marketing communications are prevalent in the mass and direct media, and recent research includes consumer interaction with advertising as related to past consumption activity (e.g., Braun and Loftus 1998; Smith 1993). There are many opportunities to be satisfied or dissatisfied (Oliver 1997) and an advertisement for any given product may be seen by current, past, or potential customers at any stage of their product decision-making cycle. Many marketers pay hundreds of thousands of dollars toward research to carefully target their most inviting and responsive consumer segments, yet despite these attempts to reduce the likelihood of a current or lapsed customer receiving marketing communications meant for a potential customer, such misdirected communications do exist.

Customer expectations are often not met by the marketer's product or service, and dissatisfactory outcomes may be experienced, as presented above. What, then, is the impact of marketing communications, designed to create positive expectations and stimulate purchase or repurchase, when seen by a customer who has had a negative experience with a product or service; that is, what is the influence of a counter-experiential communication on a dissatisfied customer?

The term "counter-experiential marketing communications" is thus introduced and its meaning is straightforward: an advertisement or other marketing message that runs contrary to that which a customer has actually experienced in terms of product or service performance. The counter-experiential message is not necessarily an outright lie about what a customer should expect from a product or service (the ethical responsibilities of marketers and advertisers are relevant but beyond the scope of this current research) but does reflect a promised reality or level of satisfaction (e.g., prompt delivery of a package or a high level of product quality) that the customer knows, from experience, did not happen.

The current research has four main objectives. The first is to examine consumer response to counter-experiential communications from the perspective of the existing literature. The second objective is to analyze, through use of an empirical study, the impact of counter-experiential communications on consumers as measured by levels of customer satisfaction and repurchase intention. The third objective is to offer recommendations to businesses and advertisers as to how they can best prevent the detrimental effects of *de facto* counter-experiential advertising in the face of negative consumption experiences. The final objective is to offer direction for future research in this area.

BACKGROUND

While there is ample research in the areas of customer satisfaction (e.g., Yi 1990) and marketing communications there is very little overlap between the two areas (Braun, Ellis, and Loftus 1999). This is surprising, given the frequent use of the expectation disconfirmation model of customer satisfaction and the role that marketing communications play in the formation of consumer expectations. Therefore, this study approaches the phenomenon of counter-experiential marketing communications from the perspectives of expectation formation, marketing communication responses, and customer satisfaction and repurchase intention, key variables in the present study.

Customer Satisfaction and Expectation Formation

The most widely used theory of customer satisfaction is the expectation disconfirmation model (Oliver 1997) wherein satisfaction is based on a customer's outcome meeting, exceeding, or failing to meet, expectations. Expectations can be affected by experience such that expectations levels, and therefore criteria for disconfirmation, are modified based on consumption experiences (McQuitty, Finn, and Wiley 2000). Customer expectations are also to a large extent created through the many forms of marketing communications, such as advertising. Marketing communications can be expected to have an influence on the expected future relative attractiveness (Andreassen and Lervik 1999) of a focal product or service by virtue of the information value of the communications, even to the point of possibly causing confusion between the external message and the experience itself (Braun, et al. 1999).

Responses to Marketing Communications

Research on social judgment theory suggests that a consumer's reaction to marketing communication will be a function of how the message is perceived. In light of this, since a counter-experiential message will run contrary to the consumer's most accessible perspective toward the focal product or service, the contrast effect might be expected. That is, the receiver of the message might perceive such communication to be even further removed from his or her actual experience than in the case of a more neutral message, or a more neutral experience. The subsequent resistance to the message is suggested by Tormala and Petty (2002), who found that a strong yet contradictory message can lead to a bolstering of one's initial attitude. Along these lines, reactance, wherein the dissatisfied consumer resists this communications-based denial of her experience, might also provoke a boomerang effect, a strong contrary response against the marketer (Eagly and Chaiken 1993).

A consumer's response to marketing communications can take several forms. Wright (1980) found that cognitive responses to communications can be organized in different ways, including counterargument, a supportive argument, or derogation of the source of the message. Wright found that consumers' cognitive responses rely more on mental images and personal experiences more than on the content of the ad itself, experience that in the case of the current research would involve a negative outcome.

Responses such as counterargument and source derogation can be expected to preface or coincide with resistance to the message. Ahluwalia (2000) offered three forms that such resistance might take. More specifically, resistance can be take the form of biased assimilation (that is, the denial of contrary information); a relative weighting of attributes, (or a reduction of the weight given to an attribute or attributes negatively influenced by the information); and recognition of the impact of negative information on other attributes not specifically mentioned in the message. These are among the approaches that might be used by consumers who are trying to cope with the dissonance between they what experienced and the counter-experiential message to which they are subsequently exposed.

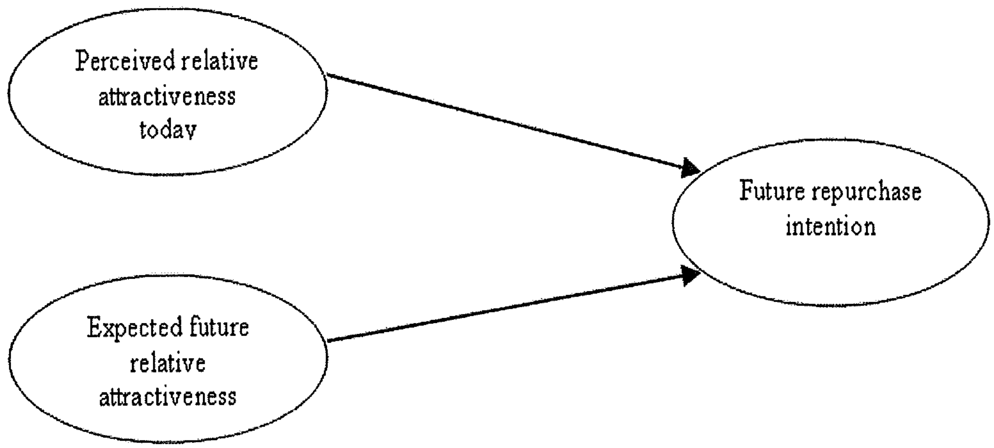
Repurchase Intention

Future repurchase intention is recognized as a positive consequence of customer satisfaction (e.g., Anderson, Fornell, and Lehmann 1994; Hellier, Geursen, Carr and Rickard 2003). Many of the issues raised in past research are of relevance to the current study. Repurchase might be negatively influenced by consumer grudgeholding, a lasting feeling of hostility toward a firm (Aron, Judson, Aurand, and Gordon 2006) that might be caused by the negative purchase outcome and then compounded by what might be seen as a disingenuous advertisement. The issue of perceived equity is one of interest, along with perceived value (Hellier, *et al.* 2003). Equity might be seen in the effect of an episode of counter-experiential communication, such that a product user who is disappointed in the outcome might happen upon an advertisement that contradicts the actual experience. This would promote an imbalance in equity from the perspective of fairness or normative outcomes. The perceived value of a product might be among the elements embedded in the overall satisfaction or dissatisfaction measure. Customer satisfaction, in the context of the current research, is included as a dependent variable.

A more basic conceptual model of repurchase intention helps to establish the relationships of interest. As presented in Figure 2, Andreassen and Lervik's (1999) conceptual model of future repurchase intention (RPI) presents RPI as a function of the "Perceived relative attractiveness today" and of "Expected future relative attractiveness" of a focal product or service, essentially, how happy is the customer currently, and how much pleasure does the customer believe a subsequent purchase would yield (Andreassen and Lervik 1999).

Figure 2

The Andreassen and Lervik Conceptual Model of Repurchase Intention (Andreassen and Lervik 1999)



This conceptual model serves as a starting point in the exploration of the possible interaction between the two attractiveness variables. Experiences leading to perceived relative attractiveness might leave consumers with varying degrees of satisfaction or dissatisfaction, ranging from an ecstatic, "I can't wait to tell my friends and then buy myself another one of these" delight to a despondent "There must be some way to get my money back or otherwise hide my shame" sort of dissatisfaction. The Andreassen-Lervik model suggests that expectations borne of negative experiences will lead to a lower RPI than would positive expectations.

THE CURRENT RESEARCH

As described above, there are overlaps in the purchase process such that consumer experience and marketing communications interact, with little research involving the effect of post-purchase communications on previous consumer experience. The research question is: will a counter-experiential marketing communication following a consumption experience have an effect on consumer response, in terms of reported satisfaction level and repurchase intention? More specifically: will a counter-experiential, positive advertisement following a negative experience make the consumer's response even more negative? Or will the positive message weaken or even negate the existing negative attitude toward the focal product? These questions lead to the following research hypotheses:

H_{1a}: Given a positive experience with a product, respondents exposed to positive marketing communications for that product will experience a higher level of satisfaction compared to respondents exposed to a neutral communication.

H_{1b}: Given a positive experience with a product, respondents exposed to positive marketing communications for that product will experience a higher level of repurchase intention compared to respondents exposed to a neutral communication.

H_{2a}: Given a negative experience with a product, respondents exposed to positive marketing communications for that product will experience a lower level of satisfaction compared to respondents exposed to a neutral communication.

H_{2b}: Given a negative experience with a product, respondents exposed to positive marketing communications for that product will experience a lower level of repurchase intention compared to respondents exposed to a neutral communication.

METHODOLOGY

The concept of counter-experiential marketing communication is intuitively compelling, yet the interaction of this sort of marketing communication with a customer's level of satisfaction and repurchase intention has not been explored empirically. Because of this, the current research is meant to gain a greater understanding of how counter-experiential communication is perceived by consumers, and then to attain an understanding of how consumers are affected by and respond to by these communications.

This research has been conducted through two studies. The first study is a preliminary survey that serves as a foundation for the convergent validity of the simulated advertisements created for a fictional product as compared to genuine, published ads for several other products and services. The second, larger-scale study of this project measures the interaction of these fictional advertisements with scenarios devised to manipulate the experimental conditions to which subjects were exposed. Scenarios have been used in the induction of a variety of emotional responses (e.g., Roseman 1991; Raghunathan and Pham 1999) and have been shown to produce results consistent with those of direct manipulation (Robinson and Clore 2001). Both phases of the project are discussed in the following sections.

The Preliminary Study

Respondents

The respondents in the preliminary study were students enrolled in an introductory marketing course at a university located in the Midwestern United States. Students were free to participate in this study, which was positioned as an evaluation of print advertising, or select an alternative assignment. All students chose to participate in the study. A total of 134 respondents participated in the main study, generating 129 usable surveys.

Experimental Design

Respondents were presented with one of five single magazine-style black and white print advertisements. Three of these ads were genuine ads for one of three existing products: Children's Memorial Hospital, Isomil Advance baby formula, and Sandals Resorts. These ads are displayed as Figures 3, 4, and 5, respectively.

Figure 3: Children's Memorial Hospital advertisement
Figure 4: Isomil baby formula advertisement
Figure 5: Sandals Resorts advertisement

Figure 3

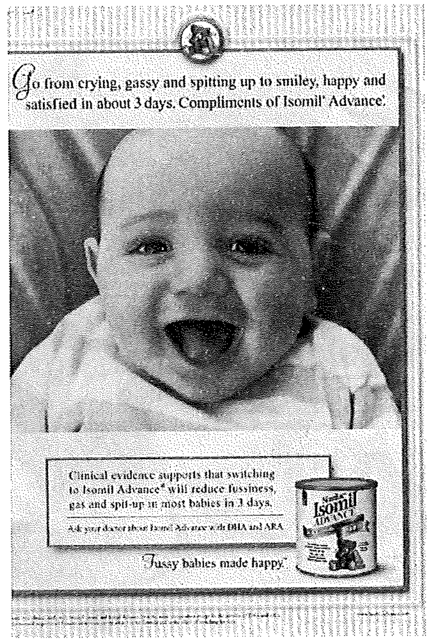


Figure 4

Figure 5

Figure 6
Positive Advertisement for Digigo

Figure 7

Neutral Advertisement for Digigo

The other two ads were for the focal product, the fictional Digigo MP3 player. The fabricated ads were developed to be either positive (including positive reviews, news of awards, and testimonials) or neutral (no reviews, awards, or testimonials). These ads had been created by a group of undergraduate advertising students and are presented as Figures 6 and 7.

Procedure

Respondents were instructed to look at the advertisement and answer questions about what the ads meant to them. After viewing the ad, respondents were presented with the following two questions, to be answered on a seve point scale:

- The ad is believable
- The advertiser is trustworthy.

The scales were anchored at one extreme by "Not at All," at the other extreme by "Extremely," and in the middle by the label "Neutral."

Results

The mean scores for the two questions, regarding the believability of the ads and the trustworthiness of the advertisers, were compared. The means scores are presented in Table 1.

Table 1

Advertisement Believability and Trustworthiness Mean Scores

Advertisement	*n*	"This Ad is Believable" Mean Score	"This Advertiser is Trustworthy" Mean Score
Children's Hospital	27	4.37	4.70
Isomil	27	4.11	4.00
Digigo- Neutral*	24	4.00	3.96
Digigo- Positive*	23	3.96	3.87
Sandals	28	3.82	3.79

* Fabricated advertisement N=129

This preliminary study was conducted to confirm that the fabricated advertisements were at least, on the surface, believable to the respondent sample. Importantly, the positive and neutral Digigo messages demonstrated no statistical differences in terms of believability (t = -0.19, p = 0.85) and trustworthiness (t = -0.37, p = 0.71) in a two-tailed t-test.

The Main Study

Respondents

Subjects were marketing students enrolled in multiple sections of a Principles of Advertising course at a university located in the Midwestern United States. Students were free to participate in this study, which was positioned as a measurement of attitude toward the advertisement, or they could select an alternative assignment. All 150 students chose to participate in the main study.

Given the sample of respondents, the choice of digital music players as the subject of the advertisements is logical. A great many college students own MP3 players, and digital music player sales continue to grow. Sales of the market-leading iPod surpassed 3.72 million units (representing 80% of the market) before the 2005 holiday shopping season (Bloomberg 2006).

Experimental Design

The valence conditions were dictated by the nature of the fictional advertisement (as described above) and by a fictional character's outcome with an MP3 player. The outcomes of this experience were either positive or negative, as expressed directly (e.g., "Chris is very unhappy with the Digigo player") and in terms of the performance of a number of product-specific attributes such as battery life and song capacity. This established a 2x2 experimental design: Product Experience Valence (Positive or Negative) x Advertisement Valence (Positive or Neutral). Therefore, respondents were in one of four conditions:

Positive experience and positive ad
Positive experience and neutral ad
Negative experience and positive ad
Negative experience and neutral ad

Procedure

Subjects were handed a packet containing one page of instructions, a one-page scenario related to a fictional student's experience with a particular product (an MP3 player), three filler ads, and one focal, fabricated ad related to the product in the scenario. The distracter ads were identical for respondents in all conditions, while the fabricated ad for the fictional MP3 player was among the manipulated variables. One version of the MP3 player ad was designed to be highly positive, effusive in its praise of the digital music player, and displaying multiple awards and recommendations. The second version was visually similar to the first, but without the awards and offering only neutral comments regarding the product performance.

Respondents were instructed to read through every page of the packet, and were told that they would read a story about "Chris, roughly your age, who has had a purchase experience." The directions indicated that there would be questions to answer, and that the respondent should "imagine that you are Chris."

The scenario was a brief description of Chris, whose name was selected as gender-neutral. Chris was described as having devoted substantial effort toward finding one particular product, the fictional Digigo MP3 player. Chris was depicted as having undertaken "several weeks of research and anticipation" in the selection and purchase of "the perfect MP3 player" Details of the effort expended by Chris were then presented to the respondents, identical for both the positive and negative outcome conditions. The scenario describes several attributes of this digital music device, including its price, its song capacity, its battery life, the availability of songs to download, and its playback features. This description is held constant between the positive and negative conditions. The scenario then takes one of two directions: Chris is described either as "happy" or "unhappy" with the purchase. In the "happy condition," the outcome is described as follows:

> Chris is very happy with the Digigo player. The sound quality is wonderful, the player holds as many songs as expected, many favorite songs are available for downloading, and there are no technical problems to speak of.

In contrast, Chris's unhappy outcome is described in this way:

> "Chris is very unhappy with the Digigo player. The sound quality is terrible, the player doesn't hold as many songs as expected, many of Chris's favorite songs are not available for downloading, and there are several other technical problems as well, such as the MP3 player frequently shutting itself off in the middle of a song."

After reading one of these scenarios, respondents then viewed a series of magazine-style print ads, including three actual ads meant to serve as a distraction, followed by one of two versions of the fabricated Digigo ad.

The distracter ads included magazine ads for Children's Memorial Hospital, Isomil Baby Formula, and Sandals Resort vacations. These actual ads were chosen because they were not necessarily vivid or engrossing yet would create some distraction with unrelated pictures of dogs, babies, and vacationing adults. These ads were selected with the expectation that they would not, in and of themselves, stimulate further processing of the scenario that had been read.

The focal ad was the last one in all conditions, an ad for the Digigo MP3 player depicted in the scenario. After comparing the three distracter ads and the ad that served as one of the manipulated variables, respondents were presented with the following two questions, to be answered on a seven-point scale:

> "How likely do you think Chris is to purchase the Digigo brand MP3 in the future?" anchored by "Extremely Unlikely" and "Extremely Likely" with "Neutral; neither likely nor unlikely" at the center.

> "In terms of customer satisfaction, how would you describe Chris's response to this situation?" anchored by "Extremely Dissatisfied" and "Extremely Satisfied" with "Neutral; neither satisfied nor dissatisfied" at the center.

The first question is meant to measure the repurchase intention based on the interaction of the scenario and the advertisement. While repurchase intention is an important variable in the areas of customer satisfaction and loyalty, no definitive scale has been established in the literature. Two examples of recent work that involved repurchase intention as a dependent variable support the straightforward approach that the current research has taken. Andreassen and Lervik (1999) measured repurchase intention in the context of the insurance industry by way of a 10-point Likert scale, with anchor points including "very likely" and "very unlikely." This scale was used to answer the question "How likely or unlikely is it that you will continue to use your insurance company in the future? Similarly, these authors asked ""How important is it to you to continue your relationship with your insurance company?" with the 10-point scale anchored by the terms "important" and "not important." A similar approach to measuring repurchase intention was used by Mattila and Wirtz (2000), in the multiple contexts of a beauty center, a dental clinic, a rollercoaster ride, and the passport section of an immigration department. In this study, repurchase intention was measured on an 11-point rating scale anchored at one end by "Certain I'd do it again" and at the other by "No chance I'd do it again." The measure of repurchase intention used in the current research is faithful in spirit to the approaches mentioned above. The second question is meant as a general measure of satisfaction with Chris's purchase outcome.

Upon the completion and return of each survey, respondents were thanked for their participation and excused.

Table 2

Repurchase Likelihood and Satisfaction Mean Scores for Scenario and Ad Conditions

Variable	Condition: Positive Scenario, Positive Ad	Positive Scenario, Neutral Ad	Negative Scenario, Positive Ad	Negative Scenario, Neutral Ad
Repurchase Likelihood[1]	2.10	1.08	-2.63	-1.83
	$F = 6.65, p = .012$		$F = 5.59, p = .021$	
Customer Satisfaction[2]	2.05	1.33	-2.26	-1.51
	$F = 4.55, p = .036$		$F = 3.77, p = .056$	
$N = 150$	n= 41	n= 36	n= 38	n=35

[1]Repurchase Likelihood: -3 = Extremely Unlikely; 3 = Extremely Likely
[2]Customer Satisfaction: -3 = Extremely Dissatisfied; 3 = Extremely Satisfied

Results

A survey administered to 150 undergraduate advertising students consisting of two Likert-type scales was employed to capture and evaluate responses toward counter-experiential marketing communications. The survey data was subsequently edited, coded, and entered in SPSS 13.0 for analysis. A total of 150 surveys were completed and submitted for analysis.

As illustrated in Table 2, there were strong interaction effects involving the scenarios and the marketing communications. Not surprisingly, the positive outcome followed by a positive ad drew the highest satisfaction and repurchase intention scores, supporting the first hypothesis. Through analysis of variance (ANOVA), it is clear that the repurchase likelihood is greater when a positive message follows a positive experience, as compared to the subsequent neutral message (mean scores 2.10 vs. 1.08 respectively on a scale from -3 to 3; $F = 6.65$, $p = .012$). The same holds true for the level of customer satisfaction in these conditions (mean scores 2.05 vs. 1.33 respectively; $F = 4.55$, $p = .036$). Therefore, both parts of the first hypothesis, that given a positive experience with a product, respondents exposed to positive marketing communications for that product will experience a higher level of satisfaction and a higher repurchase intention compared to respondents exposed to a neutral communication, is supported.

An ANOVA was also conducted regarding the second hypothesis, concerning the responses to a negative experience followed by a positive marketing communications message. When a negative experience is followed by a positive message, as compared to a neutral message, the repurchase intention is even lower than otherwise (with mean scores -2.63 vs. -1.83 respectively; $F = 5.59$, $p = .021$). This supports the second part of this hypothesis. However, the first part of the second hypothesis, regarding the satisfaction level, offered similar results in terms of mean scores but only to the point of approaching statistical significance (mean scores -2.26 vs. -1.51 respectively; $F = 3.77$, $p = .056$). Therefore, given a negative experience with a product, respondents exposed to positive marketing communications for that product did experience a significantly lower repurchase intention, and a numerically (but not statistically significant) reduced level of customer satisfaction compared to respondents exposed to a neutral communication.

These results are presented graphically as Figures 3 and 4. The effect of counter-experiential communication is apparent in the results from the interaction between the negative scenario and the positive advertisement. As shown in Table 2, the lowest scores for repurchase intention and for level of customer satisfaction both occur when a negative experience is followed by an advertisement that is perceived to run contrary to the actual consumer experience.

DISCUSSION

A good message can make a good experience even better, but even a positive marketing communication cannot overcome a bad experience. This is the risk and consequence of counter-experiential advertising.

It was demonstrated through an empirical study that given a positive experience with a product, respondents exposed to positive marketing communications will experience a higher level of satisfaction and repurchase intention compared to respondents exposed to neutral communication. This result seems intuitive, in that a customer with a positive experience would likely assimilate any supporting information, such as a positive marketing message. The more provocative finding is that given a negative experience with a product, respondents exposed to positive marketing communications for that product will experience a renewed expectancy disconfirmation and an even lower level of satisfaction and repurchase intention compared to respondents exposed to a neutral communication. The degree of support of this final hypothesis lends credence to the presence of, and importance of, counter-experiential marketing communications.

Figure 3: Customer Satisfaction Scores for Scenario and Ad Conditions

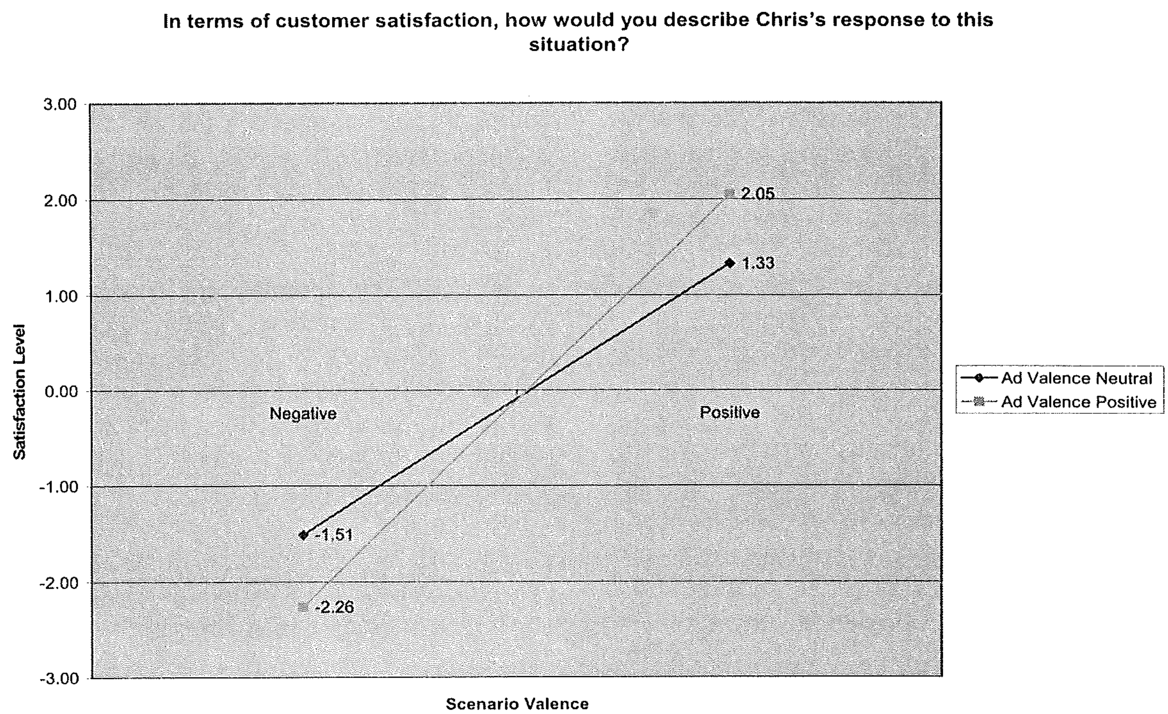
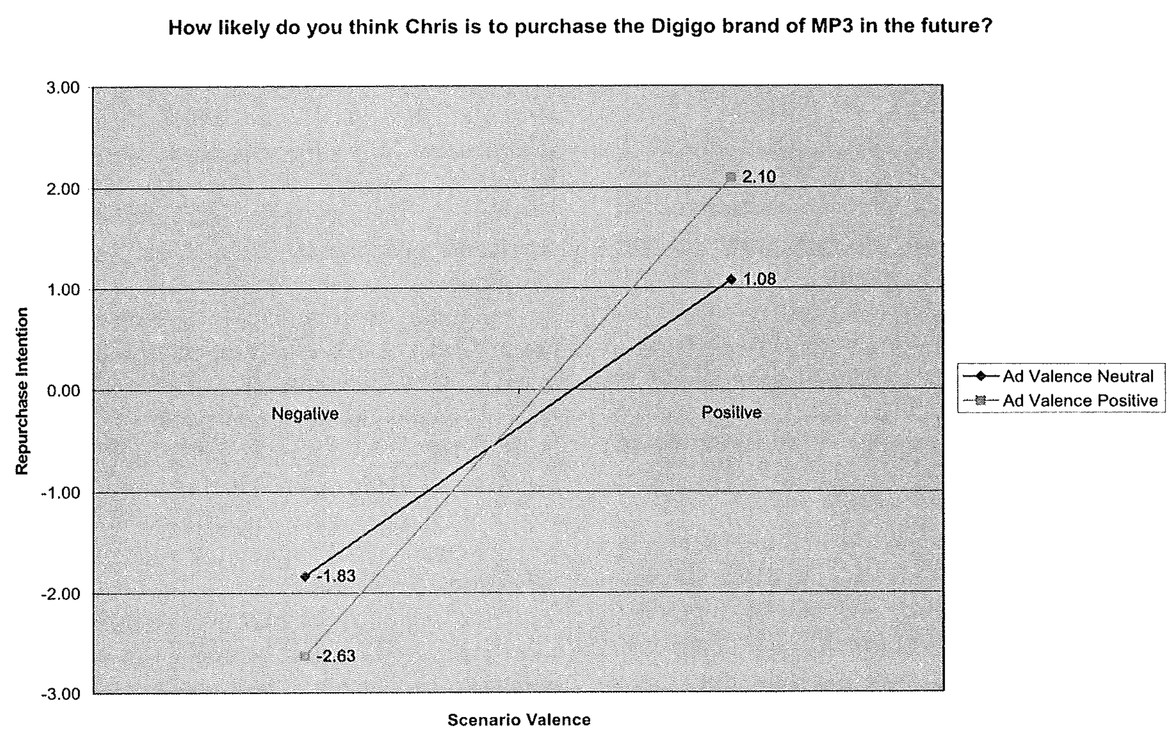


Figure 4: Repurchase Intention Scores for Scenario and Ad Conditions



The impact of the interaction between the experience and the message is clear when a negative experience is followed by a positive and therefore counter-experiential message. This leads to a paradox that stands in contrast to the reconstructive memory processes suggested in earlier research (Braun, et al. 1999). The positive message does not replace the negative experience; in fact, using satisfaction level and repurchase intention as measurements, in seems instead to intensify the negative experience. This is evident when the results of the negative experience/positive message are compared to the results of the negative experience/neutral message interactions.

This resistance to the marketing communication might be explained by considering the relative strengths of the communications. Tormala and Petty (2002) found that when people resist persuasion, they can actually become even more certain of their initial attitudes. A consumer whose attitude is based on a negative experience would, as demonstrated in the current study, maintain this negative attitude, especially given the highly positive nature of the message. Tormala and Petty (2002) found that this bolstering of the initial attitude occurred when the contradictory message was perceived to be a strong one, in this case, highly positive as opposed to neutral.

In addition to the effect of the perceived strength of the message, the strength of the experience also plays a role in the resistance to counter-experiential marketing communications. The experience itself becomes information that an external message simply cannot refute. From another perspective, given the negative experience, a neutral message might be harder to refute in that the message really does not offer much new information besides the continued existence of the product, while the positive message offers substantially more information that can be counter-argued and therefore more easily resisted (Ahluwalia 2000)

With reference to the elaboration likelihood model, Garretson and Burton (2005) found that the way in which consumers view and process advertisements may determine the degree to which particular cues receive elaboration and become encoded. A happy customer, however, might not be motivated to process an ad at all, whether it was positively valenced or neutral; a happy customer simply might prefer to stay happy (Isen 1987). Unhappy customers might be motivated to process a message in a more central way, perhaps to find explanation for their plight. Failing that, an ad that is positive, and therefore counter-experiential, would simply add to the frustrating outcome and perhaps even provoke reactance against a firm that dares to suggest that the negative outcome that a customer experienced is in someway unusual, and implicitly, not because of the marketer or its product. As the results indicate, the new counter-experiential information is so dissonant that a preferred coping mechanism is manifest in a polarized attitude, making the processed communication easier to dispute but not ignore.

GENERAL DISCUSSION AND IMPLICATIONS

The current study supports the notion that counter-experiential marketing communications can have a decidedly negative impact on customer satisfaction and repurchase intention. On the surface this does not seem like a novel finding, that unhappy customers are not likely to repurchase the product that caused their unsatisfactory outcome. However, there are situations in which a consumer is tied into a relationship (e.g., the furniture store example introduced earlier) or has limited purchase alternatives due to their local competitive or regulatory environment. In addition, the timing of the product or service malfunction as well as an organization's own policies regarding returns and other forms of redress (particularly for a time-intensive or service-intensive offering) may make redress inconvenient, unavailable, or otherwise insufficient. The current study addresses this situation and others, in which a consumer must cope with a negative experience followed by counter-experiential communications from the offending organization.

The relationship between communications, specifically advertising, and its impact on post-purchase satisfaction, has remained relatively unexplored in the customer satisfaction literature.

The current research adds an important dimension to understanding the relationship between marketing communications and customer satisfaction, in that a positive message, when received not by a prospective customer but by a current customer, can have a counterintuitive and unexpectedly detrimental effect on that person's repurchase intention. Simply put, marketers must be careful not to overemphasize the positive attributes of their offerings to consumers who, due to negative experience, are predisposed to deny or counter-argue against such claims.

The advice to downplay the positive attributes of an offering seems to go against the nature of marketing communications in general. However, marketers must know their customers and their usage outcomes. Counter-experiential marketing communications can serve as a negative experience unto itself. Consider the experience of the MP3 player owner introduced at the beginning of this study. "How can you lie like that?" this student might exclaim. This also raises implications regarding the goal-orientation of the upset customer. Is this customer looking out for his or her own self-interest? Or are they looking out for others, so friends and associates don't make the same mistakes? Or is the motivation revenge, beyond an equitable return on the investment, against the marketer?

The results of this study in terms of customer satisfaction and repurchase intention are relevant to firms that look beyond a consumer's first experience with a product offering. This applies to marketers in general, advertising agencies, and customer service representatives. If a firm's customers are dissatisfied already, yet their repeat business is desired, the marketer should have knowledge about this sentiment before embarking on a promotional campaign. Smith (1993) found that when a negative experience precedes the exposure to advertising, the cognitive evaluations toward subsequent advertising are more negative. To expand upon this, as suggested by the current study, excessively positive, boasting, award-winning, chest-thumping advertising will just make unhappy customers feel worse by reminding them of their original expected outcome, likely a positive one. The counter-experiential communication can be expected to reduce satisfaction levels and repurchase intention. Even if a marketer is less concerned with repeat business, it would be a bad idea to provoke complaining or negative word-of-mouth from unhappy customers that might drain firm resources and inform future customers.

In contrast, a positive experience coupled with a positive ad will lead to a higher repurchase intention and more satisfaction. This might be explained by the inherent confirmation of previously held, positive beliefs. The positive message would, in effect, become like another successful use of the product. This is the ideal situation for everybody involved. Of course, this fortunate outcome is easier said than done.

Marketers must therefore consider who is receiving their communications. Recall that such marketing communications occur throughout any individual's (or segment's) stage of the consumer decision-making and purchase process. Organizations must bear in mind what kinds of experiences its customers are having, and what sort of information the customer is including in her or her schema regarding the product and its alternatives. In this sense, a consumer's history and level of involvement with a product or service and its alternatives is an important avenue for future research.

Another imperative for marketers might be outside the realm of marketing communications, and that is to dedicate more resources toward improving the product or service itself. That is, research time and money that might be used to gauge the satisfaction level of current customers can be used preemptively, to make the firm's offering less likely to break down. Of course, research on customer satisfaction should not be ignored; it might just be more within the organization's capabilities to make product improvements that lead to satisfied customer who may react more favorably to reinforcing marketing communications.

LIMITATIONS AND FUTURE RESEARCH

The study presented has revealed an important interaction between the purchase outcome and subsequent marketing communications, and the impact of this interaction on customer satisfaction and repurchase intention. Some of the limitations of this research open the doors for subsequent investigation.

The design of the study was devised to establish the impact of counter-experiential marketing communications. Future research on this topic should consider a longitudinal approach, capturing *a priori* measures of the key dependent variables, satisfaction and repurchase intention. Along these lines, a more elaborate design would also recognize inherent limitations to the scenario-based approach, and take the concept of counter-experiential communications into a broader-based study, built upon real-world consumer experiences. Scenarios place the respondent in a contrived situation that can only approximate the behaviors and decision-making exhibited in a more natural setting. This casts the findings in a tentative light that must be developed further, perhaps via a more field-based study.

Regarding the instrument, the similarity of effects on customer satisfaction and repurchase intention suggests the need for a scale that goes beyond the seven-point scale used. The effect of the filler ads on short-term memory should also be considered (e.g., Garretson and Burton 2005).

Subsequent research might include different forms of marketing communication. While the current set of print advertisements were used based on their surface validity, the provocative results suggest that wider variety of communications, including comparative ads (negative toward one product or brand), news stories (perceived to be more objective), even product reviews, can expand upon the comparison between positive and neutral messages, even expanding toward negative or more ambiguous communications.

The current research has demonstrated the impact of counter-experiential marketing communications on customer satisfaction and repurchase intentions. Given the competition for customers and their loyalty and the clutter of marketing communication that customers are exposed to on a daily basis, it is vital that marketers target their communications carefully, and maintain an awareness of their current and prospective customers' purchase outcomes.

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TESTING AN EXPANDED ATTITUDE MODEL OF GOAL-DIRECTED BEHAVIOR IN A LOYALTY CONTEXT

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ABSTRACT

Marketers have known for some time that satisfaction is closely linked to loyalty intentions (Oliver 1997, 1999). However, Johnson et al. (2006) argue that the drivers of customer loyalty intentions are complex and dynamic, changing and evolving over time. The current study therefore approaches the explanation of loyalty intentions in a different way. Specifically, the argument is made and a model is tested and supported of loyalty intentions based upon attitudinal, Goal-Directed conceptualizations. Specifically, we adapt the Model of Goal-Directed Behavior (MGB) posited by Perugini and Bagozzi (2001) and apply the model to loyalty in a B2B service context. First, the goal-directed, attitudinal explanatory model represented by the MGB conceptualization is supported by the current research. Second, two proposed extensions of the MGB are supported involving unique forms of attitude and perceived behavioral control. Finally, a multi-stage loyalty conceptualization is generally supported by the data. The managerial and research implications of the study are presented and discussed.

INTRODUCTION

The quest for loyalty is one of the most frequently sought after strategic marketing objectives today (Evanschitzky and Wunderlich 2006; Oliver 1999). Indeed, there appears little controversy in the marketing literature surrounding the general belief that customer loyalty can differentiate firms and generate sustained profits (Evanschitzky and Wunderlich 2006; Keiningham, Vavra, Aksoy, and Wallard 2005; Oliver 1999; Rust, Lemon, and Narayandas 2005; Vavra 1992). Oliver (1999) argues for the determined study of loyalty with the same enthusiasm researchers have devoted to a better understanding of customer satisfaction.

None-the-less, there are still a number of important gaps in our understanding of the construct. First, there continues to exist no agreement on the definition of loyalty (Evanschitzky and Wunderlich 2006; Oliver 1999; Uncles et al. 2003). Second, much remains to be learned of the nature of the relationship between loyalty and antecedent influences such as satisfaction, value and trust (Agustin and Singh 2005), and why they appear so inconsistent in fostering loyalty. This observation represents somewhat of a "loyalty riddle" for marketers today. Third, there appears little explicit consideration of the more general body of knowledge related to judgment and decision-making (J/DM) in marketing inquiries related to consumer loyalty. Fourth, the role of moderating impacts on loyalty are still poorly understood (Evanschitzky and Wunderlich 2006). Together, such gaps in our understanding (1) make it difficult to consistently define loyalty both constitutively and operationally across studies, (2) which subsequently hampers our understanding of how loyalty forms, and (3) further attenuates relating loyalty to other marketing theories and marketing performance outcomes.

The following study first calls for moving beyond strictly behavioral views of loyalty (i.e., that people act) toward models that help us to better understand how loyalty judgments form (i.e., how people form the motivation to act). Specifically, we call for commensurability in adopting Oliver's (1997, 1999) attitude-based constitutive definition of customer loyalty. We then propose an attitude-based model of how such loyalty decisions are made based on a special case of Perugini and Bagozzi's (2001) Model of Goal-Directed Behaviors (MGB), which purports to well-reconcile with emerging more general models of judgment and decision making (J/DM). The contribution of the proposed model lies in its ability to help us solve the riddle of why loyalty seems so hard to engender in so many target audiences. Specifically, instead of relying solely on the often inconsistent influence of satisfaction on loyalty (Oliver 1999), marketers can instead identify the specific psychological antecedents (both cognitive and affective) motivating loyalty intentions and subsequent behaviors in marketing strategic management. Together, the results constitute a framework that may help begin the process of unifying loyalty research with the extant body of knowledge across social science disciplines. Thus, the presented study contributes to the body of knowledge for both marketing practitioners and theoreticians, and potentially beyond.

This study builds upon the argument that a cognitive and affective perspective of loyalty is consistent with the emerging marketing literature. For example, studies are emerging demonstrating the key role of affective commitment in strengthening loyalty to a brand (Fullerton 2003, Matilla 2006). Ratner and Herbst (2005) conduct four experiments and conclude that an emotional reaction to a negative outcome can affect switching behaviors. Olsen et al. (2005) conduct a study identifying the importance of taking ambivalence into consideration when measuring satisfaction and modeling satisfaction-loyalty relationships. Yu and Dean (2001) also suggest that the emotional component of satisfaction is a driver of loyalty. Consistent with the emerging literature, the following study builds upon the assertion that marketing models attempting to explain the evolution of loyalty intentions need to consider affective considerations. However, we argue that in order to consider affective considerations in loyalty models, loyalty theory must be reconciled with the underlying literatures related to both judgment and decision making (J/DM) and attitudes. Such reconciliation suggests modeling the formation of loyalty intentions in new ways.

THEORY

The marketing literature most generally identifies the existence of two competing views of loyalty. The first view, which we will call the behavioral perspective, considers the domain of the concept of loyalty to essentially be constrained to retention of the brand (e.g., East et al. 2005). This perspective focuses almost exclusively on repeat purchase. The emphasis is entirely on behavioral measures. The gist of this perspective appears to be to focus on operationalizing the loyalty concept in as parsimonious a manner as possible. This perspective appears most popularly advocated by Reichheld's (2003) argument to simply measure word-of-mouth behaviors in order to measure customer loyalty.

That said, Uncles et al. (2003) suggests that loyalty represents a paradox. They explain the decision-making process underlying the behavioral perspective essentially involves passive acceptance of brands. An alternative perspective involves considering loyalty to be an attitudinal-based phenomenon, which we will refer to as the attitudinal perspective. While both perspectives appear to assume goal-directed behavior, the behavioral perspective identified above appears to be a relatively more (short-term) sales-directed perspective. The attitudinal perspective can arguably be characterized as a more defensive alternative that presupposes the efficacy of customer relationship management initiatives.

The attitudinal perspective is the approach taken in the current research based upon the Morgan and Rego (2006) study demonstrating the misguided nature of the behavioral perspective as identified above. Our review of the literature suggests that Oliver's (1999, p. 34) definition of loyalty represents a viable candidate for commensurable agreement as a constitutive definition for attitudinally-based loyalty: "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior." We view this definition as adequately capturing both behaviorally- and attitudinally-based loyalty models identified above. Consistent with Jacoby and Chestnut's (1978) original expectancy-value based assertions, Oliver (1999) suggests that loyalty includes four hierarchical phases: cognitive, affective, conative (i.e., behavioral intention), and action. However, this conceptualization differs in the argument that consumers become "loyal" at each attitudinal phase relating to different elements of the attitude development structure.

Table 1

Loyalty Items (Oliver 1997, 1999)

Loyalty Phase	Constitutive Definition	Operational Definition	Comment
Cognitive	**"I buy it because it's better!"** Here the information base available to a consumer compellingly points to one brand over another. Sustainers include cost, benefits and quality.	Brand X has more benefits than others in its class. It is captured by our construct, repurchase intentions.	These two forms include the desire to be loyal, but not necessarily committed long-term loyalty behaviors. These can also include anticipated but unrealized actions.
Affective	**"I buy it because I like it!"** This phase is based on affect. Loyalty is now encoded in the consumer's mind as affect and not solely cognition, and therefore anchored, with both cognition and the consumer's overall evaluation of the brand (Attitude). Sustainers include satisfaction, involvement, liking, preference, cognitive consistency.	I have grown to like brand X more so than other brands. It is captured by our construct, repurchase intentions.	
Conative	**"I'm committed to buying it!"** Conative loyalty is a loyalty state containing the deeply held commitment to buy. Conation implies an intention or commitment to behave toward a goal in a particular manner. Thus, it moves beyond affect to take on motivational properties to pursue the preferred brand. Sustainers include commitment and cognitive consistency.	I intend to continue buying brand X in the future. It is captured by our construct fortitude.	Now we move on to realizing actions. Here the focus lies more on commitment to long-term marketing relationships. Thus, we move to the measurement of intentions and behaviors.
Action	**"I'm willing to overcome obstacles to buy it!"** In the action control sequence, intention accompanied by motivation leads to a state of readiness to act and a desire to overcome obstacles to achieve the action. Sustainers include inertia and sunk costs.	When I have a need for a product of this type, I buy only brand X. It is captured by our construct fortitude.	

Consumers are theorized to become loyal first in a cognitive sense, then later in an affective sense, and finally in a behavioral sense (i.e., action inertia). In addition, defining loyalty as a construct with cognitive, affective, conative, and action phases suggests that explanatory models should incorporate similar constructs. Not inconsistent with Oliver's (1997, 1999) conceptualization of hierarchical loyalty we have defined loyalty in the current research at two general levels: repurchase and fortitude. In addition, consistent with Reichheld (2003), we include word of mouth as a dependent variable in our model. Table 1 presents Oliver's (1997, 1999) theoretical model of loyalty, and how they relate to our conceptualization.

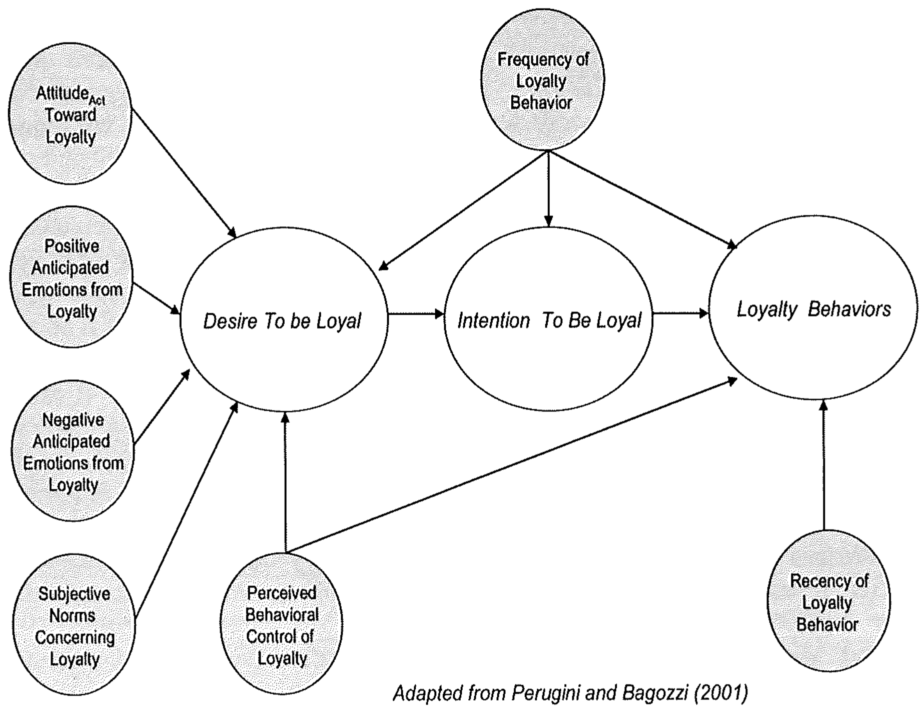
In summary, the current study investigates customer loyalty consistent with a goal-directed, attitudinal perspective that seeks to incorporate affective considerations in the decision-making model. However, prior to presenting the research model investigated herein, we first address the efficacy of our research strategy when compared to emerging theoretical considerations from the judgment and decision making (J/DM) and attitude literature.

Reconciling Loyalty Theory with the J/DM and Attitude Literatures

The vast majority of evidence related to choice under risk or uncertainty is based upon theories that are cognitive in nature (Lowenstein et al. 2001). That is, people assess choice alternatives and then integrate this information through some form of expectation-based calculus to arrive at a decision. As attitude theories have origins in multi-attribute utility theory (MAUT), attitude theory appears accurately described as having evolved based upon the consequentiality perspective as described by Lowenstein et al. (2001). Such a perspective suggests that consumers base decisions on the consequences of their actions. However, one of the problems associated with the consequentialist perspective has been its inability to easily incorporate affective considerations (Kahneman and Tversky 2000, Tversky and Kahneman 2000). Hsee et al. (2004), however, are proponents of a perspective that purports to reconcile affective considerations with the consequentialist perspective.

The Hsee et al. (2004) perspective allows for the contemplation of affective considerations within the context of attitude models (as a form of J/DM models). In fact, the MGB represents an effort to specifically accomplish this end. MGB differs from previous attitude models such as the Theory of Planned Behavior by (1) introducing emotions into traditional attitudinal explanations of goal-directed behavior through positive and negative emotions (As), and (2) accounting for motivation through the capture of desires as part of the model. These anticipated emotions influence volitional processes (i.e., cognitive planning), which in turn influence the development of desires (i.e., motivation, which subsequently influence instrumental behaviors). Figure 1 presents MGB specific to loyalty inquiries. However, the current research extends beyond simply applying MGB to loyalty considerations, but also includes extensions of the MGB which are appropriate for this context.

Figure 1: The MGB Model Generalized to Loyalty

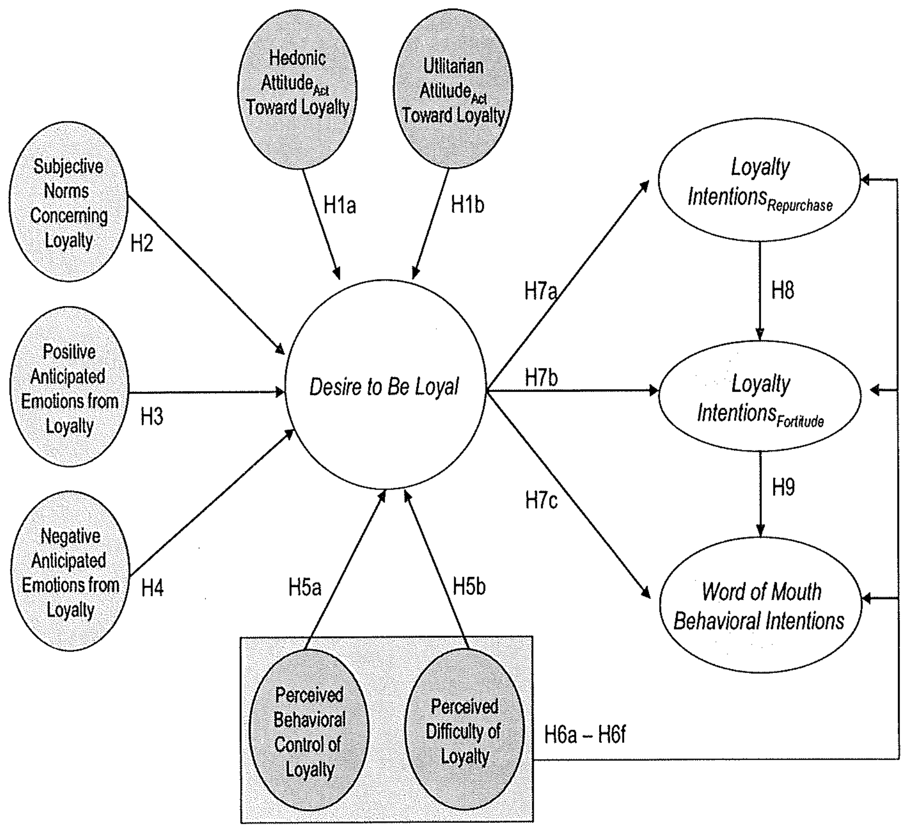


Adapted from Perugini and Bagozzi (2001)

Proposed Extensions to the MGB Conceptualization & Research Hypotheses

A review of the literature identifies two potential extensions of the MGB conceptualization that also merit consideration within the current research. The first extension involves the appropriate conceptualization and operationalization of the Attitude$_{Act}$ construct. Perugini and Bagozzi (2001, p. 81) define "attitudes" in the MGB conceptualization consistent with that typically associated with the Theory of Planned Behavior (see Eagly and Chaiken 1993): "Attitude is conceived as a 'psychological tendency' that is expressed by evaluating a particular entity with some degree of favor or disfavor." However, evidence is emerging supporting calls for specifically considering separate affective evaluations when measuring attitudes (Hagger and Chatzisarantis 2005, Okada 2005, Van Den Berg et al. 2005). Voss et al. (2003) report a multidimensional, parsimonious, reliable, and valid scale of consumer attitudes toward brands and product categories based on a two-dimensional conceptualization of the construct: hedonic and utilitarian attitude components. We suggest that the measures employed by Perugini and Bagozzi (2001) to measure Attitude$_{Act}$ may obscure the unique contributions of hedonic and utilitarian consumer attitudes toward the act of consumption. This distinction is important given the previously identified linkages of the model to affective and cognitive considerations. Therefore, the current research first tests the validity of a two dimensional conceptualization of Attitude$_{Act}$ based upon the scale developed by Voss et al. (2003), and then assesses whether utilitarian and hedonic attitudinal proclivities differentially influence respondents' motivations as desires. We further suspect that utilitarian attitude forms will be more influential in the current research setting based upon discussions with knowledgeable industry managers.

Figure 2: The Research Model



The second proposed extension concerns perceived behavioral control. Perugini and Bagozzi (2001) operationalize PBC using measures of both difficulty and control in a unidimensional scale. However, Trafimow et al (2002) present evidence that PBC is best conceptualized as a two-dimensional construct: perceived control and perceived difficulty, with perceived difficulty generally being a better predictor of behavioral intentions than perceived control. In the current study an assessment is performed to determine whether difficulty and control differentially influence the MGB as unique exogenous constructs. Figure 2 and Table 2 present the model assessed in the current research that incorporates both the original MGB conceptualization and the modifications proposed herein.

As discussed above, the current study includes utilitarian and hedonic dimensions of attitude. The utilitarian dimension of an attitude is defined by Voss et al. (2003) as being derived from the functions performed by products, being that the scale was developed in a product context. In the present context, the utilitarian dimension of attitude would be the function derived from the act of being loyal. Loyalty would be functional in

Table 2: Research Hypotheses

(Also See Figure 2)

Hypothesis/Path	**Origin**	**Hypothesis Confirmed ?**
H1a: Utilitarian $Attitude_{Act}$ → Desires	Voss et al (2003)	*Yes*
H1b: Hedonic $Attitude_{Act}$ → Desires	Voss et al (2003)	*Yes*
H2: Subjective Norms → Desires	Perugini and Bagozzi (2001)	*Yes*
H3: Positive Anticipated Emotions → Desires	Perugini and Bagozzi (2001)	*Yes*
H4: Negative Anticipated Emotions → Desires	Perugini and Bagozzi (2001)	*No*
H5a: Perceived Behavioral $Control_{Control}$ → Desires	Perugini and Bagozzi (2001) Trafimow et al (2002)	*No*
H5b: Perceived Behavioral $Control_{Difficulty}$ → Desires	Perugini and Bagozzi (2001) Trafimow et al (2002)	*No*
H6a: Perceived Behavioral $Control_{Control}$ → Loyalty $Intentions_{Repurchase}$	Perugini and Bagozzi (2001) Trafimow et al (2002)	*No*
H6b: Perceived Behavioral $Control_{Control}$ → Loyalty $Intentions_{Fortitude}$	Perugini and Bagozzi (2001) Trafimow et al (2002)	*Yes*
H6c: Perceived Behavioral $Control_{Control}$ → Word-of-Mouth Intentions	Perugini and Bagozzi (2001) Trafimow et al (2002)	*No*
H6d: Perceived Behavioral $Control_{Difficulty}$ → Loyalty $Intentions_{Repurchase}$	Perugini and Bagozzi (2001) Trafimow et al (2002)	*Yes*
H6e: Perceived Behavioral $Control_{Difficulty}$ → Loyalty $Intentions_{Fortitude}$	Perugini and Bagozzi (2001) Trafimow et al (2002)	*No*
H6f: Perceived Behavioral $Control_{Difficulty}$ → Word-of-Mouth Intentions	Perugini and Bagozzi (2001) Trafimow et al (2002)	*No*
H7a: Desires → Loyalty $Intentions_{Repurchase}$	Perugini and Bagozzi (2001)	*Yes*
H7b: Desires → Loyalty $Intentions_{Fortitude}$	Perugini and Bagozzi (2001)	*Yes*
H7c: Desires → Word-of-Mouth Intentions	Perugini and Bagozzi (2001)	*No*
H8: Loyalty $Intentions_{Repurchase}$ → Loyalty $Intentions_{Fortitude}$	Oliver (1997, 1999)	*Yes*
H9: Loyalty $Intentions_{Fortitude}$ → Word-of-Mouth Intentions	Oliver (1997, 1999)	*Yes*

that it would make the choice process easier. Information processing theorists suggest decision makers value effort reduction in the decision process (Bettman, Luce, and Payne 1998). An increasing utilitarian dimension should therefore be associated with increasing desire (i.e., motivation) to be loyal.

> **H1a**: Utilitarian attitude will be positively associated with increasing desire to be loyal.

The hedonic dimension of an attitude is defined as the sensations derived from the experience of using the product (Voss et al. 2003). In the present context, the hedonic dimension would represent the sensation derived from the act of being loyal. Loyalty is associated with decreasing cognitive effort. Research offers evidence that increasing cognitive effort is associated with increasing negative affect (Garbarino and Edell 1997). Assuming a converse process, reductions in decision effort should be associated with increasing positive affect. Therefore:

> **H1b**: Hedonic attitude will be positively associated with increasing desire to be loyal.

The MGB suggests that subjective norms will also be related to desires (Perugini and Bagozzi 2001). Subjective norms refer to consumers' overall perceptions of what relevant others (e.g., friends, family) think he or she should do (Evans, Christiansen, and Gill 1996). Evidence suggests that what we perceive others to think we should do will impact our desires (Perugini and Bagozzi 2001). These significant others would involve professional peers and colleagues within the context of the current research. Therefore:

> **H2**: Subjective norms will be positively associated with increasing desire to be loyal.

As previously discussed, research offers evidence that negative and positive anticipated emotions impact desires (Perugini and Bagozzi 2001). Anticipated emotions are the emotions that a person expects to experience by achieving a sought after goal (Bagozzi, Baumgartner, and Pieters 1998). These are not the emotions experienced while being loyal, but are the anticipated emotions that consumers weigh when deciding whether to pursue a goal of being loyal. According to theory the process would work like this: first, consumers form a goal; second they consider the consequences of achieving the goal with the corresponding emotions arising termed anticipated emotions (Perugini and Bagozzi 2001). Research offers evidence that when a consumer considers a goal, anticipated emotions influence the level of motivation for that goal. In the MGB, anticipated emotions are positive when associated with achievement of a goal and negative when associated with not achieving a goal. Evidence suggests desire is influenced both by the expected emotions of achieving and not achieving a goal. Therefore:

> **H3**: Positive anticipated emotions associated with achieving the goal of being loyal will be positively associated with an increasing desire to be loyal.

> **H4**: Negative anticipated emotions associated with failure to achieve the goal of being loyal will be positively associated with an increasing desire to be loyal.

Perceived behavioral control is defined as the extent to which consumers consider the performance of a behavior to be under their voluntary control (Trafimow et al. 2002). In the context of loyalty, perceived behavioral control represents the degree to which a consumer believes loyalty to a firm is within their control. In the current B2B context, perceived behavioral control could be impacted by the degree to which the respondent believes they are able to make the decision. Desires can be generally defined as motivation. A consumer's belief that they have the control necessary to be loyal would seem to be a baseline necessity for them to desire to be loyal. Otherwise it would be a wasteful consideration. Perugini and Bagozzi (2001) offer evidence that perceived behavioral control has a positive association with desires. Therefore:

> **H5a**: Perceived behavioral control of loyalty will be positively associated with desire to be loyal.

Perceived difficulty is defined by Trafimow et al. (2002) as the degree to which consumers consider a behavior to be easy or difficult to perform. In the current B2B context, the politics of the workplace might make it more difficult for a buyer to be loyal to a particular firm. If a consumer believes that being loyal is easier, the likelihood that they will be loyal should increase. Therefore:

> **H5b**: Perceived difficulty of loyalty will be negatively associated with desire to be loyal.

Perceived behavioral control and perceived difficulty should be directly related to loyalty intentions. Both control and difficulty should lead directly to intentions because they are a baseline necessary for intentions to form. If consumers believe that they have control and that the task is easy there is the possibility of intention, even if there is no motivation. Therefore:

> **H6a**: Perceived behavioral control of loyalty will be positively associated with loyalty repurchase intentions.

> **H6b**: Perceived behavioral control of loyalty will be positively associated with loyalty fortitude intentions.

> **H6c**: Perceived behavioral control of loyalty will be positively associated with word-of-mouth behavioral intentions.

> **H6d**: Perceived difficulty of loyalty will be negatively associated with loyalty repurchase intentions.

> **H6e**: Perceived difficulty of loyalty will be negatively associated with loyalty fortitude intentions.

> **H6f**: Perceived difficulty of loyalty will be negatively associated with word-of-mouth behavioral intentions.

Recent research expands traditional models by suggesting that desire mediates the relationship between attitude and intention (Perugini and Bagozzi 2001). According to this view, intention does not encompass the motivation that is necessary for an intention to be formed. Desire represents this motivation. Research offers evidence that desire is a distinct construct from intention (Perugini and Bagozzi 2004), and does mediate the relationship between an attitude and behavior (Perugini and Bagozzi 2001). Desire is defined as "a state of mind whereby an agent has a personal motivation to perform an action or to achieve a goal" (Perugini and Bagozzi 2004, p. 71). Desire is said to "represent the motivational state of mind wherein appraisals and reasons to act are transformed into a motivation to do so (Perugini and Bagozzi 2001, p. 84)."

A basic assumption underlying this research is that consumers have a goal to be loyal. Loyalty makes decision making more efficient. Once consumers determine an initial solution, they can reduce choice effort by remaining loyal. Research suggests that the reduction of effort is an underlying motivation for decision makers (Bettman, Luce, and Payne 1998). In today's marketplace which is characterized by hyperchoice (e.g., Mick, Broniarczlyk, and Haidt 2004), loyalty is one strategy for reducing effort. Thus loyalty can be modeled as a goal. The MGB suggests that desires will mediate the relationship between attitude and behavioral intentions. Therefore:

> **H7a**: Desire to be loyal will be positively related to loyalty repurchase intentions.

> **H7b**: Desire to be loyal will be positively related to loyalty fortitude intentions.

> **H7c**: Desire to be loyal will be positively related to word-of-mouth behavioral intentions.

Some research suggests that different stages of loyalty have a hierarchical structure. Oliver (1999) suggests that cognitive loyalty precedes affective loyalty, affective loyalty precedes conative loyalty, and conative loyalty precedes action loyalty. Consistent with this view, we suggest that loyalty repurchase intentions will precede loyalty fortitude intentions, and loyalty fortitude intentions will precede word of mouth behavioral intentions. Consumers demonstrating brand repurchase loyalty buy because of compelling information (e.g., quality), a cognitive orientation. Consumers demonstrating brand fortitude loyalty buy because of a commitment to the brand with both cognitive and affective dimensions. Behavioral word of mouth intentions are an outcome of the other two stages of loyalty. Therefore:

H8: Loyalty repurchase intentions will have a positive relationship with loyalty fortitude intentions.

H9: Loyalty fortitude intentions will have a positive relationship with word-of-mouth behavioral intentions.

METHODS

The Population and Obtained Sample

The population selected for empirically assessing the research model presented as Figure 2 involved key decision makers of accounting firms concerned with the purchase of professional liability insurance (PLI). The selection of this particular target population was made for several reasons. First, PLI and the accounting discipline both represent "pure" service considerations, a rigorous loyalty situation in which to test the research hypotheses. Second, the recent enactment of the Sarbanes-Oxley legislation underscores the need for PLI due to changes in the ethical perceptions of the accounting industry (Fletcher 2003). Consequently, PLI should be important and somewhat involving to respondents. A list of "Managing Partners" from the American Institute of Certified Public Accountants (AICPA) was purchased after discussions with industry managers and researchers to identify the best possible sampling frame. Two thousand surveys were sent to managing partners of accounting firms across all fifty states in the US, offering a $10 gift card as an incentive to encourage participation. All potential respondents received a follow-up postcard one week later.

A total of 210 completed surveys were returned, plus 79 that were nondeliverable for one reason or another. This yielded a working response rate of 2.8%. However, 20 surveys were discarded because respondents failed to completely answer the loyalty scales. The authors are encouraged by the response rate given generally declining survey response rates (Dillman 2007), as well as the correspondence of the study with the beginning of the 2004 tax season. Dillman (2007) identifies the challenges associated with meaningfully measuring nonresponse error, which we attempted to address by increasing our response rate through the reminder postcard. The original cover letter accompanying the survey instrument also encouraged recipients to personally complete the survey. In addition, prior to model testing, the obtained sample was scrutinized to compare it with the population of interest based upon demographic variables. Discussions were solicited with industry experts possessing extensive long-term experience in the PLI industry relative to accountants, with all agreeing that the obtained sample very closely corresponds to the known demographic characteristics of the population of interest (largely Caucasian, middle-aged males). The vast majority of respondents have extensive accounting experience (between 11 and 40 years), with more than half having held their current PLI policies for less than 11 years, signifying little reason to believe that non-targeted respondents completed any of the returned surveys. Thus, the conclusion is supported that the obtained sample appears representative of the population of interest.

The Measures Employed to Operationalize the Constructs

Appendix A presents the measures used in the reported study, as well as their constitutive definitions and sources. Those measures specifically developed for this study were based upon constitutive definitions found in the literature. In addition, all of the measures employed are of a global and reflective nature (see Jarvis, McKenzie, and Podsakoff 2003). That is, they assert to directly measure the underlying core of the domain in a relatively comprehensive manner. The measures used in the current research therefore possess a measure of face validity in that most of the scales rely on measures previously reported in this line of inquiry.

However, before moving on to a discussion of the reliability and validity of the measures, two issues merit discussion. First, loyalty intentions were divided into two general categories of repurchase intentions versus fortitude forms of loyalty in a manner not inconsistent with the Oliver's (1997, 1999) conceptualization (see Table 1). In addition, word-of-mouth behaviors were treated as an independent endogenous dependent variable consistent with the recommendations of Reichheld (2003) and Soderlund (2006). Second, Bagozzi et al. (2001) argue that it remains unclear whether satisfaction is phenomenologically distinct from other positive emotions. Specifically, they point to the fact that satisfaction is neither a basic emotion nor a central emotional category in leading theories of emotions. In other words, these authors suggest that satisfaction may just be another reflective indicator of positive emotions. Based on this assertion, we included positive anticipated satisfaction as a measure of positive anticipated emotions (see Appendix A). We therefore test the proposition that anticipated satisfaction may operate as a reflective indicator of positive anticipated emotions.

The reliability and variance extracted validity scores associated with the measures are reported in Appendix A. Hair et al. (1998) suggest calculating construct reliability estimates and variance-extracted measures. Raines-Eudy (2000) states that calculated share variance scores exceeding 50% are the recommended criteria for model constructs. Appendix A demonstrates that the scales used for the model constructs all exceed recommended criteria for reliability and validity in measurement except for previous behavior. Consequently, previous behavior was dropped from subsequent analyses. In addition, following Anderson and Gerbing (1988), we employed the two-step approach for demonstrating discriminant validity. Table 3 presents the PHI matrix of the confirmatory factor analysis of the measurement model (χ^2 = 1068.79, RMSEA = 0.042, CFI = .98, and SRMR = 0.055). Table 4 presents the χ^2 difference tests further supporting discriminant validity among the constructs most likely to lack discriminant validity in measurement. Thus, evidence is apparent for sufficient reliability and validity in measurement to proceed to hypothesis testing using SEM.

Table 3

The Confirmatory Factor Analysis PHI Matrix

	LBI (1)	LF (2)	WOM (3)	SN (4)	Des (5)	PAE (6)	NAE (7)	D (8)	C (9)	UA (10)	HA (11)
Loyalty Behavioral Intention	1										
Loyalty Fortitude	.53	1									
Word-of-Mouth	.38	.74	1								
Subjective Norms	.40	.51	.47	1							
Desires	.32	.55	.46	.55	1						
Positive Anticipated Emotions	.22	.48	.48	.43	.59	1					
Negative Anticipated Emotions	.14	.37	.44	.44	.43	.60	1				
Difficulty	-.35	-.24	-.21	-.31	-.025	-.14	-.07	1			
Control	.22	-.04	.07	.18	-.01	-.06	.01	-.37	1		
Utilitarian Attitude	.45	.57	.48	.56	.69	.46	.38	-.44	.16	1	
Hedonic Attitude	.19	.35	.35	.29	.51	.49	.35	-.20	.05	.49	1

(1)= Loyalty Behavioral Intention; (2)= Loyalty Fortitude; (3)= Word-of-Mouth; (4) Subjective Norms; (5)= Desires; (6)= Positive Anticipated Emotions; (7)= Negative Anticipated Emotions; (8)= Difficulty; (9)= Control; (10)= Utilitarian Attitude; (11)= Hedonic Attitude

Table 4
Tests of Discriminant Validity

Constructs	*Model*	*df*	χ^2	$\Delta\chi^2$	*RMSEA*	*CFI*	*SRMR*
Repurchase Intention Loyalty vs Fortitude Loyalty vs Word-of-Mouth Behaviors	Unidimensional	35	479.43	257.06	.280	.77	.14
	Multidimensional	32	57.91		.067	.99	.05
$\text{Attitude}_{\text{Utilitarian}}$ vs $\text{Attitude}_{\text{Hedonic}}$	Unidimensional	35	1113.83	1056.01	.410	.75	.25
	Multidimensional	34	57.82		.062	.99	.039
$\text{PBC}_{\text{Difficulty}}$ vs $\text{PBC}_{\text{Control}}$	Unidimensional	20	351.96	318.53	.301	.75	.19
	Multidimensional	19	33.43		.064	.99	.054

Statistical Considerations

All of the hypotheses are tested using structural equation analyses (SEM) using LISREL 8.80. The data was normalized prior to analysis using the normalization algorithm in PRELIS consistent with need for normality in multivariate analyses (Hair et al. 1998). As is often inherent in survey-based research, a small number of missing values in responses were noted related to measures of the endogenous and exogenous constructs.[1] This can be problematic in that LISREL provides full information and multiple imputation based on the assumption that data are missing at random. Missing values associated with the exogenous model variables were addressed prior to analyses by using the linear interpolation method within the SPSS Missing Values statistical software package.

McQuitty (2004) posits that it is possible to estimate the power associated with the test of an entire (SEM) model. He argues that addressing this matter is essential as statistical power directly affects the confidence with which test results can be interpreted. The obtained sample in the current research provides statistical power in excess of .9 based on the indices provided by McQuitty (2004).[2] Further encouragement is provided by the recent results of Curren et al (2003) who assert that both sample estimates and confidence intervals of RMSEA's are accurate using SEM with sample sizes of $\geq$ 200. Thus, sufficient statistical power exists to proceed to analyses using SEM.

RESULTS

Table 5 presents results of hypothesis testing of the research model presented as Figure 2 and Table 2. The results support a number of conclusions:

1. Desires are shown to be most strongly influenced by utilitarian forms of attitude, followed by positive anticipated emotions (including anticipated satisfaction), subjective norms, and hedonic forms of attitude.
2. Initial repurchase forms of loyalty intentions are a function of the motivation to be loyal (i.e., desire) and the perceived difficulty associated with the act of repurchase.
3. Subsequent fortitude forms of loyalty intentions are a function of motivation as desires and repurchase forms of loyalty intentions, followed by perceptions of control. This result merits further discussion as the sign associated with the finding is negative, suggesting that the greater the perceived control the manager has over the behavior, the less likely the manager's intention to demonstrate fortitude forms of loyalty. Some insight into this finding is apparent by examining the PHI matrix presented as Table 3. As expected, control is negatively related to perceptions of difficulty. However, control is also negatively related to fortitude forms of loyalty, desires, and positive anticipated emotions, while positively associated with negative anticipated emotions. Discussions with industry managers with long-term experience speculate that this finding may be capturing the negative affect associated with the additional accountability that often accompanies greater control.
4. Word-of-mouth intentions are found to be solely driven by fortitude forms of loyalty in the current research.

In summary, the results offer some support for the major assertions of the current research. First, many of the components of the Goal-Directed, attitudinal explanatory model represented by the MGB conceptualization are supported by the current research (Please see Table 2). Second, the proposed MGB extensions involving unique forms of attitude and perceived behavioral control are supported herein. Finally, a multi-stage loyalty conceptualization is generally supported by the data.

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[1] Most variables were in the range of 2-8%.

[2] McQuitty (2004) goes on to assert that recommendations for minimum sample sizes (in excess of 100) or 5-10 times the number of variables or estimated parameters may be outdated.

Table 5 –SEM Results

(Note that the Path Coefficient Weights are Standardized, and Non-significant Relationships (p > .05) are Omitted)

Dependent Variable	Equation	R^2	RMSEA	CFI	SRMR
Desires	.18*Subjective Norms + .24*Anticipated $\text{Emotions}_{\text{Positive}}$ + .44*$\text{Attitude}_{\text{Utilitarian}}$ + .13*$\text{Attitude}_{\text{Hedonic}}$	.62	.045	.98	.074
$\text{Loyalty Intentions}_{\text{Re-purchase}}$	.28*Desires - .22*Difficulty	.21			
$\text{Loyalty Intentions}_{\text{Fortitude}}$	.39* $\text{Loyalty Intentions}_{\text{Repurchase}}$ + .43*Desires -.14*Control	.47			
Word-of-Mouth Intentions	.69*$\text{Loyalty Intentions}_{\text{Fortitude}}$	.56			

STUDY LIMITATIONS

In spite of the interesting nature of the results reported herein, we caution readers to recognize that a single study should never be sufficient evidence to create fully-accepted new theory. No research project is devoid of limitation, and the current study claims no exception. Identifiable limitations might first include the obtained sample size in spite of our arguments supporting conclusions of representativeness, reliability, validity, and sample power sufficiency.

Second, the study would have benefited from measures of behaviors, not just behavioral intentions. Behavior, in this context, is the act of remaining with a provider. Given that most do remain with the provider for an extended amount of time, it makes sense to measure loyalty intentions rather than behavior. Behavior would not necessarily represent loyalty as it could be due to several factors (e.g., inertia, switching costs) which have little to do with psychological attachment to the firm. For this reason, we use loyalty intentions, rather than behavior, as our dependent variable. The use of intentions as opposed to behavior may help to explain some of our weaker findings such as perceived behavioral control.

Third, our study did not measure the degree to which switching costs or unique knowledge may have explained loyalty behaviors. However, given our focus on attitudinal and behavioral measures of loyalty, we have some evidence that loyalty instead of switching costs explained intentions.

Fourth, we did not test frequency and recency effects given the selected research setting. Recency and frequency effects were omitted based on the recommendations of managers suggesting that the decision to continue a PLI policy was not universally consistent across time. In choosing a context, we wanted one that offered the opportunity for loyalty to develop; suggesting businesses need to be familiar with the service provider. However, the downside of this is that frequency of past behavior is limited, given that firms rarely change their insurance provider. In other words, many people make this decision once, and then revisit it only when there is a need.

Finally, given the dearth of such considerations within B2B contexts, much of the theory developed in the current research is generalized from consumer research. However, given the theoretical development of the research model from the literatures of a wide variety of social sciences, coupled with supported empirical efficacy of results, the finding associated with this study arguably provide a significant step forward in our understanding of the formation of loyalty intentions. We encourage efforts to replicate the results reported herein.

RESEARCH AND MANAGERIAL IMPLICATIONS

We began this study with the proposition that models of customer loyalty can and should incorporate affect based on emerging evidence from the J/DM and attitude literatures. We reject the notion that inquiries into loyalty should be grounded in purely behavioral considerations, and develop and test a model of loyalty based upon an arguably more valid attitudinal approach. So, what is gained based on the current research?

We begin by looking at the research implications. The preceding literature review makes clear that typical approaches to explain loyalty are initially attenuated by irregular constitutive and operational definitions. Significant advances in our understanding must begin with commensurable agreement as to the appropriate conceptualization and operationalization of the loyalty construct. The second typical practice that attenuates our understanding of customer loyalty concerns the common absence of reconciliation with underlying models of J/DM in marketing explanations of loyalty decisions. We suggest that this study provides a framework that can help overcome both of these impediments to the advancement of our understanding of loyalty. Academicians and/or practitioners who care to understand the motivational influences underlying loyalty judgments and decisions can replicate and extend the models proposed herein to inform their understanding of loyalty, and particularly the underlying motivations.

There are also a number of very interesting puzzles that remain to be answered specific to customer loyalty. The first puzzle involves whether or not a direct path should be modeled between affect and behavior, or whether affect always operates via an interaction with cognition. Such an assumption appears implicit in the prevailing models of loyalty based upon the argument that quality perceptions → satisfaction judgments → loyalty intention. Assertions concerning experienced utility aside, Loewenstein et al (2001) and Anderson (2003) present arguments that affective influences are difficult to reconcile with explanatory models of J/DM under conditions of risk. The gist of their argument is as follows: Objective or judged probabilities may be the same across two situations, yet feelings in the two situations may diverge, potentially yielding different preferences (i.e., those more affectively influenced). Prospect theory requires that they yield equivalent preferences. While interesting, our own review of the literature suggests that this issue remains unresolved and therefore constitutes an important area of future inquiry, particularly in light of experienced utility. We summarize that loyalty research must eventually be reconciled with both cognitive and affective explanations of J/DM.

This call is consistent with Rottenstreich and Shu (2004) who identify what is known about the connections between affect and decision making based upon the traditional expected utility-based paradigm and its derivatives. First, in terms of the deliberate, calculative versus affective, more automatic valuation processes: (1) the use of different valuation processes may contribute to preference pliability, (2) valuation by feelings are relatively scope-insensitive yielding step-function valuation functions, whereas calculative valuation is relatively scope-insensitive yielding more linear value functions, and (3) valuation by feeling appears to yield greater loss aversion than calculative valuation. Second, the weighting function can also be impacted by affect under uncertainty: (1) affect-richness potentially yields pronounced certainty and impossibility effects and extreme insensitivity to intermediate probability variations, (2) affect-richness may contribute to the elevation of w in models such as prospect theory, (3) the influence of affect is likely to depend upon the imagery evoked, and (4) affect, especially in the form of mood, appears to bias judgments of likelihood. Finally, the introduction of emotions to traditional explanatory models is complicated by the observation that emotional reactions can occur at the time the decision is made, after the decision but before the consequences are realized, or after the consequences are realized.

These conclusions support an expectation that virtually all expected utility-based J/DM explanatory models can be expected to vary across situations and circumstances. Therefore, it is not at all surprising that loyalty appears irrational when studied by models that do not explicitly account for affective considerations.

This probable model inconsistency across settings and circumstances underscores our call for greater emphasis on replication in support of loyalty studies. Such a call is further supported by Norenzayan and Heine's (2005) compelling argument that generalization of results of psychological studies beyond one's sample is inherently risky due to an absence of psychological universals. A stronger emphasis on the identification of relevant psychological universals underlying loyalty judgments and decisions also appears as a worthwhile research endeavor supporting such calls.

The second obvious puzzle facing loyalty researchers concerns how to reconcile the plethora of empirically supported known antecedents (e.g., satisfaction, trust, switching costs, brand equity, value, etc.) to loyalty with attitude-based models such as are presented herein. We suggest that the surest path to reconciling the myriad of results reported related to loyalty is to agree upon an underlying J/DM model. Thus, we call upon future marketing research related to the loyalty construct to identify and defend results based upon a comparison to underlying models of J/DM. In order to answer such a call, we assert that some formal consideration of the cognitive and affective antecedents to loyalty intentions/behaviors is desirable.

This suggests including modeling perspectives related to attitudinally-based, goal-directed explanatory models. For example, the recent work of Hagger and Chatzisarantis (2005) suggests considering higher-order constructs in attitude models. Given the growing emphasis on the multidimensional nature of the constructs underlying attitudinal models of J/DM, such a modeling emphasis may prove to be particularly promising. Complementing this assertion, Perugini (2005) highlights the importance of predictive models of implicit versus explicit attitudes, which appears a promising means of extending the current research (also see Neumann et al. 2004). MacDonald and Nail's (2005) arguments related to attitude change and the public-private attitude distinction also merit consideration in future research. Bagozzi et al. (2002) point out that a number of individual and/or situational variables have the potential to influence motivation, including involvement's ability to influence elaboration and thereby influence the research model. The authors also recommend consideration of the relevant conditional influences impacting such models.

The final puzzle that we identify concerns how motivation operates in models of the formation of loyalty intentions/behaviors. Perugini and Bagozzi (2004) make a strong argument differentiating motivation as desire from intentions. We suspect that there is more to learn about the various unique and synergistic roles of desires, PBC, and/or intentions in terms of motivational content.

The current research also offers insight for managers who want to positively influence the customers' intentions to be loyal. While word-of-mouth has been identified as the important measure of customer loyalty/satisfaction (Reichheld 2003), it is also useful for managers to understand those factors impacting the customer's intention to want to use word-of-mouth to promote a specific manufacturer's market offering over that of a competitor. As predicted, we find that word-of-mouth intentions were influenced by loyalty fortitude intentions, which in turn, are influenced by loyalty repurchase intentions and the customer's desire to be loyal. Furthermore, a customer's loyalty repurchase intentions are influenced by the customer's desire to be loyal as well as the difficulty the customer experiences when trying to be loyal. Finally, the customer's desire to be loyal is influenced by others significant to the customer (subjective norm) the anticipated positive emotion associated with being loyal, as well as hedonic utilitarian and hedonic attitudes towards being loyal. As such, the organization must focus on factors that impact the customer's utility that they receive in the exchange, while simultaneously heightening the experience of customers so that the customer developed positive feelings toward being loyal to the organization. Finally, it may be beneficial to the organization to direct marketing actions toward the totality of targeted customers. By enhancing the image of the firm to all potential customers, word of mouth activities might enhance loyalty intentions through the identified influence of subjective norms. This effect should occur through influencing their desire to be loyal, and desire's impact on the formulation of repurchase and fortitude loyalty intentions. In much the same way, organizations that can enhance the customer's positive anticipated emotions about being loyal to the organization and hedonic attitude should also experience customers with higher levels of word of mouth intentions. Managers would need to focus on ensuring the customer has enjoyable, exciting, delightful exchanges when re-purchasing the market offering. Such exchanges should highlight to the customer the benefits of increasing loyalty to the organization.

Managerially, the results first suggest that at least some of the discussion related to the appropriate conceptualization and measurement of customer loyalty found in the consumer literature can be generalized to B2B settings. Second, the results also generally support the recent arguments of Morgan and Rego (2006) calling into question the efficacy of Reichheld's (2003) behavioralist arguments. Third, the results suggest caution in using satisfaction measurements. If loyalty is a goal as is argued herein, then it remains unclear whether satisfaction is an anticipate emotion as envisioned by Bagozzi et al. (2003), or an outcome of a service interaction as traditionally envisioned, or perhaps even both. It appears that much remains to be learned about how to measure and incorporate satisfaction in managerial decision making. Fourth, if managerial perceptions of control are indeed related to negative affect, as found herein, then methods appear warranted to minimize such negative emotional associations with control in support of long-term marketing relationships. Finally, consistent with the general marketing literature, firms offering service products such as PLI insurance may best be served by seeking to foster fortitude-related forms of loyalty in support of relationship marketing initiatives.

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	derived from the experience of being loyal.	Not Fun/Fun Dull/Exciting Not Delightful/Delightful Not Thrilling/ Thrilling Unenjoyable/ Enjoyable	& Grohmann (2003)		
Subjective Norms	Normative beliefs about the expectations of others related loyal behaviors to insurers.	*6-Point Scales:* Of my being loyal toward an insurer, I would say that others whose opinions I value would … (Strongly Disapprove/Strongly Approve) How likely it is that other people whose opinion you value would want you to be loyal to an insurer? Of my being loyal to an insurer, I would say that others whose opinions I value would … (Strongly Oppose/Strongly Support) Of my being loyal to an insurer, I would say that others whose opinions I value would … (Strongly Not Endorse/Strongly Endorse) I would say that most people in my social network would react to my being loyal to an insurer by … (Very Strongly Opposing/Very Strongly Supporting) Most of the people whose opinions I value are loyal to an insurer. (Strongly Disagree/Strongly Agree)	Based upon Rhodes and Courneya (2003a)	**.92**	**.65**
Perceived Difficulty	Beliefs about the specific factors that might make the behavior easy or difficult to perform.	*7-Point Semantic Differential Items* Please select the responses that best completes the sentence, "For me, being loyal to an insurance provider when I desire is:" Difficult/Easy Requires Great Effort/Is Effortless Simple/Complex (Reverse Coded) Painful/Painless	Trafimow, Sheeran, Conner, and Finlay (2002)	**.85**	**.59**
Perceived Control	Beliefs related to the specific factors that might or might not put the behavior under voluntary control.	*7-Point Semantic Differential Items* Please select the responses that best completes the sentence, "For me, conducting a serious information search prior to making my choice of an insurance provider was or would have been ..." Not Entirely Up to Me/Entirely Up To Me I would say that the amount of control I have in being loyal to an insurance provider is … (Very Little Control/Complete Control) How much do you feel that being loyal to an insurance provider is	Trafimow, Sheeran, Conner, and Finlay (2002)	**.95**	**.82**

Appendix A
The Measures Used in the Study

Construct (Variable Names)	Constitutive Definition	Operational Definition -- Scale	Lit. Source.	Reliability	Validity (Variance Extracted)
Loyalty Intention *Re-purchase*	Consistent with a utilitarian perspective, wherein repurchase intention is largely cognitive in nature based upon loyalty to information and sustainers such as cost, benefits and quality.	*9-Point Likert Scales:* I consider our current insurer to be my first choice for professional liability insurance in the future. I will buy the brand of our current insurer the next time I need professional liability insurance. I intend to keep purchasing professional liability insurance from our current insurer in the future.	Based upon Oliver (1997)	**.92**	**.79**
Loyalty Intention *Fort-itude*	Consistent with Oliver's (1999) model, here is where loyalty becomes "deeper" through the development of affective overtones and commitment.	*9-Point Likert Scales:* I will be willing to pay a higher price for our current insurer's brand of insurance than for other brands. I will be willing "to go the extra mile" to remain a customer of our current insurer. I will largely ignore the marketing efforts of competitors to our current insurance provider. I will feel emotionally attached to our current insurance provider in the future.	Based upon Oliver (1999)	**.85**	**.59**
Word-of-Mouth Behavioral Loyalty	Consistent with Reichheld (2003), the motivated intention accompanying Fortitude is transformed into a readiness to act.	*9-Point Likert Scales:* I will mention our current insurance provider to others quite frequently in the future. I will tell more people about our current insurer than I will tell about most other service organizations. I will seldom miss an opportunity to tell others about our current insurance provider in the future. When I tell others about our current insurer, I will talk about the organization in great detail in the future.	Based upon Oliver (1997, 1999)	**.88**	**.71**
Utilitarian Attitude	Attitude toward the act of loyalty derived from the functions performed by being loyal.	*7-Point Semantic Differential Items* Effective/Ineffective Unhelpful/Helpful Not Functional/Functional Unnecessary/ Necessary Impractical/ Practical	Voss, Spangenberg, & Grohmann (2003)	**.95**	**.80**
Hedonic Attitude	Attitude toward the act of loyalty	*7-Point Semantic Differential Items*	Voss, Spangenberg,	**.97**	**.88**

		beyond your control? (Very Much/Not At All) How confident are you that you can be loyal to an insurance provider when you desire? (Not at all Confident/Extremely Confident)			
Desire to Be Loyal to an Insurance Provider	A state of mind whereby an agent has a personal motivation to perform an action or to achieve a goal.	*7-Point Scales:* My desire to be loyal to an insurance provider can best be described as … (No Desire/Very Strong Desire) I want to be loyal to an insurance provider. (False/True) Wanting to be loyal to an insurance provider … (Does Not Describe Me At All/Describes Me Very Well) I wish to be loyal to an insurance provide (Likert)	Perugini and Bagozzi (2001) Perugini and Bagozzi (2004)	**.94**	**.80**
Positive Anticipated Emotions	A prediction based upon the judged positive consequences of personal goal achievement.	*11-Point Unipolar Scales:* Excited, Delighted, Satisfied	Perugini and Bagozzi (2001) Bagozzi, Gurhan-Canli, Priester (2001)	**.94**	**.85**
Negative Anticipated Emotions	A prediction based upon the judged negative conseq-uences of personal goal failure.	*11-Point Unipolar Scales:* Angry, Sad, Disappointed	Perugini & Bagozzi ('01) Bagozzi,Gur-han-Canli, & Priester('01)	**.95**	**.85**
Previous Behavior	The activity/behavior of being loyal to an insurance provider in the past.	When was the last time you considered being loyal to an insurance provider (7-point scale poled from" I have never considered it" to "This issue is constantly in my thoughts." *6-Point Scales Poled from "Never" to "Very Many Times"* How often have you exhibited loyal behavior toward an insurer in the past? How often have you encouraged others to exhibit loyal behavior toward an insurer in the past?	Modeled after Perugini and Bagozzi (2001)	***.65***	***.39***

CONSUMER PERCEPTION OF VALUE: LITERATURE REVIEW AND A NEW CONCEPTUAL FRAMEWORK

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ABSTRACT

Consumer value is a concept of continuing interest to scholars, marketing researchers, and to many marketing practitioners. However, the presence of multiple meanings, the use of different terms, and even the existence of a diversity of opinions regarding its features and nature reflect the complexity of its study and give rise to the possibility of confusion in its application.

This article presents a review of the existing literature on the concept of value in order to shed light on the confusion surrounding this construct. The analysis highlights the polysemy and the diversity of terms that have been used, along with the different definitions that have been proposed. Convergent and divergent elements are also identified. As a result of this review and analysis, the features that characterize the concept of consumer value are determined and a conceptual framework is proposed as a basis for future research.

INTRODUCTION

Consumer value begins to emerge in the 1990s as an issue of growing interest to business and, in particular, to marketing, at both the academic and practitioner levels. This concept is considered to be one of the most significant factors in the success of an organization and it has been pointed to as an important source of competitive advantage for the firm (Mizik and Jacobson 2003; Spiteri and Dion 2004; Woodruff 1997). Consumer value has been recognized as the fundamental basis in every marketing activity (Holbrook 1994, 1999), and it has been envisioned as a critical strategic weapon in attracting and retaining customers (Lee and Overby 2004; Wang, Lo, Chi, and Yang 2004).

Recognition of the relevance of this concept has generated important research focused on the study of its composition and its relationship with other concepts of interest to marketers such as satisfaction, trust, and loyalty. However, even though there is a significant body of knowledge about the concept of consumer value, this research is rather fragmented. The extent and heterogeneity of the various studies have created a dispersed, sometimes confusing and still-inconclusive base of knowledge about consumer value. As Wang et al. (2004) contend, different points of view about the meaning of value are advocated in the literature, with no widely accepted way of pulling views together. In this same sense, Ulaga (2001, p. 318) regards that "the fundamental question of how to conceptualize value still merits further investigation." Moreover, relevant studies have not yet yielded any unambiguous interpretations of the nature of customer value. Inconsistency pervades the terminology used, confuses the meaning of the concept, and thus its conceptual component parts.

For these reasons, the objective of this article is to develop an integrative framework that clarifies the confusion surrounding this very important concept. Accordingly, we analyze the variety of terms and meanings found in the literature. We also classify and provide in-depth commentary on the conceptual approaches available, and identify a series of common and divergent elements among the various definitions. As a consequence of this review, a conceptual framework on consumer value is outlined, the main characterizing features of this construct are highlighted, and we propose a global definition. Finally, conclusions are drawn and future research directions are discussed.

THE CONCEPTUAL COMPLEXITY OF CONSUMER VALUE

Marketing scholars have recognized a need to agree on a common definition for the concept of consumer value (Lindgreen and Wynstra 2005; Parasuraman and Grewal 2000; Woodruff 1997; Zeithaml 1988). However, such an agreement has not been reached (Ulaga 2001). This phenomenon can be explained by the fact that value is a complex (Lapierre 2000; Ravald and Gronroos 1996; Woodruff and Gardial 1996), polysemic (Kashyap and Bojanic 2000; Zeithaml 1988), subjective (Babin, Darden, and Griffin 1994; Woodruff and Gardial 1996), and dynamic concept (Day and Crask 2000; Van der Haar, Kemp, and Omta 2001). The complexity of this concept also comes from the presence of ambiguous interpretations (Khalifa 2004; Van der Haar et al. 2001) and from variations in the perception of value among consumers (Sinha and DeSarbo 1998), within the same person (Chen and Dubinsky 2003; Parasuraman 1997), and between different situations (Flint, Woodruff, and Gardial 1997; Holbrook 1994, 1999; Lapierre 2000). In an effort to bring clarity to this confusing situation, we shall describe and discuss some key aspects in assessing the complex nature of value.

Polysemy and Terminology

Going deeper into the conceptual complexity of consumer value, additional considerations emerge. First, the term 'value' has been used in many different contexts, reflecting its multifaceted nature (Babin et al. 1994). According to some scholars, the concept of value is one of the most overused and misused concepts in social sciences in general and in marketing/management literature in particular (Khalifa 2004). It has its roots in many disciplines, including psychology, social psychology, economics, marketing and management (Woodruff and Gardial 1996).

Its use in the singular or plural has sometimes been confused and it is apparent that a number of marketing scholars assume that value and values are the same concept. We would argue, however, that they are two clearly distinctive constructs. *Value* must be understood as the outcome of an evaluative judgment, while "values" refer to the standards, rules, criteria, norms, goals, or ideals that serve as the basis for those evaluative judgments (Holbrook 1994, 1999). Value implies, through the notion of preference, the result of a trade-off (e.g. between benefits and sacrifices) and an interaction (e.g. between a customer and the product/service) (Payne and Holt 2001). On the other hand, consumer values are the criteria employed by the individual for the developing of the preference judgment (Rokeach 1968; Rokeach 1973). These criteria are considered by Flint, Woodruff and Gardial (1997) as the implicit beliefs that guide behavior, since they reflect people's desired "ultimate end-states of existence" (p. 169). Based on this line of reasoning, then, we believe that consumer value and personal values are not the same concept (Day and Crask 2000; Oliver 1996; Woodruff 1997).

Another element that contributes to the conceptual complexity of value is the employment of multiple terms connected to value, such as judgment value (Flint et al. 1997); shopping value (Babin et al. 1994); consumption value (Sweeney and Soutar 2001); relationship value (Ravald and Gronroos 1996); product value (Bowman and Ambrosini 2000); service value (Bolton and Drew 1991; Cronin, Brady, and Hult 2000); desired value (Flint, Woodruff, and Gardial 2002); expected value (Van der Haar et al. 2001); net value (Lovelock 1991); customer value (Holbrook 1994; Woodruff 1997); consumer value (Holbrook 1999; Park 2004); perceived value (Agarwal and Teas 2001; Zeithaml 1988); or received value (Flint and Woodruff 2001).

This last phenomenon poses a fundamental question –namely, whether all these terms refer to the same concept or whether, on the contrary, we are dealing with different notions. To address this problem, we suggest that all these meanings generally illustrate the idea of consumer perceived value. However, we think that these terms do indeed differ, and in the following ways:

- *The object over which the assessment is carried out.*

Here, the terms 'product value,' 'service value,' 'store value,' or 'relationship value' are used to refer to different objects.

- *The comparison between benefits and sacrifices* (Zeithaml 1988).

This difference or ratio determines 'net value,' 'value for money,' 'value for price,' or even 'overall value.'

- *Its consideration as preferential judgment* (McDougall and Levesque 2000; Oliver 1999; Ostrom and Iacobucci 1995; Zeithaml 1988).

Preference entails some sort of 'judgment value.'

- *Its variation over different moments in time* (e.g. Lapierre 2000; Parasuraman 1997; Woodruff 1997).

'Exchange value,' 'consumption value,' or 'received value' have been used as a reflection of this construct's dynamic nature. As a result, it is possible to distinguish, following authors like Day and Crask (2000) or Oliver (1999), between a pre-purchase and post-purchase consumer value. The former corresponds to an expected or desired value and the latter to a received or perceived value.

Nevertheless, it should be pointed out that the term "perceived" is usually used to refer to a later purchase situation, where the consumer appreciates the purchased product or the rendered service. Generally, however, the consumer's perception is a phenomenon that can appear in any stage of the purchase decision process, pre-purchase included.

- *The purpose or objective that the consumer wants to satisfy by means of the consumption of a product.*

Woodruff and Gardial (1996) establish that 'value in use' is the functional result reached through the consumption of the product and that 'possession value' is simply derived from ownership of the product.

- *Its perceptual nature* (Day 2002; Day and Crask 2000).

The role of perceptions is captured by the use of the expressions 'perceived value,' 'perceived consumer value,' or 'perceived customer value.'

- *The comparison of an object with others.*

Such comparisons lead to the employment of such terms as 'comparative value' and 'relative value.'

- *The origin of its study.*

This distinction has its foundation in the two main study areas from which the conceptualization of value has been approached: strategic marketing and consumer behavior –a contrast reflected in the appearance of the terms 'customer value' and 'consumer value.'

Especially interesting is the use of the terms 'customer value' and 'consumer value.' In this sense, a great number of scholars have studied the consumer's perceived value under a strategic perspective (e.g. Gale 1994; Slater 1997; Van der Haar et al. 2001; Woodruff 1997). In this literature, the expression 'customer value' has been coined, reflecting the perceived value from the customer-organization point of view. Still, the concept analyzed by these authors is similar to the construct studied in the area of consumer behavior, that is, the consumer-perceived value of the offering of an organization. An example of this perspective is the definition of Woodruff (1997), in which the author uses the term customer in a general sense to mean "end use consumers, industrial consumers, and intermediary customers in a channel of distribution" (p. 151).

Among the few scholars that have tried to explain the distinction between 'customer value' and 'consumer value,' we note the work of Lai (1995), who suggests that customer value focuses on "the buyers' evaluation of product purchase at the time of buying", whereas consumer value "stress people's valuation on the consumption or possession of products" (Lai 1995, p. 381). The author not only uses two different terms, customer and consumer, but he also uses the word value in singular and plural. In our opinion, this approach does not solve the distinction dilemma between both terms. First, the word 'values' is not used in the sense to mean the personal objectives of an individual, but rather a meaning similar to the so-called "value in use" or "possession value" notion (Woodruff and Gardial 1996). Second, in Lai's framework, 'customer value' is used in reference to the purchase experience itself while 'consumer value' is used to refer to a post-purchase situation. However, perceived value is a dynamic evaluation that can occur previously, during or subsequently to the purchase.

Jensen (1996) also analyzes the difference between customer value and consumer value. Under this approach, the former is a pre-purchase judgment that generates a series of expectations in the consumer, and the latter is the post-purchase assessment of the consumption experience. This particular conceptualization of the author is based on temporal elements.

Still other scholars use both the 'customer value' and 'consumer value' terms (Chen and Dubinsky 2003), or the 'customer value' and 'perceived value' (Ralston 2003; Sinha and DeSarbo 1998) terms as synonyms. Also, in the writings of several other researchers, the use of different expressions that are considered equivalent can be observed. Thus, DeSarbo, Jedidi, and Sinha (2001, p. 845) state that the "customer value analysis involves [the organization's conducting] a structural analysis of the antecedent factor of perceived value ... to assess their relative importance in the perceptions of their buyers". Likewise, Holbrook (1999, p.5) indicates that, for the purpose of his study, he considers the "subject" as a "consumer or other customer", and Van der Haar et al. (2001) state that they don't use the term 'perceived value because it can be unclear.

It is clear that a wide range of expressions and intended equivalencies of some terms can be observed in the literature. In summation, we regard that all of these terms refer to the same basic idea: the consumer perception of value, but these terms have been coined as result of the study of value under different perspectives and contexts.

Relationship with Other Terms

Value is a concept that is not well differentiated from other related constructs such us utility, price, quality, or satisfaction. Furthermore, these related constructs themselves not well defined...at least in the sense that there is not a universally agreed upon definition for each one. That makes it difficult to compare concepts (Woodruff 1997). Despite the extensive research on the meaning and the measurement of these concepts, the relationships among them remain largely unclear (Kirmani and Baumgartner 1999; Lapierre, Filiatrault, and Chebat 1999). From a theoretical point of view, it is still not clear how consumer value interacts with related marketing variables (Ulaga 2001). To help bring some clarity to this discussion, in the following sections of this article, we shall briefly describe some key considerations in assessing these related concepts.

Utility as conceptual origin of value

Traditionally in economics, value has been equated with utility or desirability. In fact, many espouse the belief that utility theory provides the theoretical underpinning for the value construct (Patterson and Spreng 1997; Tellis and Gaeth 1990). This approach stresses that very often consumers do not buy products or services for their own sake. Consumers will derive value according to the utility provided by the combination of attributes less the disutility represented by the final price paid.

In this sense, both expected-utility and prospect theories have proposed a measurement of overall value. In particular, Thaler (1985) replaces the utility function from economic theory with the psychologically richer value function, in order to develop a theory of consumer choice. Thaler's model suggests that overall utility for a product can be conceptualized as a function of acquisition utility (a judgment of overall value for money) and transaction utility (a judgment of the value of the "deal"). Subsequent studies have followed this conceptualization of value (Grewal, Monroe, and Krishnan 1998b; Kwon and Schumann 2001; Urbany, Bearden, Kaicker, and Borrero 1997).

Besides the microeconomic origin of value, the lack of a unique definition of utility has contributed to the confusion of both terms. Utility has been described as usefulness, hedonic quality, pleasure, and even satisfaction (Oliver 1999). Indeed, several prominent marketing scholars have used the term 'utility' in their definition of consumer value (Afuah 2002; Corfman 1987;

Huber, Herrmann, and Morgan 2001; Rust, Zeithaml, and Lemon 2000; Walters and Lancaster 1999; Zeithaml 1988). However, we hold firm in our belief that consumer value is a complex construct that is clearly differentiated from the mere cognitive and rational concept of utility.

The Conceptual Relationship Between Price and Consumer Value

Value and price are elusive constructs that are frequently confused (Dodds, Monroe, and Grewal 1991; Woodruff and Gardial 1996). Price is usually defined as the monetary value of a product. Nevertheless, the concept of price has also been defined to include other aspects such as time, effort, and search that define the cost or sacrifice in the consumption experience.

The conceptual value-price relationship has been extensively studied in the literature (e.g. Agarwal and Teas 2002; Baker, Parasuraman, Grewal, and Voss 2002; Chen and Dubinsky 2003; DeSarbo et al. 2001; Gallarza and Gil 2006; Monroe 1990; Teas and Agarwal 2000). In this sense, several related concepts have been analyzed, such us objective price and perceived price (Dodds et al. 1991; Hempel and Daniel 1993; Monroe and Krishnan 1985; Zeithaml 1988), reference price (Alford and Engelland 2000; Chang and Wildt 1994; Grewal, Krishnan, Baker, and Borin 1998a; Grewal et al. 1998b; Monroe 1990), expected price (Kwon and Schumann 2001; Li, Monroe, and Chan 1994), odd and even prices (Dodds and Monroe 1985), and price fairness (Martins and Monroe 1994; Oh and Jeong 2004).

Additionally, the dual nature of price has been studied vis-à-vis its contribution to the formation of value, since price can be both an indicator of the amount of sacrifice needed to purchase a product and an indicator of the level of quality (Chang and Wildt 1994; Chen and Dubinsky 2003; Dodds et al. 1991; Li et al. 1994; Monroe 1990; Sweeney, Soutar, and Johnson 1999; Teas and Agarwal 2000; Zeithaml 1988). Therefore, the relationship between price and value –which in the more normative-theoretical models was viewed as negative– is now less clear.

In general, it has been recognized that consumer value is a broader and richer construct than perceived price (Monroe 1990; Zeithaml 1988). As a consequence, price and value are not the same concepts, since price is a component of consumer value.

Perceived Quality and Consumer Value

Most of the empirical literature suggests that value and quality are clearly distinctive constructs (Bolton and Drew 1991; Day and Crask 2000; Dodds and Monroe 1985; Monroe and Krishnan 1985). However, some authors have noted the potential for conceptual confusion between both terms. For instance, Zeithaml (1988, p. 2) affirms that "quality and value are not well differentiated from each other and from similar constructs such as perceived worth and utility", and Oliver (1999, p. 52) that "the answer to the question of the role of quality in value has not been given."

Several studies have tried to analyze the nature of the relationship between value and quality. Among their common characteristics, they have been viewed as evaluative judgments (Ostrom and Iacobucci 1995; Zeithaml 1988), subjective and personal (Rust and Oliver 1994; Zeithaml 1988), and situationally dependent (Rust and Oliver 1994). Nevertheless, a number of studies have focused on analyzing the differences between them. In this sense, Zeithaml (1988) establishes that value differs from quality in two ways. First, value is more individualistic and personal than quality and is therefore a higher level concept than quality. Second, value (unlike quality) involves a tradeoff of give and get components. Though many conceptualizations of value have specified quality as the only "get" component in the value equation, the consumer may implicitly include other factors, such as prestige and convenience.

Similarly, Kirmani and Baumgartner (1999, p. 598) note the differences between them when they affirm that "value judgments are more context dependent than quality judgments", since "consumers rely on internal standards to assess a brand's quality, whereas they seek information about competitive brands in order to assess a brand's value." These authors suggest that, under certain conditions, judgments of quality and value may be formed independently. Moreover, Monroe and Krishnan (1985) suggest that perceived quality is viewed purely as an evaluative measure, whereas perceived value is considered a trade-off between perceived quality and affordability, within a choice condition. For Band (1991), quality is the means and consumer value is the end.

In theoretical terms, it has been suggested that perceived quality is an antecedent that has a positive effect on consumer value (Dodds 1991; Fornell, Johnson, Anderson, Cha, and Bryant 1996; Monroe 1990; Oliver 1999; Parasuraman and Grewal 2000; Salegna and Goodwin 2005). Empirical evidence of this is provided by recent research (Andreassen and Lindestad 1998; Bolton and Drew 1991; Cronin et al. 2000; Chang and Wildt 1994; DeSarbo et al. 2001; Dodds 1991; Grewal et al. 1998a; Grewal et al. 1998b; Lapierre et al. 1999; Oh and Jeong 2004; Ralston 2003; Sweeney et al. 1999; Teas and Agarwal 2000; Varki and Colgate 2001). In contrast, some authors continue to note that quality is a subcomponent of overall value (Holbrook 1999; Petrick 2002; Sweeney and Soutar 2001).

Given the weight of the evidence, it would appear that it is fair to say that quality contributes to the formation of consumer value. Following Bolton and Drew (1991, p. 383) who opined that "value seems to be a 'richer', more comprehensive measure of customers' overall evaluation of a service than service quality," Huang and Tai (2003, p. 41) conclude that "value is more important than quality, since value is that which is immediately considered by consumers."

Consumer Value and Satisfaction

Much of the recent research on consumer value has focused on the analysis of the conceptual relationship between value and satisfaction. Following Woodruff and Gardial (1996, p. 86), "defining the distinction (and linkage) between customer value and customer satisfaction is also critical because of the natural affinity of the two concepts". Clearly distinguishing consumer value from consumer satisfaction is important because individuals and businesses are far more familiar with the latter and may mistakenly confuse the two.

Value and satisfaction are concepts that are related but different (Day and Crask 2000; Oliver 1996; Oliver 1999; Sweeney and Soutar 2001; Woodruff and Gardial 1996). Both constructs have been considered as relative judgments (McDougall and Levesque 2000; Oliver 1999; Ostrom and Iacobucci 1995), encounter-specific (Rust and Oliver 1994), and result from a comparison between benefits and costs (Ostrom and Iacobucci 1995; Woodruff 1997). However, they have points of distinction as well. While perceived value occurs at various stages of the purchase process, including the prepurchase stage, satisfaction is universally agreed to be a postpurchase and post-use evaluation (Caruana, Money, and Berthon 2000; Day and Crask 2000; Eggert and Ulaga 2002; Ostrom and Iacobucci 1995; Sweeney and Soutar 2001). As a consequence, value perceptions can be generated without the product or service being bought or used, while satisfaction depends on the experience of having used the product or service.

On the other hand, some scholars suggest that consumer satisfaction is related to attitudes and that consumer value is more about behavior (Butz and Goodstein 1996). Satisfaction measures indicate how customers feel about products and services, while measures of consumer value are indices of how consumers will act (Goodstein and Butz 1998). In this sense, Neal (1999, p. 21) reasons that satisfaction is "the attitude resulting from what customers think should happen (expectations) interacting with what customers think did happen (performance perceptions)". Therefore, according to Neal, many have incorrectly been attempting to use satisfaction, an attitude, to predict consumer loyalty, a behavior when, to the contrary, value should be used to predict consumer choice and loyalty.

The distinctions between value and satisfaction have been studied in depth by Day (2002), Eggert and Ulaga (2002), and Woodruff and Gardial (1996). Eggert and Ulaga (2002) regard that both constructs aim at different directions. Consumer satisfaction measures how well a supplier is doing with his/her present market offering, as perceived by existing consumers. Such a tactical orientation provides guidelines of action for improving current products and services. The consumer value construct, in turn, points at future directions. Its strategic orientation aims at assessing how value can be created for customers and by which means a supplier's market offering can best meet customers' requirements. As a consequence, the authors establish that the assessment of consumer perceived value is directed toward former, present, and potential clients, whereas satisfaction research is mainly geared toward the supplier's current consumer base. Finally, they also indicate that satisfaction research is predominantly oriented toward the assessment of the supplier's market offering, but not necessarily integrating information pertaining to competitor's product offerings. Consumer perceived value measurement, on the other hand, should explicitly benchmark the supplier's offering with those of its major competitors.

Woodruff and Gardial (1996) argue that value describes the relationship between the user and the product, whereas satisfaction measures the consumer's response to a particular organizational offering. Thus, value captures the relationship between the product, the user, and his or her goals and purposes in a specific use situation. In contrast, satisfaction measures a different relationship, the relationship between the product's actual performance and a performance standard. In essence, it is a measure of how well an organization's value creation efforts are aligned with its consumers' value requirements. In sum, "value tells an organization *what to do* ... while satisfaction tells the organization *how it is doing*" (Woodruff and Gardial 1996, p. 95).

In delineating a hierarchy model of value, Woodruff and Gardial (1996) suggest that satisfaction judgments complement the information of a value hierarchy, providing feedback on customers' reactions to value received. They also suggest that satisfaction, by definition, is idiosyncratic to a particular product or service offering, whereas consumer value is generic, in the sense that is independent of any particular offering that exists in the marketplace. This implies, first, that consumer satisfaction must be measured anytime after product consumption, and consumer value can be measured before, during, and/or after consumption. Secondly, this distinction suggests that consumer value can be measured independently of consumer satisfaction. Table 1 summarizes important definitional characteristics of customer satisfaction and its differences from consumer value.

Table 1

A Comparison of Customer Value and Satisfaction

Customer value is...	Customer satisfaction is...
1. What the customer desires from the product or service	1. The customer's *reaction to or feeling about* what he or she received – a comparison between the actual performance of the product and a performance standard
2. Exhibits a future orientation; is independent of the timing of the product use/consumption	2. Tends to exhibit a historical orientation; is a judgment formed during or after product/service use or consumption
3. Exits independent of any particular product/service offering or supplier organization	3. Is an evaluation directed at a particular product/service offering or supplier organization
4. Provides *direction* for the organization: *what they should do* to create value	4. Provides a *report card* for the organization: *how they are doing (or how they have done)* with their value creation efforts

Source: Woodruff and Gardial (1996, p. 98)

Interestingly, some studies on the value-satisfaction relationship have yielded different conclusions. Most of the studies have demonstrated the positive influence of consumer perceived value on satisfaction (e.g. Babin and Kim 2001; Cronin et al. 2000; Chen and Dubinsky 2003; Fornell et al. 1996; Tam 2004; Yang and Peterson 2004). Spreng, Dixon and Olshavsky (1993) conclude that perceived value is potentially of great importance since it may greatly alter the direction (satisfied or dissatisfied) and extremity of any satisfaction/dissatisfaction experienced.

Nevertheless, other studies suggest that consumer satisfaction is an antecedent of perceived value (Bolton and Drew 1991; Petrick, Morais, and Norman 2001), or that satisfaction generates consumption value, which provides value-based satisfaction (Oliver 1999). Likewise, Caruana et al. (2000) offer partial support for the moderating effect of value on the link between quality and satisfaction. Finally, Day (2002) delved into the value-satisfaction relationship, reporting attempts to discover its nature, free of a priori assumptions that value perceptions drive satisfaction.

To summarize, the polysemy of the concept of value and the use of several terms have greatly complicated the conceptual delimitation of consumer value. Not surprisingly, there are a multitude of definitions that have been proposed.

DEFINITION AND TAXONOMY OF CONSUMER VALUE

Our contention that there is confusion surrounding the concept of consumer value is verified when considering the diverse definitions that have appeared in the literature (Table 2). First, we can observe the great heterogeneity among the different definitions that have been proposed, not only in terms of the object of study, but also in the specific definition provided. Given the status quo, it would appear to be impossible to find a conceptual proposal that could be fully accepted and followed. Indeed, scholars have developed their own definitions, hence the great amount of conceptual proposals found in the literature. At the current time, we feel that perhaps the broadest conceptualization in the literature is the one developed by Zeithaml (1988). Further, the conceptual delimitation developed by Holbrook (1994, 1999) is one of the more in-depth proposals regarding the concept of value.

Table 2

Illustrative Contributions to Defining the Concept of Consumer Value

AUTHORS	DEFINITIONS
Holbrook and Corfman (1985); Holbrook (1994, 1999, p. 5)	"I define consumer value as an interactive relativistic preference experience"
Zeithaml (1988, p. 14)	"Perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given"
Lichtenstein, Netemeyer and Burton (1990, p. 54)	"We can define value as the ratio of quality to price"
Monroe (1990, p. 51)	"Buyers' perceptions of value represent a balance between the quality or perceived benefits of the product compared to the perceived sacrifice by the payment of the price"
Dodds et al. (1991, p. 308)	"The cognitive tradeoff between perceptions of quality and sacrifice results in perceptions of value"
Liljander and Strandvik (1993, p. 14)	"Perceived value equals perceived benefits/perceived price"
Gale (1994, p. xiv)	"Customer value is market-perceived quality adjusted for the relative price of your product"

Rust and Oliver (1994, p. 7)	"Value is some combination of what is received and what is sacrificed"
Hunt and Morgan (1995, p. 6)	"Value refers to the sum total of all benefits that consumers perceive they will receive if they accept the market offering"
Butz and Goodstein (1996, p. 63)	Customer value is "the emotional bond established between a customer and a producer after the customer has used a salient product or service produced by that supplier and found the product to provide an added value"
Fornell, Johnson, Anderson, Cha and Bryant (1996, p. 9)	Perceived value is "the perceived level of product quality relative to the price paid"
Woodruff (1997, p. 142)	"Customer value is a customer's perceived preference for and evaluation of those product attributes, attribute performances, and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations"
Sinha and DeSarbo (1998, 236)	"Value is quality that the consumers can afford"
Sirohi, McLaughlin and Wittink (1998, p. 228)	"We define value as 'what you get for what you pay'"
Oliver (1999, p. 45)	"Value is a positive function of what is received and a negative function of what is sacrificed"
Lapierre (2000, p. 123)	"Customer-perceived value can, therefore, be defined as the difference between the benefits and the sacrifices (e.g. the total costs, both monetary and non-monetary) perceived by customers, in terms of their expectations, i.e. needs and wants"
McDougall and Levesque (2000, p. 394)	"Broadly defined, perceived value is the results or benefits customers receive in relation to total costs (which include the price paid plus other costs associated with the purchase). In simple terms, value is the difference between perceived benefits and costs"
Oliva (2000, p. 56)	"Customer value is the hypothetical price for a supplier's offering at which a particular customer would be at overall economic break-even, relative to the best alternative available to the customer for performing the same set of functions"
Slater and Narver (2000, p. 120)	"Customer value is created when the benefits to the customer associated with a product or a service exceed the offering's life-cycle costs to the customer"
Kothandaraman and Wilson (2001, p. 380)	"Value is the relationship of a firm's market offering and price weighed by the consumer against its competitor's market offering and price"
Van der Haar et al. (2001, p. 628)	"The customer value concept assesses the value a product offers to a customer, taking all its tangible and intangible features into account"
Walter, Ritter and Gemünden (2001, p. 366)	"We understand value as the perceived trade-off between multiple benefits and sacrifices gained through a customer relationship by key decision makers in the supplier's organization"
Afuah (2002, p. 172)	"The value that a customer attaches to the characteristics is a function of the extent to which they contribute to the customer's utility or pleasure"
Chen and Dubinsky (2003, p. 326)	Perceived customer value is "a consumer's perception of the net benefits gained in exchange for the costs incurred in obtaining the desired benefits"

rather it is experienced by customers as a consequence of using the supplier's products and services for their own purposes". However, Holbrook (1994, 1999) introduces an interesting debate on this point, deciding finally on an intermediate position in which value depends on the features of the object but cannot exist without the participation of a subject who values these features –otherwise, value as a subject-object or consumer-product interaction.

- In addition, perceived value *implies an exchange between what the consumer receives and what he/she gives up* to acquire and use a product, though some definitions do not make reference to this tradeoff.

- Finally, the *perceptual nature* of value is probably the most universally accepted aspect of the concept (Day and Crask 2000).

Among the divergences, we suggest the following:

- The ways in which the definitions have been built differ in the *terms employed* and in the concepts over which the definitions stretch (such as utility, worth, benefits, quality, price, and satisfaction). This makes it difficult to compare concepts.

- Researchers disagree on which are the *positive and negative components* of consumer value. Thus, quality is the component of benefit most popularly cited, while price, time, effort and psychological cost are the sacrifices most often cited in the literature.

- There is a debate about whether a *comparison among different objects* is required for the generation of value. Some but not all authors consider this element in their studies about value (Gale 1994; Petrick 2002; Van der Haar et al. 2001). Holbrook (1999) affirms that value is comparative since it can state the value of one object only in reference to that of another object as evaluated by the same individual.

- There are different opinions on the *circumstances within which consumers think about value*. Some authors have studied value in a prepurchase context (Chen and Dubinsky 2003; Dodds 1991; Kothandaraman and Wilson 2001; Monroe 1990), during the consumption situation (Afuah 2002; Holbrook 1999; Huber et al. 2001; McDougall and Levesque 2000; Oliva 2000; Ulaga and Chacour 2001), or at different times in the purchase decision process (Van der Haar et al. 2001; Woodruff 1997). This phenomenon reflects the dynamic nature of the concept.
- There are differences of opinion about the *cognitive versus affective nature* of value. Some researchers have indicated that value is strictly a cognitive concept (Dodds 1991; Oliver 1999; Rust and Oliver 1994; Zeithaml 1988), while others defend the "it is both" cognitive-affective nature of consumer value (Babin et al. 1994; Babin and Kim 2001; Park 2004).

These elements of agreement and disagreement support the lack of concurrence over the conceptualization of value, indicating to us, once again, the need and desire to explore the characterizing features defining this concept.

A CONCEPTUAL FRAMEWORK OF CONSUMER VALUE

From the review of the main conceptual contributions on perceived value and from the study of the convergences and divergences among them, it is possible to identify a series of characterizing features that define a conceptual framework needed to understand the nature of this concept, as shown in Figure 1.

In order to clarify the study and analysis of these definitions, we have carried out a classification following Zeithaml's proposal (1988) (Table 3). The first two types of conceptualization are the simplest. The first, with roots in the literature of economics, identifies value with the monetary price of the product. In this sense, it must be noted that the role of price is complex and consumers do not buy solely on the basis on low price (Chernatony, Harris, and Riley 2000). As Richins (1994) suggests, "for some people money is not their medium of value; they simply do not evaluate worth in economic terms", since the monetary price is not the unique element that defines consumer value (e.g. Baker et al. 2002; Cronin, Brady, Brand, Hightower, and Shemwell 1997; Chen and Dubinsky 2003; Tam 2004). The second type of conceptualization focuses on any benefit that the product can contribute, identifying the value as the utility or value added that allows consumer to achieve his/her objectives. In the third type, the expression "value for money" arises when the relationship between quality and price is considered. This type of definition has been criticized as ignoring some important constructs and may be misleading in measuring consumer value (Holbrook 1994; Day and Crask 2000; Sweeney and Soutar 2001; Chen and Dubinsky 2003), since much of the past scholarly research on perceived value has focused primarily on product quality as the get component and on price as the give component (Parasuraman and Grewal 2000). However, we suggest that the fourth definition, which reflects a tradeoff between benefits and sacrifices, best explains the concept of consumer value by integrating the elements emphasized by the others.

Table 3

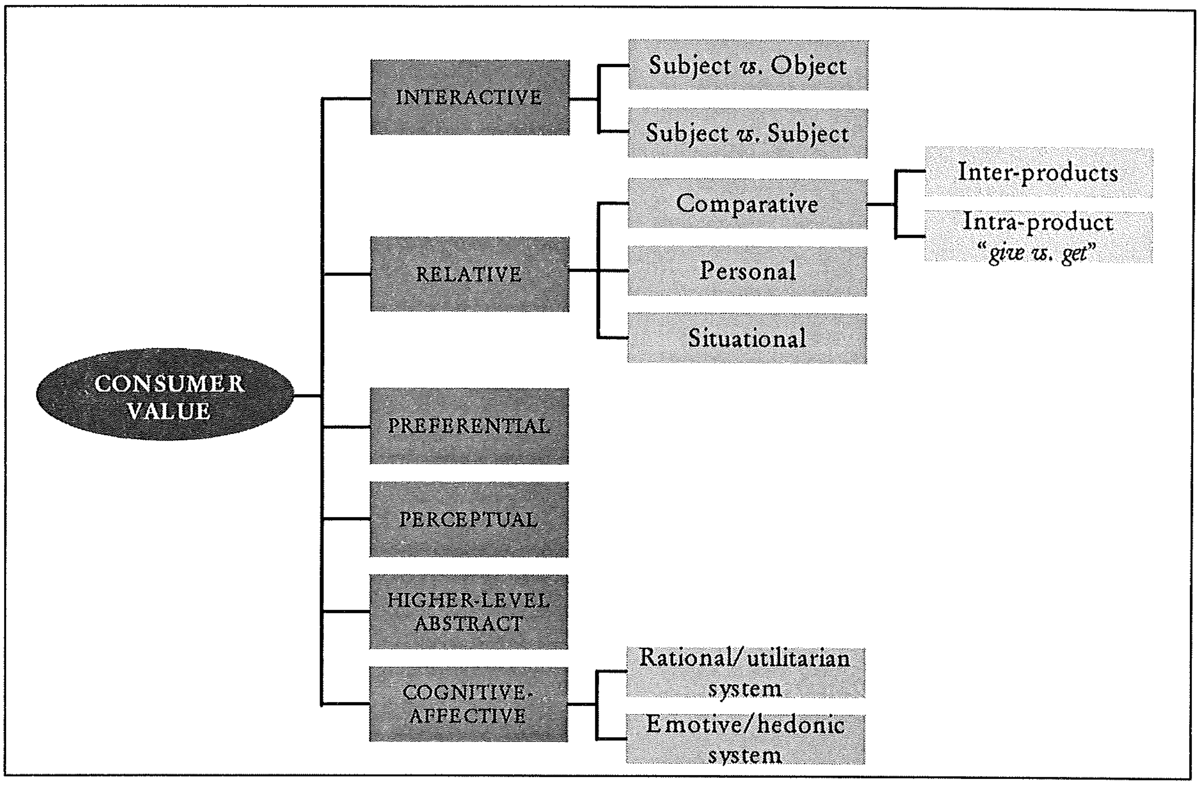
Definitions of Consumer Value

1st type: Value as low price	Oliva (2000)
2nd type: Value as whatever the consumer wants in a product	Afuah(2002); Butz and Goodstein (1996); Hunt and Morgan (1995); Van der Haar et al. (2001)
3rd type: Value as the quality the consumer gets for the price he/she pays	Dodds et al. (1991); Fornell et al. (1996); Gale (1994); Lichtenstein et al. (1990); Monroe (1990); Sinha and DeSarbo (1998)
4th type: Value as what the consumer gets for what he/she gives	Chen and Dubinsky (2003); Holbrook (1994, 1999); Holbrook and Corfman (1985); Kothandaraman and Wilson (2001); Lapierre (2000); Liljander and Strandvik (1993); McDougall and Levesque (2000); Oliver (1999); Rust and Oliver (1994); Sirohi et al. (1998); Slater and Narver (2000); Walter et al. (2001); Woodruff (1997); Zeithaml (1988)

Although this classification of the definitions of value enables us to identify a set of common and distinguishable elements among concepts, we can and do extend this approach by following the proposal of several authors (Day 2002; Day and Crask 2000; Dumond 2000; Woodruff 1997), who identify a series of convergences and divergences in the proposed definitions. Among the convergences, we note the following:

- There is a certain degree of agreement that value is a *subjective concept* to the individual, rather than objectively determined by a seller. Together with the idea of the value co-production by the firm and the consumer, most of the literature defends the subjectivity of value (Babin et al. 1994; Bolton and Drew 1991; DeSarbo et al. 2001; Woodruff and Gardial 1996; Zeithaml 1988). Following Woodruff and Gardial (1996, p. 7), "customer value is not inherent in products or services themselves;

Figure 1
A Conceptual Framework of Consumer Value



a) *Interactive.* Consumer value implies an interaction between a subject (end use consumers or industrial consumers) and an object (good, service, or idea) (Holbrook 1994, 1999; Payne and Holt 2001). This interaction may also be relationship related, that is, associated with the relationship between the supplier and the consumer (interaction subject *vs*. subject).

b) *Relative.* Consumer value is relative by virtue of its comparative, personal and situational nature. It is *comparative* because the value of an object can only be determined in reference to another evaluated object (Holbrook 1994, 1999; McDougall and Levesque 2000). Therefore, consumer value can be a mean of differentiation for the organizations (Butz and Goodstein 1996; Chen and Dubinsky 2003; Ulaga and Chacour 2001). Value is also comparative since it depends on an intra-product comparison between aspects of benefit and sacrifice (Zeithaml 1988). Value is *personal* in the sense that it varies from one individual to another (Holbrook 1994, 1999; Huber et al. 2001; Ravald and Gronroos 1996). Thus, the personal relativity of value prompts wide agreement among axiologists with both subjectivist and objectivist inclinations. A subjectivist is necessarily committed to this personal relativity of value. But even an objectivist may make room for a difference in objective value from one evaluator to the next (Holbrook 1999). Such differences in valuations lie at the heart of market segmentation (Agarwal and Teas 2002; DeSarbo et al. 2001; Holbrook 1999; Piercy 1998; Sinha and DeSarbo 1998; Ulaga 2001). Finally, value is *situational* in the way that it depends on the context in which the evaluative judgment is made (Chen and Dubinsky 2003; Day and Crask 2000; Patterson and Spreng 1997; Woodruff 1997). This situation-specific nature of value occurs because the standards on which evaluative judgments hinge tend to be context-dependent, changing from one set of circumstances, one culture frame, one time frame or one location to another (Holbrook 1999). Following this situational feature, it is worth highlighting the dynamic nature of value (e.g. Lapierre 2000; Parasuraman 1997): consumers will often have an expected perceived and desired value prior to the purchase and a perceived value received after it (Spreng, MacKenzie, and Olshavsky 1996).

c) *Preferential.* Consumer value embodies a preferential evaluative judgment (Holbrook 1994, 1999; Zeithaml 1988). As also noted by many axiologists, the general concept of preference embraces a wide variety of value-related terms prominent in various disciplines and including such nomenclature as, for example, affect, attitude, evaluation, predisposition, or valence.

d) *Perceptual.* The perceptual nature of value, in any stage of the process of purchase decision, is possibly the most universally accepted feature of this concept (Day and Crask 2000).

e) *Higher-level abstraction.* The abstract nature of value, as a concept that is placed at a higher hierarchical level compared to other concepts such as quality or price, has its origin in cognitive psychology and, more concretely, in the means-end theory (Gutman, 1982). This theory distinguishes between simple attributes of the product and consequences and ends wanted by the individual. Following this theory, value would be placed at the top of the consumer's hierarchical structure (DeSarbo et al. 2001; Woodruff and Gardial 1996; Zeithaml 1988).

f) *Cognitive-affective.* The "value for money" paradigm, which traditionally has defined value under a cognitive perspective as a ratio or tradeoff between quality and price, has been considered too simplistic for consumption experiences (Sweeney and Soutar 2001). Therefore, an important number of authors have suggested the presence of both cognitive and affective systems in the nature of perceived value (Babin et al. 1994; Park 2004).

CONCLUSIONS AND DIRECTIONS FOR FUTURE RESEARCH

Despite the increasing relevance of the concept of consumer value and the growth of empirical research on this topic, the fragmentation and heterogeneity of the different approaches in the literature are evident. The review of the extant research literature on value have helped us to arrive at a clearer understanding of this construct. The main objective of this article was to synthesize the literature and then offer an integrative framework about the nature and characteristics of the consumer perception of value.

The main weakness that characterizes the literature is the lack of agreement among scholars and, as a consequence, the lack of a clear-cut definition of value. There are several reasons for this phenomenon. Following Lindgreen and Wynstra (2005), some authors argue that the concept is still poorly understood and that it is the customers and not the firms who are driving the value creation process. Another argument is that existing schools of thought such as social and relational exchange theory do not adequately address why, and how, values are created, and what motivates customers and suppliers to engage in exchanges. Finally, these authors suggest that the research on value is originally not from marketing or purchasing and supply management, but rather from strategy and strategic management, psychology and sociology of consumer behavior, accounting, and finance, and that this has made it difficult for marketing research to control the value creation and delivery process. Likewise, several research streams have been developed around the concept of consumer value. Moreover, some researchers have preferred to develop their own conceptual framework without integrating previous studies.

The extensive and heterogeneous research on value have generated a semantic confusion. Thus, polysemy and the use of many terms connected to value have confused the meaning of the concept. First, we would like to emphasize that consumer value and other related construct, such us, personal values, utility or satisfaction, are different concepts. Moreover, consumer value is a higher level concept than perceived quality and price. Second, we suggest that the multiple terms coined in the literature are referred to the same concept but studied from different perspectives. Thus, we can use the expressions «consumer value», «perceived value», or «perceived consumer value» as "umbrella terms" that include a wide range of notions used to express a similar concept. This idea is shaped by Woodall (2003) in his comprehensive and in-depth study on value, although in this case the term chosen was «customer value». Further, researchers can use any term that they consider interesting but always explaining the meaning and conceptual framework of their proposal.

Based on the analysis of the main definitions on consumer value, we conclude that the convergences among them reflect generalizations about the interactivity (subjective versus objective) and bidirectionality (receiving versus giving) present in most of them. From our point of view, the integrative position adopted by Holbrook (1994, 1999), in which the objective and subjective approaches can coexist, seems the most appropriate. This perspective maintains that value depends on the characteristics of some physical or mental object but cannot occur without the involvement of some subject who appreciates these characteristics. The bidirectional view is also one the most important convergences in the literature on value. It is considered the most comprehensive approach since it includes the unidirectional approach, which is just a manifestation of the positive aspects of consumer value. Under the bidirectional perspective, the most popular conceptualization in marketing has been the definition of value in terms of tradeoff between quality and price. Nevertheless, we consider that this approach is a cognitive, functional and simple definition of value. Therefore, we regard that consumer value is a richer concept with a multidimensional structure more complex than the mere quality-price relationship.

Based on the literature review, we have outlined a conceptual framework that includes, in our opinion, the main characterizing features of consumer value. As a consequence, we define consumer value as follows:

Consumer value is a cognitive-affective evaluation of an exchange relationship carried out by a person at any stage of the process of purchase decision, characterized by a string of tangible and/or intangible elements which determine, and are also capable of, a comparative, personal, and preferential judgment conditioned by the time, place, and circumstances of the evaluation.

From this conceptual review some ideas stand out as future research topics to be explored. Thus, the existence of different approaches in the research on value –one-dimensional (Agarwal and Teas 2002; Bolton and Drew 1991; Chen and Dubinsky 2003) and multidimensional (Holbrook 1994; Holbrook 1999; Sheth, Newman, and Gross 1991; Sweeney and Soutar 2001)– needs further scrutiny to help scholars move toward a more uniform definition, composition and measurement of this concept. In particular, future research is required to determine the specific positive and negative components of consumer value. It is also important to explore the relationship of value with other related variables such as quality, price, satisfaction, loyalty or commitment. Additional research might help us to understand the comparative and dynamic nature of value, and would require delving into the different circumstances within which consumers think about value. Finally, we believe that it will be necessary to explore the influence of aspects such us cultural values, time frame, place and competition on the consumer perception of value.

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A CONTENT ANALYSIS OF CUSTOMER SATISFACTION IN ANNUAL REPORTS

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ABSTRACT

Despite research investigating the dissemination of customer satisfaction information within the firm and calls for companies to communicate customer satisfaction information to its stakeholders, the dissemination of customer satisfaction information to external publics has not been investigated. This research addresses this issue by investigating the occurrence of customer satisfaction measurement results in the letter to shareholders section of the corporate annual report using a sample of both product and service industries. The results indicate that quantitative customer satisfaction results are rarely included in the letter to shareholders and many letters fail to even mention customer satisfaction. The results and implications of this research are discussed as well as areas for future research.

INTRODUCTION

One of the most essential goals of all companies is to satisfy its customers (Fornell 1992; Morgan, Anderson, and Mittal 2005; Oliver 1997). As a result, customer satisfaction research is often a firm's largest annual expenditure on market intelligence (Morgan et al. 2005; Wilson 2002). Customer satisfaction can be defined as an overall evaluation of performance based on all prior experiences with a firm (Anderson, Fornell, and Lehmann 1994; Fornell 1992) and has been linked to a firm's overall performance and health (e.g., Anderson et al. 1994; Anderson, Fornell, and Mazvancheryl 2004; Gruca and Rego 2005; Ittner and Larcker 1998).

A critical component of a company's successful usage of customer satisfaction information is the effective dissemination of this information (Maltz and Kohli 1996; Menon and Varadarajan 1992; Morgan et al. 2005). While the dissemination of customer satisfaction information has been empirically addressed, research to date has been limited to the dissemination of customer satisfaction information *within* the firm. For example, the results from a recent study indicate that 86 percent of firms disseminate satisfaction results upward to senior managers, 62 percent disseminate customer satisfaction results downward to frontline employees, and 68 percent disseminate customer satisfaction results horizontally to other departments (Morgan et al. 2005). Researchers in a variety of disciplines, however, have been calling for measures of customer satisfaction and other intangible assets to be disseminated to shareholders and other groups external to the firm (Eccles 1991; Fox 1996; Karlgaard 1997; Lev 2004). In fact, Lev (2004, p. 109) states "companies need to generate better information about their investments in intangibles and the benefits that flow from them—and then disclose at least some of that information to the capital markets. Doing so will both improve managerial decisions and give investors a sharper picture of the company and its performance."

Despite research investigating the dissemination of customer satisfaction information within the firm and calls for companies to communicate customer satisfaction information to shareholders and other stakeholders, the dissemination of customer satisfaction information to external publics has not been systematically investigated. Disseminating customer satisfaction measurement results to shareholders and other stakeholders is important since this information supplements financial results in providing a more complete assessment of a firm's past and future performance. This research addresses this issue by investigating the occurrence of customer satisfaction measurement results (as well as measures of customer loyalty and customer retention) in the letter to shareholders section of the annual report. The findings from this study provide an initial assessment of the role and relative importance customer satisfaction plays in upper management's discussion of a company's past and future performance.

BACKGROUND AND RESEARCH QUESTIONS

While much of the early work on customer satisfaction focused on its measurement, antecedents, and behavioral consequences (see Szymanski and Henard 2001, and Yi 1991 for comprehensive reviews), recent research has investigated the influence of customer satisfaction on broader firm level outcomes. For example, Anderson et al. (1994) found a positive relationship between customer satisfaction and return on investment. In one of the most comprehensive investigations to date, Ittner and Larcker (1998) report the results of three different studies linking satisfaction and financial performance. In this study, they find that customer satisfaction is positively related to customer purchase behavior (including retention, revenue, and revenue growth), growth in the number of customers, and accounting performance (as measured by business-unit revenues, profit margins, and return on sales). Anderson et al. (2004) found a positive relationship between customer satisfaction and shareholder value (as measured by Tobin's q), equity prices, and ratios of price to book value. Similarly, Gruca and Rego (2005) linked customer satisfaction and shareholder value by showing that customer satisfaction increases future cash flows while reducing the variability of these future cash flows. In one final example, Fornell et al. (2006) found that customer satisfaction ratings are significantly related to the market value of a firm's equity. In fact, the results from Fornell et al. (2006) indicate that firms that satisfy their customers better than competitors generate superior returns with lower levels of systematic risk. Overall, this stream of research demonstrates the important role customer satisfaction plays in the overall performance of the firm.

Accompanying this research linking satisfaction to financial performance has been a broader investigation of alternative methods of measuring overall company performance. Increasingly, researchers are acknowledging the deficiencies of traditional measures of financial performance in evaluating overall business performance (cf., Eccles 1991; Kaplan and Norton 1992; Lev 2004). Examples of alternative measures of business performance include intangible assets such as research and development, patents, human resources, and, central to the current study, customer satisfaction. Despite the fact that intangible assets typically drive most of the growth in corporate revenue and shareholder value, these intangible assets are typically poorly communicated to shareholders and other interested parties (Eccles 1991; Fox 1996; Karlgaard 1997; Lev 2004).

This research investigates the dissemination of customer satisfaction results in the corporate annual report, as the annual report is the primary document used by public companies to communicate with shareholders and other interested parties including the media, investment community, and employees (Hawkins and Hawkins 1986; Judd and Tims 1991; U.S. Securities and Exchange Commission 2006). The annual report to shareholders consists of a number of both voluntary and required disclosures (Fraser and Ormiston 2004; Stanko and Zeller 2003). Required disclosures include areas such as management's discussion and analysis (MD&A), statement of income, statement of financial position, and notes to financial statements. The presentation of material in these sections is heavily regulated and subject to audits. Voluntary disclosures typically include areas such as financial highlights, statement of company mission, and the letter to shareholders.

The current study focuses on the information presented in the letter to shareholders section of the annual report. The letter to shareholders contains the Chief Executive Officer's or President's review of the previous year's business, as well as forward looking information on the year(s) to come. Given the critical role customer satisfaction plays in the company's profitability and overall shareholder value (e.g., Anderson et al. 2004; Anderson et al. 1994; Gruca and Rego 2005; Ittner and Larcker 1998), it is expected that information on customer satisfaction would be included in the letter to shareholders to provide shareholders a more complete review of the firm's current and future health. Customer satisfaction information should also be included in the letter to shareholders since the letter represents an important effort by the company's CEO or President to communicate the firm's strategy to shareholders and other interested parties (Diffenbach and Higgins 1987). In fact, the communication of customer satisfaction by the CEO or President is critical since implementing the marketing concept and creating customer-oriented values is ultimately the responsibility of a firm's top management (Levitt 1969; Webster 1988). In summary, one would expect customer satisfaction information to be contained in the letter to shareholders given satisfaction's role in the financial performance of a company and the opportunity for the CEO to communicate the firm's strategic focus on the customer. This issue, however, has not been systematically investigated.

Based on the preceding discussion, the primary question this research addresses is "How prevalent are quantitative customer satisfaction measurement results in the letter to shareholders section of the annual report?" As a means for comparison, this research will compare the frequency of customer satisfaction measurement information in the letter to shareholders with the frequency of three common financial metrics (revenue, net income, and earnings per share). This comparison will help determine the importance upper management places on customer satisfaction relative to common financial measures.

Overall, previous research provides mixed evidence for determining if customer satisfaction is likely to appear more often in annual reports of product industries when compared to service industries. For example, Anderson (1994) found that the influence of customer satisfaction on repurchase intentions was higher for products than for services, suggesting that customer satisfaction is more important to product industries relative to service industries. Conversely, Szymanksi and Henard (2001) found the relationship between satisfaction and repurchase intentions to be weaker for products when compared to services. Therefore, another research question addressed in this research is as follows: "Is there a significant difference in the occurrence of customer satisfaction measurement results in the annual reports of product industries when compared to service industries?"

Another research question this study addresses is as follows: "Is there a significant relationship between the inclusion of customer satisfaction measurement results in the annual report and overall financial performance?" While research has linked increased customer satisfaction scores with higher financial performance (e.g., Gruca and Rego 2005; Anderson et al. 2004; Anderson et al. 1994), this research addresses the issue of whether including customer satisfaction information in the annual report signals information regarding the overall financial performance of the firm. Previous research has found a relationship between the use of customer satisfaction information and the company's strategic priorities (Morgan et al. 2005; Piercy 1996). Therefore, including customer satisfaction information in the letter to shareholders could serve as an indicator that the firm's overall strategy and culture is more customer or market oriented, and previous research supports a positive relationship between market orientation and business performance (Narver and Slater 1990; Slater and Narver 2000).

Customer retention reflects the percentage of customers that are retained over a given period of time, while customer loyalty represents a customer's deeply held commitment to a specific brand or a particular retailer (Oliver, 1999). Customer satisfaction is considered a critical antecedent to both customer loyalty and customer retention (Oliver 1999; Szymanski and Henard 2001), and customer loyalty and customer retention are considered key drivers of profitability (Loveman 1998; Reichheld 1996). In order to determine if companies are including quantitative measures of the closely related outcomes of customer loyalty and/or retention in addition to or in place of satisfaction, this research also investigates the prevalence of customer loyalty and retention measurement data in the letter to shareholders section of the annual report. In summary, this research addresses the following research questions:

RQ1: How prevalent are quantitative customer satisfaction measurement results in the letter to shareholders section of the annual report?

RQ2: Is there a significant difference in the occurrence of customer satisfaction measurement results in the annual reports of product industries when compared to service industries?

RQ3: Is there a significant relationship between the inclusion of customer satisfaction information in the annual report and overall financial performance?

RQ4: How prevalent are quantitative measures of customer loyalty and customer retention in the letter to shareholders section of the annual report?

METHOD

This study investigated the research questions using content analysis. Content analysis is an observational research method used to systematically evaluate the content of recorded communications (Kassarjian 1977). The 2005 *Fortune* 1000 list by industry was used as a starting point for the selection of companies. Several issues guided the choice of companies and industries to be included in the analysis. Since the focus of the study is customer satisfaction and since previous research linking satisfaction with financial performance has focused primarily on the end consumer (e.g., Anderson et al. 2004; Fornell et al. 2006; Gruca and Rego 2005), only industries focused on end consumers were included. In addition, specific industries were selected since one of the research objectives was to determine if there were differences across product and service industries, and since another research objective was to determine if there is a relationship between including information on customer satisfaction in the annual report and financial performance. Testing the financial performance across firms required investigating the relationship within industries to control for cross-industry differences. Furthermore, industries with less than 10 companies included in the *Fortune* 1000 were not included so that sufficient data could be generated within each industry. Only annual reports were included in the analysis. Some companies choose to send the 10 K report to shareholders instead of a separate annual report. Therefore, if a company used the 10 K only then it was excluded from the analysis since the 10 K follows strict Securities and Exchange Commission guidelines and does not include a letter to shareholders (Stanko and Zeller 2003).

Based on the preceding qualifications, two consumer product industries and two consumer service industries were randomly selected from the 2005 *Fortune*1000 industry list. The two product industries selected were household and personal products, and consumer food products. The household and personal products industry included 13 firms with approximately $120 billion in revenue, and the consumer food products industry included 18 firms with approximately $155 billion in revenue. The two service industries selected were commercial banks, and food service. The commercial bank industry included 34 companies representing approximately $433 billion in revenue and the food service industry included 11 companies with approximately $57 billion in revenue. Therefore, the sample included a total of 31 product firms and 45 service firms. Annual reports were not available for two companies (one company filed for bankruptcy and the other went private) so they were not included in the study. A list of all companies included in the analysis is presented in Table 1. The 76 letters to shareholders reflected a total of 306 pages of text.

Table 1

List of Companies

Products		**Services**	
Household and Personal Products	**Food Consumer Products**	**Commercial Banks**	**Food Service**
Proctor and Gamble	Pepsico	Citigroup	McDonald's
Kimberly-Clark	Sara Lee	Bank of America	Yum Brands
Colgate-Palmolive	Conagra Foods	JPMorgan Chase	Starbucks
Gillette	General Mills	Wells Fargo	Darden Restaurants
Avon Products	Dean Foods	Wachovia	Brinker International
Estee Lauder	Smithfield Foods	U.S. Bancorp	Wendy's International
Clorox	Kellogg	MBNA	Outback Steakhouse
Alberto-Culver	H.J. Heinz	Capital One	CBRL Group
Stanley Works	Land O'Lakes	National City	Jack in the Box
Energizer Holdings	Campbell Soup	SunTrust	CKE Restaurants
Blyth	Hormel Foods	Bank of New York	Domino's Pizza
Church and Dwight	Hershey Foods	BB&T	
Rayovac	Wm. Wrigley Jr.	Fifth Third	
	Del Monte Foods	PNC	
	McCormick	State Street	
	Ralcorp Holdings	KeyCorp	
	Flowers Foods	Mellon Financial	
	J.M. Smucker	Regions	

M&T Bank Corp
AmSouth
Marshall & Ilsley
Comerica
Northern Trust
Popular
Providian
First Horizon
Synovus
Huntington
Zions
Compass
North Fork
Commerce
TD Banknorth
Hibernia

The original coding scheme was to code each of the concepts into one of the following three categories: "there is no discussion of the concept in the letter," "the concept is discussed but only qualitatively," and "the concept is discussed qualitatively and a quantitative measure is provided." During the practice coding of example annual reports, which were not included in the final sample, the coding scheme for the satisfaction variable was expanded. It became apparent during this pre-coding process that the three categories were sufficient for coding most concepts (i.e., revenue, net income, earnings per share, customer loyalty, and customer retention), but did not capture the richness of the treatment of customer satisfaction in the annual report. Specifically, a number of annual reports did not mention customer satisfaction explicitly, but satisfaction was implied in the discussion of other concepts. For example, some firms mentioned focusing on meeting customer needs, while others stressed the importance of providing a wonderful customer experience. Statements such as these clearly imply a focus on satisfying customers without specifically mentioning it. In addition, another category was created to reflect the fact that some letters provided a reference to customer satisfaction measurement, but did not actually report a quantitative measure. Therefore, satisfaction was coded into one of the following five categories: "satisfaction is not mentioned and it is not implied," "satisfaction is not mentioned but it is implied," "satisfaction is mentioned but only qualitatively and there is no reference to satisfaction measurement," "satisfaction and its measurement is discussed qualitatively but no quantitative measure is provided," and "satisfaction is discussed qualitatively and a quantitative measure is provided." These categories and example excerpts from actual letters to shareholders are provided in Table 2. To provide an additional measure of the prevalence of customer satisfaction discussion in letters to shareholders, the number of times "satisfaction" (including "satisfying" or "satisfied") was mentioned was also coded. References to satisfaction other than consumer satisfaction (i.e., management satisfaction with revenue or growth) were not included.

Table 2
Results for Customer Satisfaction

Satisfaction Categories	% of Annual Reports Products	Services	Example Excerpts
Satisfaction is Not Mentioned and It is Not Implied	25.8	26.7	
Satisfaction is Not Mentioned but Satisfaction is Implied	64.5	40.0	"we intend to continue to surprise and delight our customers with new offerings" (Starbucks) "it also increases our effectiveness at defining and meeting needs and wants of consumers" (Sara Lee)
Satisfaction is Mentioned but Only Qualitatively	6.5	15.6	"We must consistently create a relevant and satisfying customer experience—every customer, every visit" (McDonalds) "All in all, significant progress toward achiev- ing our vision of satisfying all our customers' financial needs and helping them succeed financially" (Wells Fargo)
Satisfaction and its Measurement is Mentioned but No Quantitative Measure is Provided	0.0	6.7	"we use an outside research firm to survey our clients and the clients of our competitors to determine client service satisfaction levels" (BB&T) "In addition, customer satisfaction ratings continue to improve" (Huntington)
Satisfaction is Discussed and a Quantitative Measure of Satisfaction is Provided	3.2	11.1	"In addition to stronger sales, its consistent use pushed up client satisfaction scores to 8.80, on average—ever closer to MFG's goal of a 'perfect 10." (KeyCorp) "Between June and December, customers in the Northeast who rated their experience in the banking centers a 9 or 10 on a 10-point scale increased from 51% to 61%." (Bank of America)

Two coders, neither one being the author of this article, independently coded each of the letters to shareholders. The coders were thoroughly trained in the concepts and practiced on a set of ten letters to shareholders prior to the actual coding of letters included in the analysis. Perreault and Leigh's (1989) reliability index was calculated for each concept to assess the reliability of the judgments. Overall, the reliability indexes were high for all concepts coded, ranging from 93.2 percent to 100 percent. All discrepancies in coding were resolved through discussion so that 100 percent agreement was obtained.

RESULTS

The results for satisfaction are included in Table 2. As is indicated, slightly more than one quarter of the annual reports for both types of industries failed to discuss or imply customer satisfaction (products 25.8 percent and services 26.7 percent). A large percentage of both product (64.5 percent) and service industries (40.0 percent) did not discuss customer satisfaction specifically, but did imply a focus on customer satisfaction through a relevant discussion. A relatively small percentage of firms (6.5 percent of product companies and 15.6 percent of service companies) mentioned satisfaction qualitatively but did not discuss measuring it, and an even smaller percentage specifically mentioned satisfaction measurement yet did not include a quantitative measure (0.0 percent of product companies and 6.7 percent of service companies). Finally, only 3.2 percent of annual reports in the product industry and 11.1 percent of annual reports in service industries mentioned customer satisfaction and provided a quantitative measure of it.

Since this research focused on the inclusion of quantitative customer satisfaction results and since the small cell sizes across categories precluded the use of a chi-square analysis, a z test was used to determine if the proportions of firms that included a quantitative measure of satisfaction was significantly different across product and service industries. The results indicated that there was no significant difference in the proportions ($z = 1.26$, $p > 0.05$). Regarding the number of times "satisfaction" (or "satisfied" or "satisfying") was mentioned in the letter to shareholders, the results indicated that service firms included the term significantly more times (mean = 0.56) than product firms (mean = 0.13) ($z = 2.20$, $p < 0.05$).

The results for customer retention, customer loyalty, and financial measures are included in Table 3. As is indicated in Table 3, none of the product firms included a quantitative measure of customer retention or customer loyalty. For service firms, 2.2 percent of firms included a quantitative measure of customer retention, and 2.2 percent of firms included a quantitative measure of customer loyalty. Overall, slightly more annual reports included a qualitative discussion of customer retention (0.0 percent of product firms and 15.6 percent of service firms) and customer loyalty (9.7 percent of product firms and 11.1 percent of service firms). Again a z test was used to determine if the percentage of firms including a quantitative measure of customer retention or customer loyalty differed across industry type and there were no significant differences in these proportions (customer retention $z = -0.83$, $p > 0.05$; customer loyalty $z = -0.83$, $p > 0.05$).

Table 3

Results For Customer Retention, Customer Loyalty, and Financial Measures

	% of Annual Reports	
	Products	**Services**
Customer Retention		
Not Discussed	100.0	82.2
Discussed Qualitatively	0.0	15.6
Discussed Qualitatively and a Quantitative Measure is Provided	0.0	2.2
Customer Loyalty		
Not Discussed	90.3	86.7
Discussed Qualitatively	9.7	11.1
Discussed Qualitatively and a Quantitative Measure is Provided	0.0	2.2
Revenue		
Not Discussed	3.2	4.4
Discussed Qualitatively	3.2	6.7
Discussed Qualitatively and a Quantitative Measure is Provided	93.5	88.9
Net Income		
Not Discussed	12.9	13.3
Discussed Qualitatively	6.5	6.7
Discussed Qualitatively and a Quantitative Measure is Provided	80.6	80.0
Earnings Per Share		
Not Discussed	9.7	28.9
Discussed Qualitatively	3.2	2.2
Discussed Qualitatively and a Quantitative Measure is Provided	87.1	68.9

In terms of financial metrics, a large percentage of firms in both industries included a quantitative measure of revenue (93.5 percent of product firms and 88.9 percent of service firms), net income (80.6 percent of product firms and 80.0 percent of service firms) and earnings per share (87.1 percent of product firms and 68.9 percent of service firms). As is indicated in Table 3, very few firms provided a qualitative discussion only of revenue (products 3.2 percent and services 6.7 percent), net income (products 6.5 percent and services 6.7 percent), and earnings per share (products 3.2 percent and services 2.2 percent). Similarly, relatively few firms failed to mention these financial measures in the letter to shareholders (revenue—products 3.2 percent and services 4.4 percent; net income—products 12.9 percent and services 13.3 percent; earnings per share—products 9.7 percent and services 28.9 percent). There were no significant differences in the proportions of firms providing quantitative measures of revenue, net income, or earnings per share across product and service industries (revenue $z = 0.68$, $p > 0.05$; net income $z = 0.06$, $p > 0.05$; earnings per share $z = 1.83$, $p > 0.05$).

To investigate the research question regarding differences in the financial performance of companies relative to the discussion of customer satisfaction, the following financial measures were coded from data presented in the *Fortune* 1000 list: return on sales, return on assets, return on stockholders' equity, and the total return to shareholders for the previous ten years. Each of these financial measures was used as a dependent variable in ANOVA with the satisfaction categories serving as the independent variable. Due to the small cell sizes across the five categories of satisfaction, the five categories were collapsed into following three categories: no discussion of satisfaction and satisfaction is not implied, no discussion of satisfaction and satisfaction is implied, and satisfaction is discussed either qualitatively or quantitatively. Despite collapsing the categories, the cell sizes were extremely small for three of the four industries (household and personal products, food consumer products, and food service). Therefore, the investigation of customer satisfaction information and financial performance was conducted on the commercial bank sample only. These three categories resulted in approximately equal cell sizes across the categories for the commercial bank sample. As indicated in Table 4, there were no significant differences in any of the financial measures across the three satisfaction categories for commercial banks ($p > 0.05$).

Table 4
Financial Performance by Level of Satisfaction Discussion in the Annual Report for Commercial Banks

Dependent Variable	No Discussion of Satisfaction and Satisfaction is Not Implied (n = 11)	No Discussion of Satisfaction but Satisfaction is Implied (n = 12)	Satisfaction is Discussed Either Qualitatively and/or Quantitatively (n = 11)	F
Return on Sales	19.36	18.58	20.73	0.79
Return on Assets	1.38	1.41	1.73	0.79
Return on Equity	14.82	14.42	16.09	0.49
10 Yr. Return to Stockholders	22.36	20.27	19.18	1.18

DISCUSSION AND IMPLICATIONS

The dissemination of customer satisfaction information is an important factor in the effective usage of customer satisfaction data (Maltz and Kohli 1996; Menon and Varadarajan 1992; Morgan et al. 2005). To date, however, research on the dissemination of customer satisfaction data has been limited to dissemination within the firm (Morgan et al. 2005), despite numerous calls for the communication of customer satisfaction results to external publics (Eccles 1991; Fox 1996; Karlgaard 1997; Lev 2004). This study represents an initial investigation into the prevalence of customer satisfaction data targeted to groups external to the firm via the letter to shareholders section of the annual report. The following sections discuss the results and contributions of this study, implications for research and practice, and areas for future research.

Contributions and Implications for Research

Before discussing the contributions and implications of this research, certain limitations of this research should be mentioned. First, the results of this study are based on a sample of 76 annual reports in four industries included in the 2005 *Fortune* 1000. To increase the generalizability of the findings from this study, future research should investigate the research questions using a larger sample of annual reports and using industries not included in this study. Furthermore, the annual reports investigated in this study were from the annual reports of one specific year. While there is no reason to believe that the coverage of customer satisfaction was more or less than other years, future research should investigate the research questions across different years to identify any trends that may exist.

Overall, the results from this study indicate that customer satisfaction measurement results are not being communicated by management in the letter to shareholder section of the annual report, despite the prevalence of research in both marketing and accounting emphasizing the important role customer satisfaction plays in the overall health and performance of companies (e.g., Anderson et al. 2004; Anderson et al. 1994; Gruca and Rego 2005; Ittner and Larcker 1998). While the number of times customer satisfaction was mentioned was significantly higher for service industries when compared to product industries, both means were below one, indicating that customer satisfaction is not being mentioned in either type of industry. An informal perusal of the entire annual report reveals that customer satisfaction is not being discussed anywhere in the annual report. In addition, other metrics related to satisfaction such as customer loyalty and customer retention are also not being discussed. Conversely, the inclusion of financial results such as sales, net income, and earnings per share is widespread across the sample of annual reports investigated in this study. While some researchers in the area of satisfaction may have predicted this lack of coverage of customer satisfaction in the annual report based on previous anecdotal evidence, this research extends previous research by providing an objective, empirical analysis of customer satisfaction in annual reports using content analysis.

The results from this study also indicated that there were no differences in the financial performance of firms that included customer satisfaction measurement information when compared to firms that did not include this information. It does not seem likely that these results suggest measuring and tracking customer satisfaction does not have a positive influence of the financial performance of the firm. Instead, the results most likely reflect that the inclusion or absence of customer satisfaction metrics in the annual report does not necessarily reflect the level of focus customer satisfaction measurement receives in the firm.

This study highlights the need to expand marketing's approach to the dissemination of information to external groups. Current models of information dissemination in the marketing literature, however, have tended to focus on the dissemination of information horizontally and vertically within the firm (e.g. Maltz and Kohli 1996; Menon and Varadarajan 1992; Moorman 1995). Shareholders and investors are increasingly being considered external stakeholders of marketing activities (Srivastava, Shervani, and Fahey 1998) and must be accounted for in models of information dissemination.

The results from this study provide some evidence to support the perceived disconnect between marketing scholarship and marketing practice (Brown 2005; Westbrook 2000). While the relationship between customer satisfaction and a firm's financial performance has been documented and stressed numerous times recently in the marketing literature, the results from this study indicate that satisfaction is rarely discussed by top management in the letter to shareholders section of the annual report. There are many proposed causes for the gap between marketing scholarship and practice (Baker 2001, Brown 2005, Carson and Gilmore 2001; Staelin 2005); however, a lack of dissemination of recent marketing research to the broader business and investment communities is likely the primary cause of the failure to include satisfaction information in annual reports. If academic research on marketing and satisfaction is expected to have a positive influence on business practice, the discipline must focus not only on the creation of knowledge, but also on the dissemination of knowledge to the broader business community.

Implications for Practice

Although the results from this research indicate that firms are not currently including satisfaction or related information in the letter to shareholders section of the annual report, firms should begin including this information in future annual reports. Improved dissemination of customer satisfaction ratings can benefit firms in a number of ways. Previous research suggests that improved disclosure of intangible assets is associated with a number of benefits to the firm including reduced stock price volatility, narrower bid-ask spreads (implying lower cost of capital), and higher stock prices (Lev 2004). Reporting customer satisfaction results and other intangible assets to investors and shareholders serves to provide a more accurate reflection of a company and its performance which will lead to more accurate valuations and lower the cost of capital (Lev 2004).

There are, however, a number of reasons why firms may not choose to include customer satisfaction data in the letter to shareholder section of the annual report and some of these reasons could reflect the lack of satisfaction data found in this study. One potential reason is that the firm or upper management is not truly committed to customer satisfaction and, therefore, does not feel that it is necessary to report satisfaction results to shareholders. While this explanation would be somewhat surprising given the level of attention customer satisfaction has received in the past two decades, a recent study classified 6 of the 39 firms studied as "limited" in terms of their customer satisfaction information usage (Morgan et al. 2005). In another study of 233 executives, 55 percent of executives agreed that "their companies are not truly committed to customers but rather treat customers as a means to a goal" (Fielding 2006, p. 4). These results clearly indicate that some firms still do not place a significant emphasis on customer satisfaction and its measurement.

Another potential reason for the lack of customer satisfaction data in the annual report is the fact that there is no standardized method for measuring customer satisfaction. This is perhaps one of the most critical factors influencing the lack of dissemination of customer satisfaction data (Lambert 1998). Many firms may feel that since there is no standardized approach to measuring satisfaction that it should not be included in the annual report since firms would be able to report satisfaction scores using any method they see fit. While many smaller firms could possibly use this argument, many of the companies included in this study are included in the American Customer Satisfaction Index (Fornell et al. 1996). This index addresses the standardization argument by collecting customer satisfaction data for many firms using a standardized method. In addition, J.D. Power routinely measures firms within industries using a standardized method. Companies included in such standardized satisfaction studies should be expected to comment on these findings in the letter to shareholders. As the measurement of customer satisfaction across multiple firms by independent organizations continues to grow the standardization defense will become less valid.

Related to the issue of standardization is the difficulty for companies with multiple brands (which reflects most companies) to report the results of customer satisfaction measurement. For example, if a company has 25 or 100 brands, how should the customer satisfaction results be presented? Presenting results for each brand would not only be an arduous task for the company, but would take a substantial amount of space to report in the annual report. In addition, shareholders would be unlikely to read such a detailed presentation. Companies could, however, report an average satisfaction score across brands or include the brands that received the highest or lowest ratings.

Firms may also choose not to include customer satisfaction results in the annual report since it is not required by any regulatory authority. Thus, these firms are providing the minimum level of information as required by current accounting standards. It is important to note that just because the reporting of customer satisfaction information is not required in the annual report does not mean that it cannot be included. Companies have great flexibility in the information contained in the voluntary section of the annual report, including the letter to shareholders. While much research has been conducted in an attempt to find ways to treat intangible assets such as satisfaction in traditional accounting systems, there is still no commonly accepted method. Given the standardization issue discussed previously, especially for smaller companies, it seems unlikely that regulators will require customer satisfaction results in the near future. Research in the field of accounting continues to investigate innovative ways to report intangible assets in the financial documents (e.g., Lev 2003; Lev 2004). In the meantime, however, upper management should comment on any available satisfaction measures.

Another possible reason for not including customer satisfaction results is that management does not feel that shareholders and investors think that this information is a determinant of overall company performance. Thus, these managers are simply giving the shareholder and potential investor the information they think shareholders want to see in the annual report. Managers are not upholding the expectations of their position if they simply provide shareholders the information they desire. If their job in the annual report is to communicate the current and future health of the company, then customer satisfaction results should be included. Perhaps if this information were included in the annual report shareholders would come to realize the importance of customer satisfaction.

One final reason for the lack of customer satisfaction information in the annual report is that companies do not want to reveal this information to competitors (Lev 2004; Eccles 1991). Given the fact that many of the companies included in this study are included in the American Customer Satisfaction Index study and the results from this study are often published in the popular press and available to competitors, this argument does not hold. In addition, the overall results of a customer satisfaction study do not reveal any detail regarding a firm's marketing strategy, only an overall evaluation by consumers.

Regardless of the reason for not including customer satisfaction information in the annual report to shareholders, management should be expected to comment on the satisfaction of its customers in the letter to shareholders. Continued research linking customer satisfaction to overall firm performance will increase the likelihood that companies will recognize the importance of customer satisfaction and feel compelled to include this information in the annual report. Increased coverage of customer satisfaction in business schools should also result in a greater emphasis on customer satisfaction. As more students across the business disciplines become exposed to the critical role satisfaction plays to a firm, the greater the focus on customer satisfaction will be as these students progress in their career. Continued coverage of the topic in the popular press will also aid in educating executives in the role of customer satisfaction in company performance.

Perhaps the most effective way to increase coverage of customer satisfaction in the annual report is for shareholders to demand it. While this method may seem difficult at first given the scope of the number of investors, a large majority of shares purchased today are by institutional investors, a much smaller number overall when compared to the number of individual investors. As scholars continue linking customer satisfaction and financial performance, it is likely that institutional investors, who are more likely to follow academic research on company performance, will expect this type of information in the annual report. Institutional investors could facilitate this process, though, by requesting (or demanding) that customer satisfaction information be included in the annual report and holding upper management accountable for communicating this type of information. It is likely that investors, both individual and institutional, will be more likely to demand information regarding a firm's customer satisfaction rating as research continues to link higher levels of customer satisfaction with higher stock returns (Fornell et al. 2006).

Future Research

The results of this study suggest numerous areas for future research. Future research should investigate the dissemination of marketing information to individuals and groups outside of the firm. This future research should focus on determining the types of information that should be communicated, and the best format and vehicle to communicate this information to external groups. The results from this initial study can serve as a benchmark for future research on communication of satisfaction and other market-based assets to external groups.

While this study provides indirect evidence that suggests that satisfaction measurement results have a lower level of importance with upper management, future research should investigate this issue by surveying CEOs and other members of upper management to determine the importance they place on customer satisfaction information, especially relative to both short-term and long-term financial measures. Future research should also survey shareholders and investors (both individuals and institutional) to determine their perceptions and understanding of customer satisfaction and its influence on performance.

As previously discussed, reporting customer satisfaction results for companies with multiple products is an issue that may limit the dissemination of this information. Therefore, future research should investigate alternative methods of measuring and reporting satisfaction results for firms with multiple products. Future research should also determine if there is a relationship between the dissemination of customer satisfaction information and customer satisfaction scores. It seems possible that companies receiving high levels of satisfaction would be more likely to disseminate these scores to outside publics compared to companies receiving less favorable results. Related to this issue, companies may feel motivated to disseminate only positive customer satisfaction results and may resort to using questionable methods to product these positive results. Indeed, Ittner and Larcker (2003) support this contention as they found most companies' customer satisfaction methodologies misleading and too primitive to be useful. These issues highlight the need for future research to develop a standardized method for collecting and reporting satisfaction results across industries. The need for a standardized reporting method is especially desirable in order to facilitate the communication of customer satisfaction data in the annual report.

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MEASURING CUSTOMER SATISFACTION: FROM PRODUCT PERFORMANCE TO CONSUMPTION EXPERIENCE

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ABSTRACT

The aim of the present work is to propose a scale to measure customer satisfaction with reference to product and integrated services, in a broader context than simply evaluating product performance, i.e., by measuring aspects involved in pre- and post-purchase stages. The proposed scale has three versions: for convenience, shopping, and specialty goods. The scale for shopping goods was also administered to a sample of buyers of a specific branded product (i.e., a pair of jeans) and evaluated for validity and reliability. Lastly, latent class models are estimated in order to verify if there exists a judgment of satisfaction in each phase of the consumption experience.

INTRODUCTION

Customer satisfaction is traditionally defined by means of the so-called "disconfirmation paradigm," as an evaluation emerging from the post-purchase comparison between product/service performance and customer expectations (Oliver 1993). This concept has been the topic of recent studies (e.g., Spreng, et al. 1996) which argue that, although this paradigm must still be considered valid in its basic formulation, it should be extended as regards expectancies: i.e., *expectations*, which represent cognitive elements with a rational nature, should be considered together with *desires*, which represent motivational elements associated with personal objectives.

Until now, however, the other term of comparison – product performance – has not been extended by considering the social, other than material, nature of consumption in affluent societies (Hirsch 1976). The main changes to be considered regard the various stages of consumers' decision-making processes, and are related to: the new company orientation to "customers as products" (Varaldo and Guido 1997); the salience of marketing stimuli capable of influencing consumers' expectations (Guido 2001; Pratkanis and Aronson 1992); and the increasing integration between products and services integrated (Varaldo and Fiorentino 1996), which stimulates consumers' search for intangible elements which could add value to their products and provide consumer experience (Pine and Gilmore 1999; Schmitt 1999).

This paper follows the research lines of the above-mentioned literature by proposing a different approach to customer satisfaction measurement. The nature of the concept is maintained as an evaluation deriving from a comparative process, but we change or, better, extend the terms to which expectations and desires are compared: from product performance alone to the entire consumption experience. Consumers develop expectations and desires with reference to many aspects of the consumption experience, not merely with perceived product performance. If these expectations are disregarded, this reflects, in turn, on the satisfaction/dissatisfaction judgement. For example, the purchase of a small car is evaluated not only on the basis of experienced performance in comparison with expectancies (both rational expectations - if it uses only a little petrol, is easy to park and drive, etc. - and personal desires - if it looks, in some way, like the dreamed-of sports car, if it helps socialise, etc.), but also with reference to all the stages that precede and follow purchase - if it was easy to find information about it, if the salesman was polite, if the car has a valid warranty, and so on.

The aim of the present work is to propose a scale to measure customer satisfaction with reference to product and integrated services (Varaldo and Fiorentino 1996), in a broader context than simply evaluating product performance, i.e., by measuring aspects involved in pre- and post-purchase stages. The proposed scale has three versions: for convenience, shopping, and specialty goods. The scale for shopping goods was also administered to a sample of buyers of a specific branded product (i.e., a pair of jeans).

Latent class models were estimated in order to evaluate if customer satisfaction is a unique concept or if a satisfaction judgment emerges in each of the five phases constituting a consumption experience.

The paper is organized as follows. Section 1 briefly describes the main changes in relationships between customers and firms, which impose an extension of the traditional disconfirmation paradigm. Sections from 2 to 5 describe the steps along which the scale was built and evaluated. Section 6 introduces latent class models and reports results of estimation on our data. Section 7 contains some concluding remarks and suggestions for future research.

A RE-EXAMINATION OF THE DISCONFIRMATION PARADIGM

A re-examination of the traditional disconfirmation paradigm should consider recent changes in affluent societies with reference to three main aspects: the role of *consumers as products* (Varaldo and Guido 1997); the greater importance of the immaterial aspects of companies' offers, which integrate services with products (Guido 1999; Varaldo and Fiorentino 1996); and the increasing impact of experiential marketing (Pine, Gilmore 1999; Schmitt 1999).

Consumers are the real, "final product" of a company, since the goods they consume shape their expectations and desires and, in turn, determine their satisfaction. Firms "produce" customers to the extent that they can modify both the salience of expectation contents and desire priorities (Guido 2001). By contributing towards forming expectations and desires, marketers can anticipate consumers' wants and, consequently, create satisfied customers.

In this context, the offer of intangible elements - i.e., services integrated with products - may play a primary role. In affluent societies, the relationship between firms and customers is a kind of service relationship, mediated by the physical transfer of goods: the production of "utility" for customers is represented by integrated services, the use of which coincides with the consumption experience and on which they base their process of satisfaction evaluation.

Customers' experience, in all stages of the consumption process, becomes important for both expectation generation and benefit evaluation. The so-called *experiential marketing* approach stresses the role of experience as a fundamental element in the consumption process and defines the perceptive channels through which individuals undergo such experiences. All experiences which make consumers think, feel, act and react are considered, and may go beyond the traditional five senses.

A New Approach for Measuring Customer Satisfaction

All the factors described above contribute to emphasising the entire consumption experience over and above the mere perception of product performance. The aim of this work is to propose a scale to measure customer satisfaction that considers, in the context of the disconfirmation paradigm, all the different stages which precede and follow product use.

We propose three versions of the same scale: for convenience, shopping, and specialty goods. All of them are of Likert type: respondents are required to declare their agreement with items on a five-point scale. Items are formulated according to a subjective approach, considering that satisfaction involves both cognitive and motivational considerations (Spreng, et al. 1996).

The steps along which the scale was developed are the following:

a. Definition of the concept to be measured and item generation.
b. Evaluation of item content validity.
c. Evaluation of scale reliability.
d. Evaluation of criterion and concept validity.

The two versions of the scale for convenience and investment goods were developed to step *b*. The scale to measure satisfaction of customers of shopping goods underwent all steps (*a* to *d*) and was administered to a sample of a branded product (jeans) purchasers.

Correlation coefficients between each of these three additional items and overall scores were, respectively, .639, .587, and .435, all significantly different from zero.

In order to investigate concept validity further, overall satisfaction was re-coded in three score categories: low ≤ 64; medium ≤ 76, and ≥ 65; and high ≥ 77 (the average value of scores in the total sample was 69,7379; the 25th percentile was 63; the median value was 71; and the 75th percentile was 77). Average scores for respondents in the three categories of the re-coded variable were compared by means of three single ANOVAs and MANOVA. Scores differed significantly across the three newly defined satisfaction levels (for MANOVA, F = 8,993, with observed significance level = 0).

Further Evidence from the Data

The scale to measure customer satisfaction with reference to the purchase of branded jeans was administered to another convenience sample of 344 respondents, students at the University of Padova and workers. Validity and reliability evaluation on this larger sample gave similar results to those obtained on the first one. Table 1 lists the average scores measured over the entire scale and on the items referring to the 5 phases constituting the consumption experience.

Table 1

Average Scores Over Entire Scale and Average Phase Scores

Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Total
2.94	2.75	3.10	3.00	2.94	2.93

The highest satisfaction level was measured in phase 3 (alternatives evaluations) and the lowest score is linked to phase 2 (information collection). The difference between the highest (3,10) and lowest scores (2,75) was small, although statistically significant at a 5% level, showing that differences in satisfaction along the entire consumption experience are not so important.

Table 2

Correlation Coefficients Among Phase Scores and with the Entire Scale Score

	Phase 1	Phase 2	Phase 3	Phase 4	Phase 5	Total
Phase 1	1	0.423	0.369	0.280	0.205	0.545
Phase 2		1	0.350	0.453	0.416	0.746
Phase 3			1	0.435	0.524	0.738
Phase 4				1	0.497	0.755
Phase 5					1	0.784
Total						1

Table 2 lists the values of the correlation coefficients among phase scores and with the overall score. Correlation between phases is moderate, the correlation coefficients between each phase score and the overall one are higher. The first phase seems less important in determining the overall level of satisfaction.

The results shown in Tables 1 and 2 suggest verifying if there is a significant dependence between the overall satisfaction level and that declared in the various phases of the consumption experience. It seemed interesting to examine if there is a sort of phase satisfaction or if satisfaction with reference to a consumption experience is a unique concept to be measured by all items that constitute the scale. In order to examine this research hypothesis, the latent class approach was adopted.

Latent Class Models

Latent class models are factor analysis models specific to categorical variables. They were proposed by Lazarsfeld (1950); important developments were given by Goodman (1973) and Haberman (1979), particularly with reference to estimation and goodness of fit evaluation. Hagenaars (1990) proposed a general type of latent class models including external variables, unobserved heterogeneity and structural relations among variables.

As in factor analysis, latent class models can be used to identify unobservable variables, latent variables, through a group of indicators. Latent variables may be unobservable either because of their specific nature, as in the case of customer satisfaction, or because they are affected by measurement error. The basic idea of the latent class approach is that, for each latent variable, there is a number of observable variables considered imperfect indicators of the unobservable concept.

Latent models are widely applied in the marketing research literature, especially to measure phenomena like customer satisfaction and customer loyalty (see, for example, Fornell, *et al.*, 1996; Chaundhury and Holbrook 2001; MacKenzie 2001). In most papers factor analysis models – with eventual extensions – are applied, which consider all variables involved as measured on a continuous scale. Items constituting scales to measure concepts relevant to marketing analysis are categorical and even ordinal, so that latent class models appear more suitable in this context.

Local independence is the assumption on which latent class models are based: indicators are independent conditionally on latent variables. In other words, covariance among manifest variables is due only to the relation existing between each indicator and the latent variables. The latent class model approach estimates latent variable distribution and relations with indicators using conjoint distribution of observed variables and some reasonable assumptions on the relations among indicators and latent variables. We use the following notation:

- Greek letters , α, β, etc. indicate latent variables,
- Latin capital letters, A, B, etc. indicate manifest variables,
- Latin small letters, i, j, etc. indicate variable categories,
- π indicates expected relative frequencies in a contingency table,
- p indicates observed relative frequencies in a contingency table.

Equation (1) contains, as an example, a latent class model with 1 latent variable α and $t=1,\dots T$, classes and 2 indicators A and B, with, respectively, $i=1,\dots,I$ and $j=1,\dots,J$ classes.

$$\pi_{ijt}^{AB\alpha} = \pi_t^{\alpha}\pi_{it}^{A\alpha}\pi_{jt}^{B\alpha} \qquad (1)$$

where $\pi_{ijt}^{AB\alpha} = P(A=i, B=j, \alpha=t)$ is the probability of observing category i on indicator A, category j on indicator B, and latent class t;

$\pi_t^{\alpha} = P(\alpha = t)$ is the probability that the unit belongs to latent class t;

$\pi_{it}^{A\alpha} = P(A = i \mid \alpha = t)$ is the probability of observing category i on indicator A, given that the unit belongs to latent class t;

$\pi_{jt}^{B\alpha} = P(B = j \mid \alpha = t)$ is the probability of observing category j on indicator B, given that the unit belongs to latent class t.

The population is divided into T mutually exclusive classes, so that $\sum_{t=1}^{T} \pi_t^{\alpha} = 1$.

Figure 1 shows the path diagram of the latent class model in equation (1); arrows indicate direct relations among variables.

Figure 1
Path Diagram of a Latent Class Model with 1 Latent Variable and 2 Indicators

$$\alpha \begin{array}{l} \nearrow A \\ \searrow B \end{array}$$

We applied latent class models to estimate customer satisfaction as an unobservable variable measured through the items composing the scale. With this approach it is also possible to validate the relations existing among the latent variables and their indicators, and thus we can verify the significance of the selected items in measuring the construct under study.

Four latent class models were estimated, all with 23 indicators, corresponding to the items constituting the scale to measure customer satisfaction, indicated by Latin capital letters from A to W. Model path diagrams are shown in Appendix B.

Model 1 contains only 1 latent variable α representing the overall satisfaction level, with 5 categories. Model 2 has 5 latent variables β, γ, δ, ε, ζ, all with 5 categories, representing satisfaction level in the 5 phases of consumption experience. For example, β represents customer satisfaction in the phase of need recognition and has two indicators, items 1 and 2 in the scale. It is also assumed that the satisfaction level in each phase is directly influenced by the satisfaction level in the preceding phase, so that causal relations among latent variables follow a first-order Markov model.

Since our sample size is modest (344 units) but many variables are observed, model goodness of fit evaluation is not possible with the usual statistics Pearson X^2 and log-likelihood ratio L^2, since their χ^2 asymptotic distribution is no longer guaranteed. In order to compare models we used index AIC (Akaike Information Criterion) which selects the model with the lowest value.

Table 3 compares estimated latent class models in terms of the values of the log-likelihood ratio L^2, number of degrees of freedom and AIC index. The model best fitting the data is model 2, with 5 latent variables and direct influence among them. This means that customer satisfaction is not a unique concept, but that in each of the five phases of the consumption experience customers express a satisfaction judgement. Satisfaction develops during the consumption experience. Another important result is that all conditional probabilities linking indicators to latent variables are statistically significant, which means that all items contribute to measuring unobservable concepts.

Table 3

Evaluation of Model Goodness of Fit

	L^2	**Degrees of freedom**	**AIC**
Model 1	14,544	2,147,483,182	15,486
Model 2	14,354	2,147,483,102	15,446
Model 3	14,430	2,147,483,162	15,402
Model 4	14,644	2,147,483,283	15,382

In order to obtain a more parsimonious model, some restrictions were imposed on the parameters of model 2. We assumed that causal links among latent variables follow a first-order stationary Markov model (model 3). A conditional test for nested models accepts these restrictions.

Lastly, we estimated a latent class model (model 4) which takes into account the fact that indicators and latent variables are measured on an ordinal scale and not simply a discrete scale. Model 4 yields similar results to those of model 2, with an even better fit. Table 4 lists the frequency distribution of the five latent variables, corresponding to satisfaction levels in the five phases of the consumption experience, estimated with final model 4. Results show that changes in satisfaction level across the consumption experience are not all negligible.

Table 4

Frequency Distribution of Latent Variables Estimated with Model 4

	Level 1	Level 2	Level 3	Level 4	Level 5
Phase 1 β	14.97	18.76	46.74	16.37	3.16
Phase 2 γ	12.31	22.78	37.71	17.67	9.53
Phase 3 δ	10.75	25.64	30.77	18.47	14.37
Phase 4 ε	9.84	27.69	25.42	18.96	18.09
Phase 5 ζ	9.30	29.16	21.30	19.28	20.96

CONCLUSION

The proposed scale shows that customer satisfaction depends not only on product performance, but also on many other aspects involved in the consumption experience, important in all stages preceding and following purchase. This evidence obviously affects the way in which customer satisfaction is measured and also marketing strategies. In order to be unbiased, customer satisfaction measures must extend the terms to which expectations and desires are compared above product performance. If customer satisfaction depends on management ability to implement marketing strategies, neglecting important satisfaction determinants in designing such strategies may result in dissatisfied customers.

The proposed three versions of the scale indicate that the consumption experience must be viewed as a complex phenomenon. Successful implementation of the scale for shopping goods also establishes good premises for positive reliability and validity evaluations for the other two scales. Possible extension of this study may verify the basic assumptions underlying many items in the three scales, i.e., if customer involvement with the product is high, the decision-making process is complex and well articulated. It may be useful, for example, to measure consumer involvement (through the scale proposed by Zaichowsky 1985) in order to evaluate whether the consumption experience is intensely perceived in all its stages. The emotional component of involvement (Zaichowsky 1986) could also be measured in the same way. Another extension of this study could be evaluation in time of the customer satisfaction construct.

Lastly, we show how latent class models are more suitable than factor analysis models to analyse data collected with measurement scales which are in many cases ordinal. Specifically, by applying latent class models we verified that customer satisfaction is not a unique concept but that, in each phase of the consumption experience, customers formulate a distinct satisfaction judgement, and that satisfaction evolves along the entire experience, from the phase of need recognition to consumption and post-purchase evaluation. This evidence supports the need to measure customer satisfaction by considering all aspects and all stages of the consumption experience. Measurement instruments are needed which consider all aspects involved in the process along which customer satisfaction judgment is formed.

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Appendix A

Scale Measuring Satisfaction of Jeans Buyers

Consider the personal experience of purchasing a pair of branded jeans with an intensive advertising campaign. Express a judgement, referring to your expectations and desires, on the following aspects related to consumption experience, according to the following scale: 1= much less than expected; 2 = less than expected; 3 = as expected; 4 = more than expected; 5 = much more than expected.

1. How the intensive advertising campaign attracted your attention to the product.
2. Product style: to what extent it follows new fashions and trends.
3. Collection of information on product manufacture through commercial sources.
4. Collection of information on aesthetic characteristics of product (line and colour) through commercial sources.
5. Collection of information on washing conditions through labels/instructions.
6. Collection of information on care and precautions to maintain colour.
7. Ability of advertisement to attract your attention (making me think or communicating sensations).
8. Sales personnel expertise on product characteristics.
9. Clearness of information contained in the label.
10. Information deduced with reference to the brand image (*e.g.*, if the brand is associated with an image of quality products).
11. Product quality estimation compared with available alternatives.
12. Presence in the product of desired qualities compared with available alternatives.
13. Brand image compared with available alternatives.
14. Estimated performance of product (wearability) compared with available alternatives.
15. Point-of-sale modernity and warmth.
16. Sales personnel helpfulness.
17. Estimated quality/price ratio.
18. Image projected by the product.
19. Price in relation with overall offer (*i.e.*, also considering warranty, brand image, etc.)
20. Product performance (wearability).
21. Confirmation of collected information.
22. Tested brand reliability
23. Capability of product of maintaining original characteristics: colour, line, dimensions, etc.
24. Product cheapness.
25. Validity of the quality certification given by the manufacturer.

Overall, to what extent do you feel satisfied with the entire consumption experience?
1=Not at all satisfied, 2=Moderately dissatisfied, 3=Neither satisfied, nor dissatisfied, 4=Moderately satisfied, 5=Very satisfied.

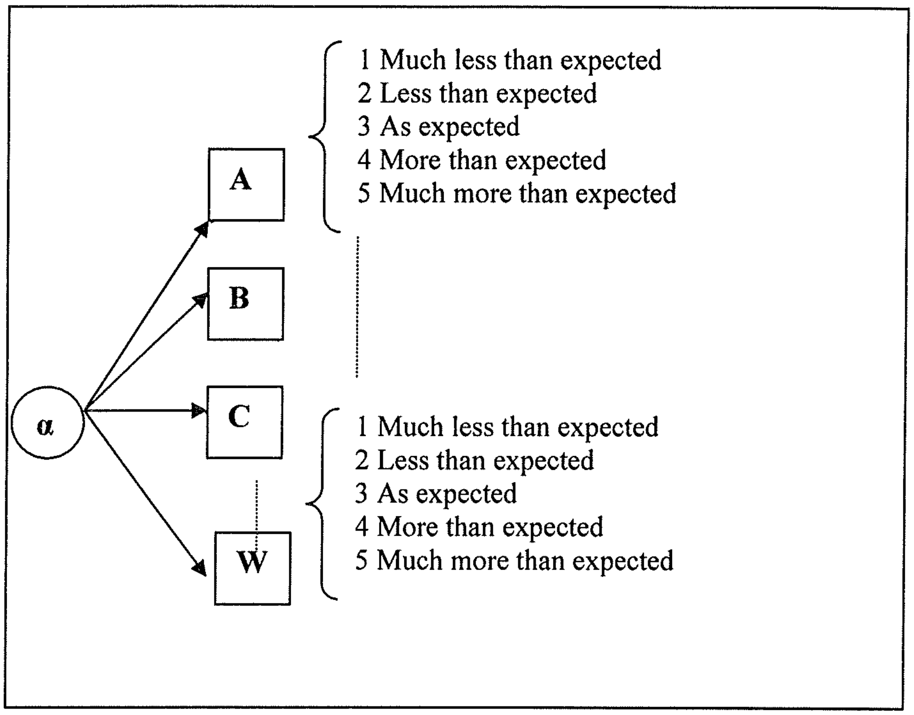
Express your degree of agreement or disagreement with the following, on a scale from 1 to 5:
1=Absolute disagreement, 2=Disagreement, 3= Neither agreement, nor disagreement, 4= Agreement, 5= Absolute agreement:

C1. I will buy the product again.
C2. I will speak well about the consumption experience.
C3. I do not have complaints about any of the aspects of the consumption experience.

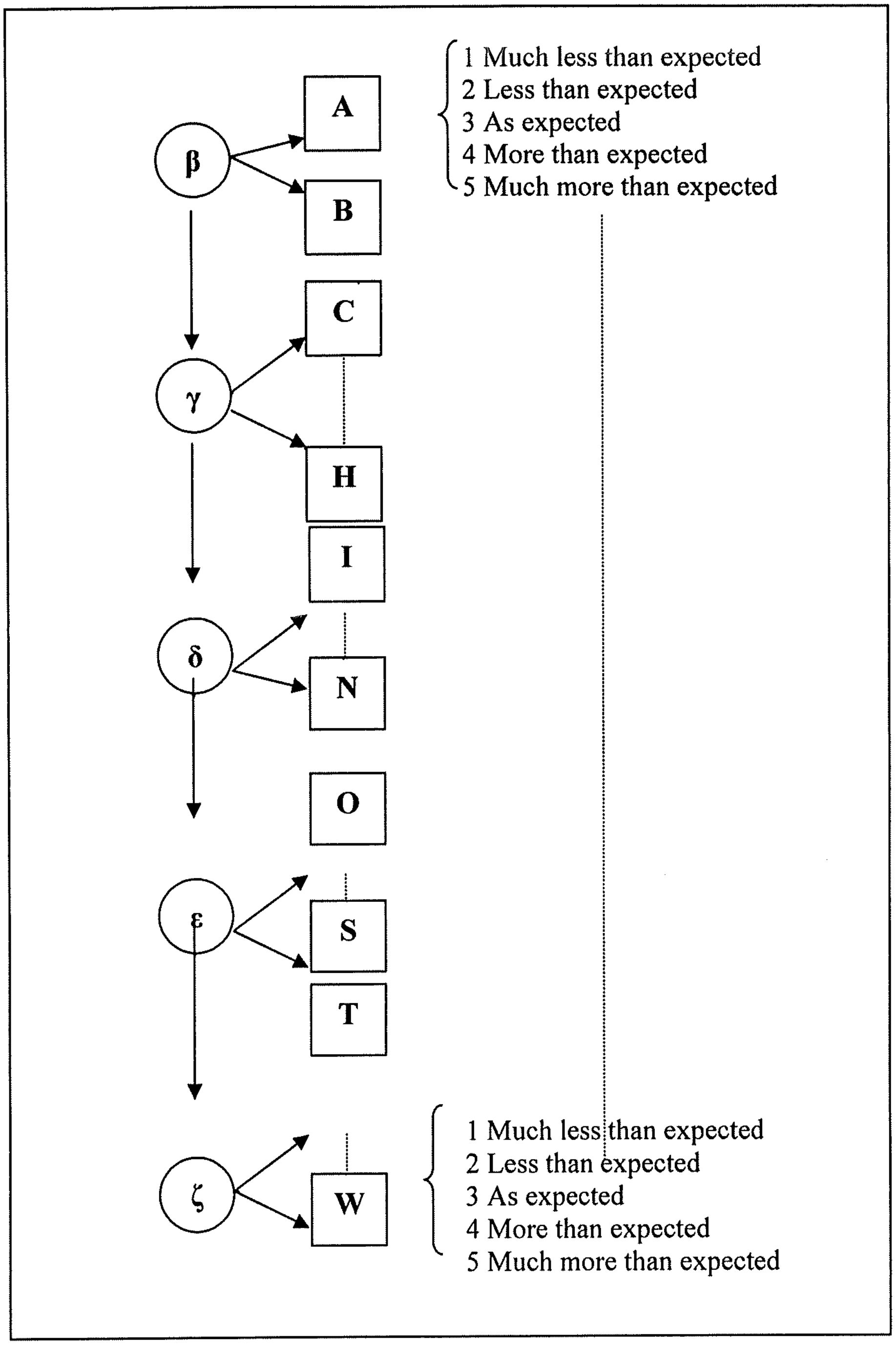
Appendix B

Latent Class Models: Path Diagrams

Model 1



Model 2


1 Much less than expected
2 Less than expected
3 As expected
4 More than expected
5 Much more than expected
β
A
B
C
γ
H
I
δ
N
O
ε
S
T
ζ
W
1 Much less than expected
2 Less than expected
3 As expected
4 More than expected
5 Much more than expected

DO CONSUMERS HOLD GRUDGES AND PRACTICE AVOIDANCE FOREVER? A MARKOV CHAIN MODEL OF THE DECAY OF GRUDGEHOLDING AND AVOIDANCE ATTITUDES

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ABSTRACT

How do individuals with strong grudgeholding and avoidance attitudes react to counterattitudinal information that is factual and objective and comes from credible sources? Using the elaboration likelihood model, social judgment theory and the characterization-correction model (Ahluwalia 2000), this article discusses the rationale and proposes a framework behind a change in grudgeholding and avoidance attitudes of individuals. The reduction in grudgeholding and avoidance attitudes of individuals over time, when individuals are exposed to factual and objective counterattitudinal information from credible sources, is modeled as a finite markov chain.

INTRODUCTION

My dad purchased a brand new Ford in 1952 and it was a lemon. After repeated attempts to get the dealership to fix the vehicle or exchange it for a less problematic car, he gave up in exasperation. Less than two years after he purchased the car, he sold it to someone else, cut his losses, and purchased a used Chevy that was much more reliable. But the story doesn't end there. His experience with his Ford was so bad, he never purchased another Ford in his life and took every opportunity to bad mouth the brand. When he learned that someone was driving a Ford, his typical response was, "I'm sorry you don't drive a real car" and mocked the brand at every opportunity. In 2002, I was at a reunion with my four brothers and we were talking cars. It dawned on all of us that none of us had ever purchased a Ford, either. None of us had any experience with a Ford, but Dad's bad experience and negative comments about his car ended up affecting our purchase decisions. When it was time to buy a new car, none of us ever even considered a Ford!

When consumers are dissatisfied with a product to the extent described in the scenario above, not only do they hold a grudge against such a product, but they also avoid the product in the future. In such cases, dissatisfaction results in grudgeholding which, in turn, leads to strong emotionally charged negative attitudes toward the product in question (Aron 2001). Because a negative emotion decays extremely slowly (Thota 2004), it becomes imperative to predict and model how grudgeholding and avoidance behaviors could decay over time. Extrapolating this theme in the Ford scenario above, is it possible that the purchaser's strong negative attitude, characterized by grudgeholding and avoidance of Ford automobiles, could have decayed if he were provided with factual and objective counterattitudinal information from credible sources favoring Ford cars several times? Specifically, could the purchaser's attitude have changed for the positive about Ford if he was told repeatedly and on an ongoing basis good news from credible sources about Ford vehicles? For example, what effect would information from reliable sources about improved quality, new technology, outstanding performance, and numerous happy consumers of Ford vehicles have on his grudge and subsequent avoidance behaviors?

There is a growing interest in how individuals with strong attitudes resist attitude change. That individuals with strong attitudes resist attitude change is a well-accepted finding in the consumer behavior and psychology literature (Ahluwalia 2000; Eagly and Chaiken 1995; Haugvedt and Petty 1992; Petty and Cacioppo 1986). For example, Republicans (Democrats) are more likely to believe that the economy and political affairs are being managed better under a Republican (Democrat) President (Bartels 2002). While Burden (2006) contends that this follows as a result of motivated learning and because of selective exposure to attitude consistent information (Taber and Lodge 2006), we argue that individuals with strong attitudes may not be always be able to encounter attitude consistent information a hundred percent of the time and cannot ignore exposure to counterattitudinal information especially if such information is rampant and is constantly the subject of debate in the media. We provide the following small case whereby rural Republicans underwent a change in their attitudes after repeated exposures to counterattitudinal information against Republicans[1].

Because extant research has not yet investigated how grudgeholding and avoidance attitudes decay over time, it may be both of academic and managerial significance to delve deep into the issue and model this change of attitudes. This is because these two responses to consumer dissatisfaction – grudgeholding and avoidance – both lead to strongly held, sometimes emotionally charged attitudes towards products, brands, and organizations that persist over time (Huefner and Hunt 1994; Hunt and Hunt 1990). Consumer avoidance of stores and brands is a form of exit behavior (Hirschman 1970) that persists over time, has relatively little emotional involvement, and is primarily cognitive in nature (Huefner and Hunt 1992). In contrast, consumer grudgeholding is exit over laden with strong negative emotion that persists over time, often over many years (Hunt et al. 1988; Hunt and Hunt 1990). In the scenario above, the father's reaction to the Ford company exemplifies grudgeholding, while his sons' reactions exemplify avoidance. Both grudgeholding and avoidance behaviors incorporate strong attitudes resistant to change over time. It is important to note that throughout the article, when we refer to attitudes, we refer to attitudes characterized by grudgeholding and avoidance. The unanswered question that this article attempts to address is whether these strong emotionally laden negative attitudes (characterized by grudgeholding and avoidance) could change in favor of factual and objective counterattitudinal information over time. How would an incremental attitude change occur in such a case? Could a complete reversal of attitude in favor of counterattitudinal information happen at any given time?

At present, relatively little attention has been given to psychological processes that mediate resistance to attitude change. Ahluwalia (2000) proposed that individuals with strong attitudes toward a given target develop strong

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[1] In support of our arguments, the poll by Greenberg Quinlan Rosner Research in October 2006 found that rural voters, who were earlier strongly committed to Republican ideals, were unenthusiastic about voting for the Republican President George W. Bush in the November 2006 election. This shift in attitudes occurred primarily because of (a) decreased support for going to Iraq war, elevated concern about the current war status in Iraq and the demand for a quick return of American troops by next year – which does not appear tenable under the Republican government, and (b) increased concern about the economy, high interest rates and gas prices during the Republican government. In this vein, the rural poll shifted against Republicans from 45% in September 2006 to 39% in October 2006 – a huge margin in a single month (*Morning Edition*, October 27, 2006). We argue that this shift occurred in wake of the unending Iraq war accompanied by a huge loss of troops, and an overall unpromising economic scene. Therefore, it must have been difficult for Republicans themselves to ignore these important truths simply to continue their support for their earlier position – favoring Republicans. Further, these statistics point toward a strong case of shift in attitudes of some rural Republicans, who held strong attitudes in favor of Republicans, and underwent a change in attitudes because of numerous objective and credible media exposures to counterattitudinal information over time.

resistance to attitude change and employ three different psychological mechanisms, biased assimilation, relative weighting of attributes, and minimizing of impact – to resist counterattitudinal information. Past research has looked at the mechanisms that individuals employ to resist counterattitudinal messages (Ahluwalia 2000). This article attempts to investigate the effects of providing counterattitudinal information on future grudgeholding and avoidance attitudes of individuals. Specifically, the focus of this article is to explore reducing the effect of behaviors by providing these individuals with factual and objective counterattitudinal information coming from credible sources and explore the consequent change in attitudes. Consumers consider word-of-mouth information, blogs on the internet, and information from expert sources such as Consumer Reports as credible information. In other words, this research explores the process by which avoiders and grudgeholders undergo attitude change when they are faced with counterattitudinal information and it identifies the underlying factors that contribute to this attitudinal change.

This article begins with an extended discussion of consumer grudgeholding and avoidance. It then discusses the psychological mechanisms individuals employ to resist counterattitudinal information followed by a brief discussion on the effects of (a) factual and objective information and (b) information from credible sources on the attitudes of these individuals. The article then links these constructs to previous work in marketing and psychology to develop a framework to study the decay of grudgeholding and avoidance attitudes. The subsequent change in attitudes of individuals exposed to factual and objective counterattitudinal information from credible sources is modeled as a finite markov chain. Finally, the model proposes a solution for the incremental and complete change in attitudes at different levels of exposures and proposes a way to overcome grudgeholding and avoidance behaviors.

CONCEPTUAL OVERVIEW

Grudgeholding and Avoidance

The concept of consumers holding grudges was introduced into the consumer behavior literature by Twedt in 1979. Twedt proposed that consumer grudges against brands would gradually decrease over time, but his empirical study was inconclusive (Twedt 1979). H. Keith Hunt and colleagues greatly expanded Twedt's concept of consumer grudges. Hunt et al. (1988) proposed, among other things, that grudge holders were emotionally upset at the incident that produced the grudge and remained upset over time, often for years. Grudges, they proposed, persist across the years (and even decades), are created more by treatment than performance, and that holders of consumer grudges were the "all-time champions" of negative word of mouth (p. 118). They concluded that the dollar loss to consumers with grudges was fairly significant. Hunt and Hunt (1990) expanded this concept by suggesting the phenomenon be called consumer "grudgeholding – one word, not two" (p. 117). They proposed a research agenda for consumer grudgeholding and raised this interesting question: "what leads to the decay of consumer grudgeholding?" (p. 118).

Huefner and Hunt (1992) formally defined consumer grudgeholding as a form of "extreme exit" (p. 228) and proposed differences between consumer grudgeholding and a new idea, consumer avoidance. According to Huefner and Hunt (1992), avoidance is persistent exit but without the emotional upset of grudgeholding. They defined grudgeholding as "a composite of voice and exit exacerbated by extreme emotional upset" (p. 228) and concluded it was a subset of avoidance behavior. Otto et al. (2004) reanalyzed the Huefner and Hunt (1992) data to quantify the costs of consumer avoidance behaviors. One important finding of this later study was an empirical affirmation that the difference between avoidance and grudgeholding behaviors was emotional intensity. Those holding grudges remembered the original upset years, even decades after the incident. Malafi (1996) also discovered emotional intensity of grudgeholders in a series of focus groups with soldiers.

Wright and Larsen (1997) proposed expanding on Kowalski's (1996) general theory of complaining by including grudgeholding as a response to failed complaints about a product or a service. Aron (2001) suggested that grudgeholding is the result of a "flashpoint," or a "strong and negative emotional reaction" experienced by the consumer that "provokes avoidance behavior against the marketer" (p. 109). He proposed the following definition of consumer grudgeholding:

> *Consumer grudgeholding is a negative attitude toward a marketer, distinguished by the persisting and purposive avoidance of the marketer (e.g., vendor or group of vendors, brand, product class, or organization) and possible other actions against the marketer as a means of coping with a real or perceived grievance attributed to the marketer (p. 109).*

According to Aron, grudgeholding begins with the flashpoint, which leads to a negative attitude, driven by the upset inherent in the situation that led to the flashpoint. He also pointed out that grudgeholding is not simply another way of expressing the concept of customer dissatisfaction, but is rather an emotional or attitudinal *consequence* of consumer dissatisfaction.

In the next sections, we review past research on resistance to persuasion and propose how consumers' grudgeholding and avoidance attitudes could possibly undergo a change with repeated exposure to factual and objective counterattitudinal information from credible sources.

Resistance to Persuasion

Using Fishbein and Ajzen's (1981) expectancy-value approach, Ahluwalia (2000) proposed three mechanisms that mediate persuasiveness. The first mechanism identified is *biased assimilation,* or the tendency of individuals to perceive attitude consistent information as *more valid* than attitude inconsistent information - a robust finding in the literature (Ditto et al. 1998; Kunda 1990; Lord et al. 1979). One mechanism leading to biased assimilation is the biased memory search by individuals to access hypotheses and inference rules from past behavior that are most likely to support their desired conclusion (Kunda 1990). The second mechanism is the *minimizing impact* or the tendency of individuals to isolate negative information toward the target attribute, thereby minimizing its potential damage to the existing attitude. The third mechanism is *attribute weighting*, or the tendency of individuals to decrease the weight given to dissonant cognitions and at the same time to increase the relative importance of attitude-consistent beliefs (Festinger 1957; Ahluwalia 2000).

Arguing on the basis of these three mechanisms and the theory of social judgment, incoming messages on involving topics are thought to have an enhanced probability of being rejected (Sherif 1965; Petty 1983) because (a) highly involved individuals exhibit extended latitudes of rejection, and (b) individuals' prior beliefs can distort perceptions. For example, the prior belief that Ford automobiles are "bad" cars distorts any positive Ford news the purchaser in the above scenario may hear. The characterization-correction model may also explain the processes by which attributions are made and may predict what cognitions are likely to be used at lower and higher levels of processing (Gilbert 1989). According to the characterization-correction model, individuals with high (vs. low) levels of involvement towards the target enter the correction mode which is associated with more elaborate processing. Since individuals with strong negative attitudes would possess high levels of involvement because of their strong attitudes, they are likely to enter the correction mode and consider any message claims (including counterattitudinal message claims) that may either refute or support the counterattitudinal information. The elaboration likelihood model could also help understand how individuals with strong attitudes toward a target (individuals who are highly involved) consider and interpret incoming information. When individuals are highly involved with a product (or an issue) and possess strong attitudes toward a target, they indulge in issue relevant thinking by a careful consideration of message relevant thoughts (Petty and Cacioppo 1986). This process is labeled the "Central route to persuasion" under the elaboration likelihood Model. Therefore, individuals with strong attitudes toward a target would follow the central route to persuasion and consider message relevant information that is verifiable and objective.

Factual and Objective Information

According to Darley and Smith (1993), objective claims associate brands with *tangible* product features (e.g., "this car has a V-8 engine") or they include specific *factual* information to support the brand-attribute association. Factual claims include specific data that are measured by standard scales that are not subject to individual interpretation (Atkin 1979; Debevec et al. 1984; Edell et al. 1983; Holbrook 1978; Marquez 1977; Puto and Wells 1984). Further, both factualness and tangibility contribute to claim objectivity and claim objectivity is effective under central route processing conditions of the ELM (Darley and Smith 1993).

Information from Credible Sources

If a message originates from an expert or objective source, that message influences beliefs more than the same message from a non-expert or non-objective source (Slater et al. 1996). Thus, source credibility influences perceptions about the message. The effects of source credibility on receiver's attitudes are greater for more discrepant than for less discrepant messages (Aronson et al. 1963; Rhine et al. 1970). Factual and objective information (that may be discrepant) coming from credible sources may have a strong positive effect on the receivers of counterattitudinal information. In terms of grudgeholding and avoidance, factual and objective information from a credible source may lead to the lessening of grudgeholding or avoidance behaviors. For example, a factual and objective study on the increased quality of Ford automobiles since 1952 from an unbiased, third party may help reduce the grudgeholding and avoidance behaviors of the consumers in the introductory example.

This article develops a framework to structure the above discussion. Specifically, the framework models the change in attitudes grudgeholders and avoiders undergo when they are exposed to factual and objective counterattitudinal information from credible sources. The framework, shown in Figure 1 (see page 98), represents the effect of factual and objective counterattitudinal information from credible sources on the current and the subsequent choice tasks of grudgeholders and avoiders. According to this framework, at each R^{th} stage, the effect of factual and objective counterattitudinal information from credible sources would be moderated by the attitude formed at $(R-1)^{th}$ stage. This is because the change in attitude at any given stage would not only depend upon the factual and objective counterattitudinal information coming from a credible source but also depend upon the attitude of the grudgeholder or avoider formed at an earlier stage.

THE MARKOV CHAIN MODEL

The subsequent change in attitudes when grudgeholders and avoiders are exposed to factual and objective counterattitudinal information from credible sources is modeled as a finite markov chain with absorbing and transient states and shown in Figure 2 (see page 99). The Markov chain model utilizes the psychological mechanisms described by Ahluwalia (2000). Based on the above discussion, we argue that factual and objective information from credible sources may have an effect on grudgeholders and avoiders in favor of the counterattitudinal information. We argue that when individuals are exposed to factual and objective counterattitudinal information from credible sources repeatedly, they may not forever resist the counterattitudinal information and may undergo a change in attitudes, which may cause grudgeholding and avoidance behaviors to decay. For example, when the purchaser of the Ford and his descendants, who possess a strongly negative attitude toward Ford vehicles, are repeatedly exposed to factual and objective counterattitudinal information from credible sources that are positive about Ford, they may not resist the counterattitudinal information and may undergo a change in attitude in favor of the counterattitudinal information. Examples of credible sources include independent, unbiased, third party rating organizations such as *Car and Driver* magazine, as well as positive television and news article stories about Ford based on credible sources. Examples of positive information about Ford products might be Ford's investments and excellence in technical improvements in fuel cell system to create industry's first "hybridized fuel cell vehicles". The new Ford hybrid vehicles combine the improved range and performance of hybrid technology with the addition of a 300-volt Sanyo battery pack and a brake-by-wire electrohydraulic series regenerative braking system with the overall benefits of a fuel cell. (Motor Trend 2005). In other words, the grudgeholding and avoidance of Ford automobiles may diminish and in fact disappear over repeated exposures to such positive information about Ford from credible sources. On a theoretical level, it is emphasized that the three mechanisms of biased assimilation, minimizing impact and attribute weighting – laid out by Ahluwalia (2000) that individuals employ to resist attitudinal change to counterattitudinal information – would be weakened and not be employed when individuals are repeatedly exposed to convincing and credible information against their attitudinal position.

Some grudgeholders and avoiders may undergo incremental attitude change, i.e., a change from a_1 to a_2 (in favor of the counterattitudinal information) whereas some grudgeholders and avoiders may undergo a reversal in attitudes (A_R) or a complete change in attitudes in favor of counterattitudinal information after exposure to factual and objective counterattitudinal information from credible sources. A complete attitude reversal would depend on the source credibility and the degree of factuality and objectivity of the presented information. However, with the first exposure to counterattitudinal information, most of the grudgeholders and avoiders, as suggested by Ahluwahlia (2000), may strongly resist the counterattitudinal information and may not experience attitude change. This probability is given by $1- p_1 - q_1$. Therefore, with the first exposure to factual and objective counterattitudinal information from a credible source, we make the following proposition:

> ***P1:** When grudgeholders and avoiders are faced with factual and objective counterattitudinal information from credible source(s) for the first time, they are less likely to experience a change in their attitudes.*

Similarly, when exposed to factual and objective counterattitudinal information from credible source(s) for the second time, some grudgeholders and avoiders may undergo an incremental change in attitudes. The difference between the change in attitudes of grudgeholders and avoiders on each subsequent exposure would increase i.e., $(a_3 - a_2) > (a_2 - a_1)$ (please see proposition 2 below). As with exposure to factual and objective counterattitudinal information from credible source(s) for the first time, some grudgeholders and avoiders may experience a complete reversal in attitudes (A_R) when exposed to the counterattitudinal information for the second time. Again, some grudgeholders and avoiders may strongly resist counterattitudinal information and may not experience a change in attitudes. This probability is given by $1- p_2 - q_2$. Similarly, on exposure to factual and objective counterattitudinal information from credible (and multiple) sources for the third time and on subsequent occasions, some grudgeholders and avoiders may undergo an incremental change in attitudes while others may experience a complete reversal in attitudes (A_R).

Generalizing the above discussed patterns for the first and second stages to an arbitrary R^{th} stage, some grudgeholders and avoiders may resist a change in attitudes, which probability is given by $1- p_r - q_r$. Hence, with 'n' exposures, the attitude of grudgeholders and avoiders at time t_N represented by a_N would have undergone a significant amount of change. We propose that $a_N \to A_R$ (a_N tends to A_R) as 'n' increases. On each subsequent exposure, the probability of grudgeholders and avoiders exhibiting strong resistance to factual and objective counterattitudinal information from credible and multiple sources would decrease, i.e., $1- p_1 - q_1 > 1- p_2 - q_2 > 1- p_3 - q_3 > \dots > 1- p_N - q_N$. Also, with each subsequent exposure, the probability of grudgeholders and avoiders undergoing a complete change or reversal in attitudes will increase, i.e., $q_1 < q_2 < q_3 <\ldots<q_N$ and the probability of grudgeholders and avoiders undergoing incremental changes in attitudes $p_1 < p_2 < p_3 <\ldots<p_N$ will increase. The decrease in probabilities representing resistance to counterattitudinal information with every exposure to factual and objective counterattitudinal information from credible sources ($1 - p_R - q_R$, or the probability representing resistance to counterattitudinal information at R^{th} stage) would be offset by a corresponding increase in the probabilities that represent incremental attitude changes in favor of counterattitudinal information, i.e., $p_1, p_2, p_3, \ldots, p_N$ and the probabilities that represent a complete attitude change in favor of counterattitudinal information, i.e., $q_1, q_2, q_3, \ldots, q_N$. The following propositions follow from the above discussion:

P2: *Incremental attitude change may increase with each exposure when grudgeholders and avoiders are exposed to factual and objective counterattitudinal information from credible source(s).*

P3: *When grudgeholders and avoiders perceive the source(s) to be more credible, their attitudes may undergo incremental and complete change to a much greater degree than when they perceive the counterattitudinal source to be less credible.*

P4: *When grudgeholders and avoiders perceive the counterattitudinal information to be more factual and objective, their attitudes may undergo incremental and complete change to a greater degree than when they perceive the counterattitudinal information to be less factual and objective.*

The Matrices

The framework, which was developed as a finite markov chain with transient and absorbing states, is represented as matrices so the matrices can be multiplied to produce the probabilities that represent incremental and complete change in attitudes at any stage. The transition matrix of the Markov chain X is given by:

$$
I = \left(\begin{array}{cccccccc}
 & a_1 & a_2 & a_3 & .. & a_R & a_{R+1} & a_N \\
a_1 & 1-p_1-q_1 & p_1 & 0 & & 0 & & 0 \\
a_2 & 0 & 1-p_2-q_2 & p_2 & & 0 & & 0 \\
a_3 & 0 & 0 & 1-p_3-q_3 & p_3 & 0 & & 0 \\
.. & 0 & 0 & 0 & & & & \\
a_R & 0 & 0 & 0 & 0 & 1-p_R-q_R & p_R & 0 \\
a_N & 0 & 0 & 0 & 0 & 0 & 0 & 1-q_N
\end{array}\right.
$$

The transition matrix represented above can be represented in the canonical form as:

$$Q = \begin{bmatrix} Q & R \\ O & I \end{bmatrix}$$

The matrix R consists of $q_1, q_2, \ldots\ldots, q_N$ which represent the probabilities of complete reversal in attitudes at a given stage. The matrix $(I-Q)^{-1}R$ represents that if we are in a given transient state represented by a_R, we will eventually be absorbed in the absorbing state, i.e., the state represented by x_R. Thus, for each a_R there is corresponding x_R, which depicts a complete change or reversal in attitudes in favor of counterattitudinal information.

$$R = \begin{pmatrix} q_1 \\ q_2 \\ q_3 \\ \bullet \\ \bullet \\ q_R \\ \bullet \\ \bullet \\ q_N \end{pmatrix} \qquad (I-Q)^{-1}R = \begin{pmatrix} x_1 \\ x_2 \\ x_3 \\ \bullet \\ \bullet \\ x_R \\ \bullet \\ \bullet \\ x_N \end{pmatrix}$$

Model Solution

1. The probability that a strong preexisting attitude at R^{th} stage will eventually undergo a complete change i.e., $a_R \rightarrow A_R$, on exposure to factual and objective counterattitudinal information from credible and multiple sources is given by

$$q_1 + p_1 q_2 + p_1 p_2 q_3 + p_1 p_2 p_3 q_4 + \ldots\ldots + p_1 p_2 p_3 \ldots p_{N-1} q_N.$$

2. The probability that a_1 will end up in a_N is given by $(p_1 * p_2 * p_3 * \ldots * p_{N-1})$. This implies that a complete reversal in attitudes does not take place and some of the preexisting attitude remains even after exposure to the factual and objective counterattitudinal information from credible source(s).

3. The probability that an attitude in transient state a_R undergoes a complete change or gets reversed is given by x_R. It is the corresponding x-value from the $(I-Q)^{-1} * R$ matrix.

MANAGERIAL IMPLICATIONS

As demonstrated by Hunt et al. (1988) and Otto et al. (2004), grudgeholding and avoidance can be quite costly to business and industry. It would be in their best interests to understand the process by which grudgeholding and avoidance behaviors can be reduced and, ultimately, reversed, over time by repeated exposure to factual and objective counterattitudinal information from (multiple) credible sources. In an era of globalization, with repeated calls for boycotts of organizations like Wal-Mart, McDonald's, and Coca Cola (Johansson 2004), it would be helpful to understand the process by which attitude change and, ultimately, reversal is possible in consumers who harbor grudges and avoid products, brands, or organizations. Furthermore, since credible information (capable of changing consumers' attitudes) could arise from sources such as word-of-mouth information and more importantly negative-word-of-mouth information, blogs on the Internet, and information from expert sources such as Consumer Reports as credible information, it becomes important for marketers to ensure that no negative information reaches consumers from such credible sources since these sources could be capable of incrementally changing or even switching consumers' strong attitudes especially even when consumers hold positive attitudes toward the marketer.

SUMMARY AND FUTURE RESEARCH

This article focuses on the decreasing effectiveness of the arsenal employed by the grudgeholders and avoiders when information becomes difficult-to-refute (i.e, when the information is factual and objective) and comes from credible sources. We add to the existing literature by studying the role of factual and objective counterattitudinal information that comes from credible sources, in influencing the effectiveness of resistance mechanisms of grudgeholders and avoiders. We develop a markov chain model and further the understanding of attitude change in grudgeholders and avoiders when they are exposed to counterattitudinal information.

Future research should test the model empirically and refine it as necessary to fully understand the process of attitude change in grudgeholders and avoiders. Various social and environmental factors may need to be included in the model to better represent attitude change. For example, the role of strong emotions in grudgeholding would be an incredibly useful and insightful contribution. Specifically, it might be interesting to study the mediating role of the intensity of negative emotions on the decay rate of grudgeholding and avoidance.

Figure 1

The Framework

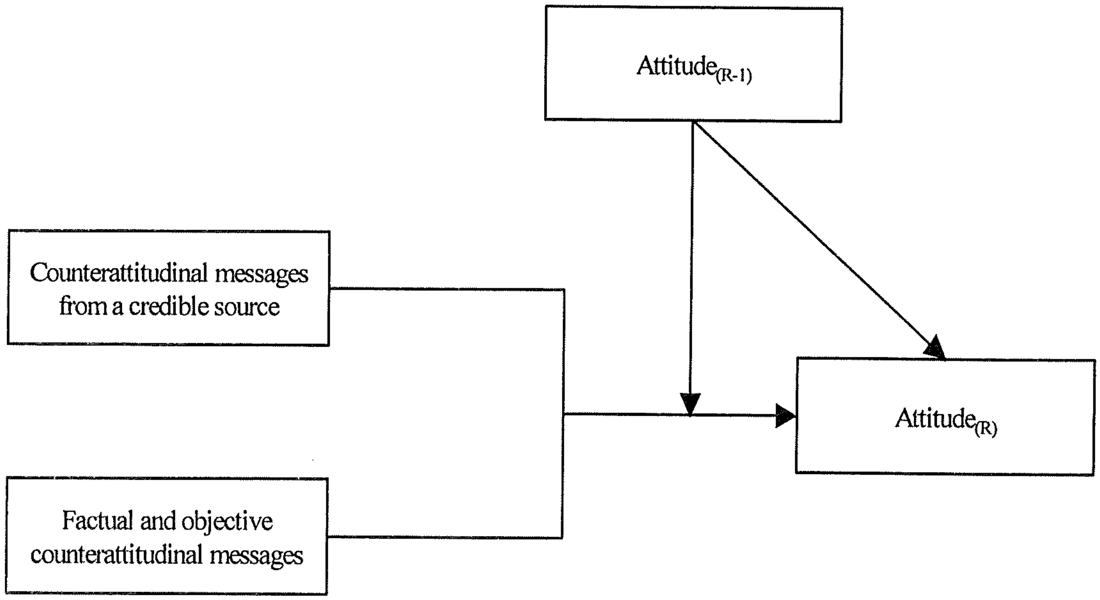
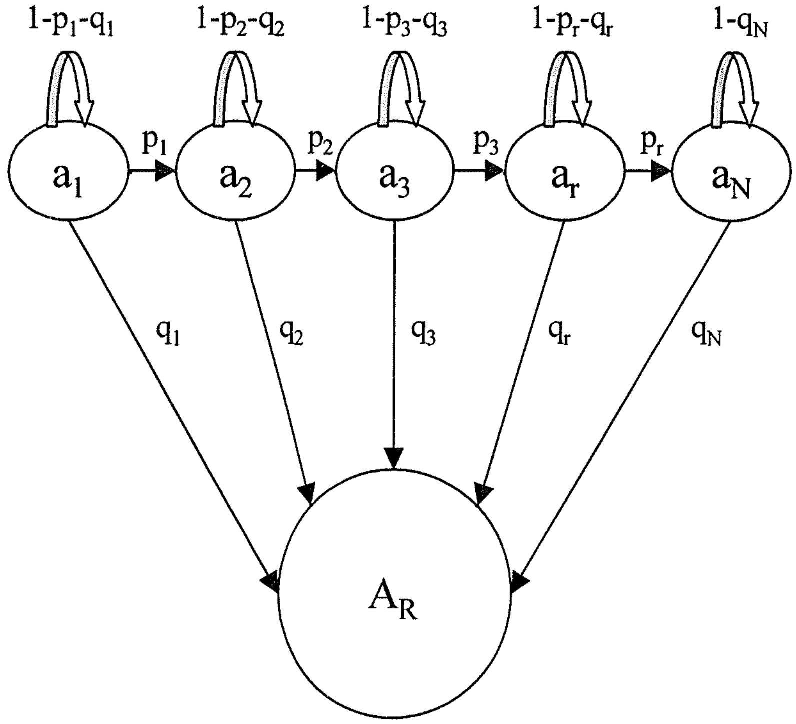


Figure 2

The Markov Chain Model



a_1 represents the attitude of grudgeholders and avoiders at time t_1
a_2 represents the attitude of grudgeholders and avoiders at time t_2
a_3 represents the attitude of grudgeholders and avoiders at time t_3
a_r represents the attitude of grudgeholders and avoiders at time t_r
a_N represents the attitude of grudgeholders and avoiders at time t_N
A_R represents a reversal or complete change in attitudes of grudgeholders and avoiders
p_1 represents the probability of change in attitude of grudgeholders and avoiders from a_1 to a_2 at time t_1
p_2 represents the probability of change in attitude of grudgeholders and avoiders from a_2 to a_3 at time t_2
p_3 represents the probability of change in attitude of grudgeholders and avoiders from a_3 to a_4 at time t_3
p_{N-1} represents the probability of change in attitude of grudgeholders and avoiders from a_{N-1} to a_N at time t_N
q_1 represents the probability of change in attitude of grudgeholders and avoiders from a_1 to A_R at time t_1
q_2 represents the probability of change in attitude of grudgeholders and avoiders from a_2 to A_R at time t_2
q_3 represents the probability of change in attitude of grudgeholders and avoiders from a_3 to A_R at time t_3
q_N represents the probability of change in attitude of grudgeholders and avoiders from a_N to A_R at time t_N
$1 - p_1 - q_1$ represents the probability of resistance to change in attitudes of grudgeholders and avoiders at time t_1
$1 - p_2 - q_2$ represents the probability of resistance to change in attitudes of grudgeholders and avoiders at time t_2
$1 - p_3 - q_3$ represents the probability of resistance to change in attitudes of grudgeholders and avoiders at time t_3
$1 - p_N - q_N$ represents the probability of resistance to change in attitudes of grudgeholders and avoiders at time t_N

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CROSS-CULTURAL COMPLAINING BEHAVIOR? AN ALTERNATIVE EXPLANATION

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ABSTRACT

Consumer complaining behavior in the U.S. and other countries has been studied extensively over the years. Complaint behavior takes many forms: requests for refunds or exchanges, negative word-of-mouth, exit (or reduced repatronage), sabotage, and more recently website postings. When studied from an international context, differences in complaining behavior are typically explained in terms of underlying cultural values or norms; such as individualism vs. collectivism (Watkins and Liu 1996), uncertainty avoidance (Hernandez, Strahle, Garcia, and Sorensen 1991), or Confucian dynamism (Le Claire 1993), etc. These studies have indicated that collectivist cultures tend to discourage complaining behavior, that individuals who are high in uncertainty avoidance are less likely to seek redress or to engage in negative word-of-mouth, and that the more one identifies with traditional Chinese values the less likely he is to complain.

This study, however, challenges the conventional wisdom that culture is the underlying factor that accounts for differences in complaining behavior across national boundaries. Although cultural norms certainly influence consumer behavior in general, studies focusing on cross-cultural values (see Hofstede 1980) typically find substantially greater levels of "within-culture" variance as compared to "between-cultures" variance (e.g., Blodgett, Lu, Rose, and Vitell 2000). Given that empirical measures of culture appear to tap into personal differences more so than meaningful cross-national differences, previous findings regarding cultural values do not provide a compelling explanation for observed differences in complaint behavior across countries. Assuming that post-purchase responses of dissatisfied customers in the U.S. do indeed differ from those of "wronged" consumers' in other countries, these differences must be due to factors other than culture.

The authors posit that differences in complaining behavior across various countries are instead due to competitive forces. Nowhere is the competition within the retail industry more intense than in the U.S. The retail industry in the U.S. evolved substantially over the past 25 years – resulting in a greater variety of formats (e.g., upscale specialty stores, "category killers," discounters, supercenters) and a significantly larger number of outlets (Levi and Weitz 2004). As competition became more intense a few retailers responded by implementing return policies that were more liberal and "consumer friendly." Leading the way, retailers such as Nordstrom's and Wal-Mart created a set of expectations (e.g., "satisfaction or your money back") among consumers that other U.S. retailers were forced to match (Spector and McCarthy 2001). Today, items purchased at one outlet typically can be returned at another location, oftentimes without a receipt, and after having been opened and used by the customer.

In many countries though (e.g., Turkey), retailers do not normally accept returns or allow for exchanges (except under a very narrow set of conditions). Typically, once a customer buys and uses a product, there is little (if any) possibility of a return or exchange. Retailers in these countries do not guarantee "satisfaction or your money back," or offer inducements such as "buy now, and return it within 30 days if not satisfied." Instead, it is generally accepted that the standard retail policy is "buyer beware." Customers' expectations in these countries, therefore, are much different than in the U.S. These consumers knowingly assume the risks, and – for the most

part – do not anticipate being able to return unsatisfactory items. The fact that they do not seek redress when dissatisfied, therefore, appears to have less to do with their underlying cultural values, and more to do with the prevailing return policies, which ultimately are determined by competitive forces within each country.

THE RESEARCH ISSUE

This exploratory research will attempt to shed light on the following issue: are differences in complaining behavior across various countries due to culture, or are these differences due primarily to the prevailing retail policies?

Please note that we do not attempt to provide a definitive answer to this question; rather, our objectives are more modest. At this point, it is necessary to first determine whether the return policies of retailers in other countries are more similar to those in the U.S. or whether they are more restrictive and less consumer friendly. If retailers in a large number of countries have liberal and customer oriented return policies – similar to those in the U.S. – then any differences in complaint behavior could indeed be due to culture. On the other hand, if return policies in most countries are extremely restrictive – as in Turkey – it is quite possible that researchers have incorrectly attributed lower occurrences of complaining behavior in certain parts of the world to cultural values, when in fact the underlying cause was situational. Accordingly, the purpose of this research was to gain a better understanding as to whether prevailing return policies might account for differences in the complaint behavior of dissatisfied consumers in various parts of the world.

TWO STUDIES

In order to examine the research issue two exploratory studies were conducted. In the first study we asked various individuals to describe and comment on the prevailing return policies in their home countries. In the second study we provided respondents with a scenario in which a product they purchased became defective, and asked them to indicate the probability that they would return the item to the retailer if the incident happened in the U.S., and again if the events occurred in their home country. Findings from these two studies suggest an alternative explanation for differences in cross-cultural complaining behavior.

Study #1

Methodology

In order to gain a better understanding of the retail environment in various parts of the world a qualitative study was conducted. Qualitative studies are especially useful in early stages of research for revealing rich and vivid insights into a particular topic (Denzin 2001). Accordingly, it seemed especially appropriate at this stage of research to have individuals of different nationalities discuss the return policies of retailers operating in their home countries.

Narratives were obtained via e-mail from "international" individuals who are now living (or have recently lived) in the U.S. Many of these individuals are former students of the authors, having just recently graduated (from undergraduate, masters, or doctoral programs), while others are faculty colleagues (or their spouses) who have resided in the U.S. for longer periods. These persons ranged in age from 23 to 47, have immediate family in their home countries, and have visited there recently. Some of these individuals grew up in "collectivist" countries (e.g., China), while others came from countries that are more "individualistic" (e.g., England) in orientation (see Hofstede 1980). Similarly, some were from countries with a "feminine" culture (e.g., Peru), while others were from cultures that are described as "masculine" (e.g., Germany). Their native cultures also differed in terms of "power distance" (e.g., France vis-à-vis New Zealand) and "uncertainty avoidance" (e.g., Japan vis-à-vis India). Furthermore, some of the respondents came from economically "developed" nations, while others were from "emerging" markets or from countries whose economies are "lesser developed" (World Bank 2006). (See Appendix A.) Although this was a convenience sample, the various countries represent a rich and diverse set of cultural values and stages of economic development, thus strengthening the validity of the study and allowing us to at least tentatively make generalizations regarding the relationship between culture and complaint behavior. (Information as to respondents' backgrounds are included in Tables 1 – 3.)

Respondents were asked to describe and comment on the return and exchange policies of retailers in their home country, and to compare these policies with those of retailers in the U.S. These individuals responded to open-ended questions in writing, sharing their insights as to the types of situations in which dissatisfied consumers in their countries can (and cannot) return or exchange items. They also were asked whether retailers in their home country guarantee "satisfaction or your money back," or offer inducements such as "try it for 30 days, and return it for a full refund within 30 days if dissatisfied." More specifically, respondents were asked:

- In your experience, is it common in your home country for customers to return items that they are not satisfied with to the retail stores where the items were purchased?
- In some countries customers do not expect to be able to return items they purchase. There is an "unwritten" rule that once a person buys an item it typically is not acceptable to try to return that item. Does this situation describe conditions in your country, or can you more easily return products like in the U.S.?
- Are there any differences between retailers in your home country vs. those in the U.S. regarding the types of products they will let customers return, and the circumstances in which customers are allowed to return items (e.g., only if the item has not been opened, or only if the customer has a receipt)? If so, please explain.
- Do retailers in your home country oftentimes offer "satisfaction guaranteed, or your money back" promises? Do retailers in your home country ever encourage consumers to "try a product for 30 days" (or something similar), with the understanding that they can return the product and get their money back if they do not like it?

Findings

The following section summarizes narratives from 25 respondents, representing 23 different countries. In the accompanying tables excerpts are presented to reflect the basic "themes" found throughout each person's response. Given the open-ended nature of the questions it is not practical to present all comments from each individual. Instead, we have attempted to highlight those statements that succinctly and vividly summarize the nature of the retail environment in each of the various countries. In order to present an unbiased depiction of these return policies we included actual quotes from each individual. Collectively, these excerpts provide a better understanding as to the extent to which complaint behavior across different countries is influenced by the prevailing return policies.

Based on the collection of responses it is apparent that the liberal, customer oriented return policy found in the U.S. retail industry is fairly unique. Of the 23 countries represented in this survey there are only four – Great Britain, Ireland, New Zealand, and the Czech Republic – in which retailers' return policies appear similar to those found in the U.S. The other respondents indicated that return policies in their home countries are more restrictive; some even stated that it was virtually impossible to return or exchange an item. Moreover, rarely do retailers offer "satisfaction guaranteed" or try to entice consumers with no-risk offers such as "try the product for 30 days and return if you don't like it".

For the sake of parsimony we grouped the various responses into three categories, with each category representing a different level of customer orientation. Responses from individuals who indicated that retailers' return policies in their home country mirror those found in the U.S. are grouped under the label of "Liberal & Customer Oriented Policies". Excerpts from individuals who indicated that return policies in their home countries are more restrictive, typically allowing only for the return or exchange of truly defective items – provided that the customer has a receipt – are listed under "More Narrow and Restrictive Policies". Lastly, under the heading of "No Returns or Exchanges Allowed" are excerpts from respondents who indicated that it was nearly impossible for consumers to return items in their home country.

Liberal & Customer Oriented Policies

Individuals from England, Ireland, New Zealand, and the Czech Republic reported that the prevailing return policies were similar to those in the U.S. (Table 1) The two respondents from Ireland and the Czech Republic, though, qualified their remarks by pointing out that retailers typically require that the product truly be defective, and was not used improperly; thus indicating that the "burden of proof" in those countries is greater than that in the U.S. Products also cannot be returned simply because "you do not like the color." Nonetheless, it appears that at least some retailers in England, Ireland, New Zealand, and the Czech Republic offer and promote "satisfaction guaranteed" policies in order to gain a competitive advantage.

Table 1

Liberal & Customer-Oriented

Home Country	Comments from Respondents
England Male, early 40's, faculty, now living in U.K.	• Retailers' policies in England are very similar to those in the U.S.
Czech Republic Female, early 20's, MBA student	• It is a relatively common practice for customers in the Czech Republic to return goods that they are not satisfied with, especially if the cause … is a defect of the item. • *The policies toward returning products are similar to those applied in the USA.* However, most retailers will not accept returned items … unless they are persuaded that you did not use the product "improperly" or in any way that is explicitly forbidden in the instructions for use. • Some companies make it part of their image to accept returned products more willingly than others.
Ireland Male, mid-20's, undergrad in U.S., now living in Ireland	• Yes the retailer promotes the items solid as a quality product and state that if you are not happy you will get your money back. • However there are only certain things that fall under the dissatisfaction umbrella. EG. Obvious if you buy and return because you do not like the colour you will not be refunded. • [try a product for 30 days] Definitely, this is very common …
New Zealand Male, 40's, faculty, did PhD in US, lives in N.Z.	• The situation in New Zealand is much like that in the USA. There is not much difference.

More Narrow and Restrictive Policies

A large number of respondents – even those from countries with developed economies – indicated that it is not common to find return policies that are as "consumer friendly" as those in the U.S. See Table 2. Instead, returns and exchanges are limited only to those situations in which the item truly is defective. Customers cannot return an item merely because they later determined that it does not fit their needs. Indeed, one individual remarked "Certainly, an argument 'it did not really fit my needs' will not work. The good has to be damaged." Individuals from countries such as Belgium, France, Germany, Brazil, Japan, and Switzerland also indicated that returns and exchanges occur only when it can be demonstrated that the product truly is defective, little time has passed, and the customer has the receipt. For example, one respondent stated that "Once you have tried/opened the item you can't return it ... even if it is defective. Only with a receipt and if not used or opened." Moreover, refunds are rare. Instead, retailers typically offer store credit, or will send the product to the manufacturer for repair – which can be a lengthy process. Furthermore, it is not common for retailers to promote guarantees of "satisfaction or your money back," or offer inducements such as "try it for 30 days." This latter concept was so "foreign" to some respondents that one remarked "If a Brazilian buy something its because he really need and why would he buy something that they may want to return?" Overall, the prevailing return policies in these countries are narrower in scope and more restrictive than those typically found in the U.S. retail industry, and guarantees of satisfaction are rare.

Table 2

More Narrow and Restrictive

Home Country	Comments from Respondents
Belgium #1 Female, mid-20's. Undergrad in U.S., now in Belgium	• *I think it is kind of an unwritten rule that we're not supposed to return purchased items unless they are defective.* • I have seen people in the U.S. wearing something with the tag on so they could return it the next day. That would not happen here. ... because we kind of have to prove that the item needs to be returned/exchanged: size problem or defective.
Belgium #2 Male, mid-20's, Undergrad in U.S., now in Belgium	• *[Try it for 30 days, and return it if you are not satisfied] is not something very common around here. ...*

France Male, late 20's, MBA in U.S., now living in France	• *To return products in our country we have to respect conditions (not been opened, time).* Retailers really hate to change products. It is not normal. • I think it is not in our culture to return items that we are not satisfied. Of course it really depends of the product. If it's expensive we will return it. If it only concerns a small or cheap product we will … prefer to buy another one. • I think it is more in the U.S. … We can do that in France, because laws and rules protect buyers, but it is more difficult that in the USA. It takes [more] time to have your money back or to simply change a product. • [Try it for 30 days, and return it if you are not satisfied] is relatively new in France, because we are an old country and we need time to change our minds and to adapt them to the new marketing world of commercialization.
Germany Male, late 20's, Undergrad in U.S., now in Germany	• In Germany, customers usually don't return items when they are not satisfied. *If the items are broken or don't work, they can be returned, but normally only shortly after buying them even if they don't work.* • In the cases where something is taken back by the retail stores often only give you a voucher with the worth of the item … so you don't get the money back. Even if there is a guarantee on the product, you often don't get a replacement, but stores would send the broken product to the manufacturing company, which is often a lengthy process. • Germany … clearly not as liberal as in the U.S. where I had the feeling that you could bring back products for whatever reason and you will get the money back. The receipt has to be brought in any case though.
Ghana Female, late 20's, recently finished PhD, now faculty, in U.S. 5 years	• It depends on the type of retailer you are dealing with. *If it is a department store, you can return it for a refund if you have a receipt and if the item is unused.* If you bought it from a small independent stall/kiosk, you can only exchange it … • Items like shoes and clothes can easily be exchanged. *It is not easy to get a refund.* Also, it is easier to return the item if it is unopened. Some sellers will not even exchange it if the item is opened.
Japan Male, post-doc, early 30's, 9 years in U.S., traveled to Japan in 2006	• *I have never thought of returning things [in Japan].* I don't know if it's unwritten rule. I just didn't think about it. Here (in the US), I think it's emphasized that we can return things and notice it. I have returned computer related products in the U.S. several times. Is this because the US is suing society?? Taking legal action is less common in Japan. So, that's why return policy is less available in Japan??
Brazil #1 Male, early 20's, undergrad and MBA in U.S., now living in Brazil.	• It is not common in Brazil to return items to the retail stores. • *One cannot return an item because he/she is not satisfied. Customers can return the item "only" if the product is not working properly, broken, or under warranty.* • There are ads like that [Try it and return it if you do not like it], but most of them are false advertising. If you fall for it, no one can help you. If you bought the product and you did not like it, probably you can return it, but with very high fees.

Brazil #2 Male, mid-20's, MBA student, in U.S. 2 years now.	• *You can only return something that is broken.* It is usually electronics or clothes. • [Try it for 30 days, and return it if you do not like it] In Brazil we don't have something like that. Advertisement like that sound like it is not trustworthy. If a Brazilian buy something its because he really need and why he would buy something that they may want to return?
Argentina Male, early 20's, college in U.S., now living in U.S.	• *In Argentina in few occasions a retailer will give you the money back.* For instance if you buy a two bottles of wine and then you want to return one bottle because you didn't like the wine, then the retailers will give you the money back since the other bottle was closed.
Latvia Female, mid 20's, in U.S. 3 years, finished MBA, and now works in U.S.	• *It is very uncommon to return purchased merchandise in Latvia* for the most part because it will not be refunded nor exchanged. *Certainly, an argument "it did not really fit my needs" will not work.* The good has to be damaged … • There is an agency set up to protect customer rights, however, the outcome tends to be not favorable for the buyer. Even though laws exist providing for the refund within 2 months of purchase … in reality it rarely happens. • People take much more time to make the purchasing decision, because … it will not be worth their time to try to return the good if it does not meet the expectations.
China Male, mid 30's, faculty, PhD in U.S., in U.S. for 7 years, in China recently	• *It is not common … for customers to return items that they are not satisfied with.* • In general, *you must have a legitimate reason* (e.g., the item does not work) if you want to return your purchase. You must have a receipt for the product return. • If the item has not been opened, you generally cannot return it. Remember, you must have a good reason for your return.
Russia Male, late 20's, in U.S. 4-5 years. After MBA stayed to work in U.S.	• Up until recently it was not common to return purchased items unless they were defective. Russia is just growing to the point where consumers are becoming more educated and demanding about the level of service they expect. • *[All sales are final] rule does apply to Russia* … and products couldn't be returned "on the whim" (if a customer wasn't satisfied with a performance or color or any other reason). Fortunately, as the economy continues to evolve and retailers are becoming more aggressive in customer acquisition and retention, some of them are introducing more degree of freedom with the after-sale service and return policies. • The product can be returned if it was damaged/faulty/ and a customer kept purchase receipt and [had] service warranty (for example, with electronics). • Personal belongings such as apparel, cosmetics and beauty items, as well as leisure items (books, CDs, tapes etc.) could not be returned in any circumstances.

Switzerland Female, late 20's. Ph.D. student, in U.S. 4 years. Travels to Switzerland often	• Once you have tried/opened the item you can't return it…even if it is defective. Only with a receipt and if not used or opened. • Even if they offer it [satisfaction guaranteed], they will find an excuse/reason to not accommodate the "satisfaction guaranteed" after the purchase. • In Switzerland this rules [an "unwritten" rule that once a person buys an item it typically is not acceptable to try to return that item] certainly apply.

No Returns or Exchanges

Individuals originally from Taiwan, Peru, Kenya, Albania, Bosnia, Pakistan, Venezuela, and India indicated that it is virtually impossible to return or exchange items in their home countries. See Table 3. Statements such as "No, it is not common and it does not happen," "It is usually not possible for customers to return an item …," "I don't think any store would return money under any circumstances," and "… [if] you leave the store the merchandise can't be re-turned for any reason" exemplify the unfavorable return policies in those countries. Several respondents indicated that consumer protection legislation is ineffective or nonexistent, and thus consumers have few rights or other options. Customers in these countries assume the financial risks of purchasing defective items, and therefore are more cautious in their purchase decisions. Indeed, one individual from Albania stated that the restrictive return policies found in that country "is one reason that high end electronic products are not very popular with customers there." Overall, the situation in these countries truly illustrates "buyer beware!"

Table 3

No Returns or Exchanges

Country	Comments from Respondents
Taiwan Female, mid-30's, faculty, 10 years in the U.S., traveled to Taiwan last year	• *It is usually not possible for customers to return an item in Taiwan.* • The policies in the U.S. are unbelievably generous when compared to … Taiwan.
Peru Female, early 40's, last 8 years in U.S., went to Peru this past summer	• The shopping experience is *you get what you pay for and usually once you finally made a purchase you are not expect to return it.* • In my home country the number of large retail stores is limited and a small retail store cannot afford customers returning purchased items due to their limited stock.

Kenya Male, early 30's, grad student, 3 years in U.S., went to Kenya last year	• *No, it is not common and it does not happen.* • The only items that customers are allowed to take back are electronics, and not because they do not like them, but because they have found them to be defective and so they return for an exchange of the same product. • you can not return a product once purchased and customers take their own risk. In my country customer relations is not very good. ... instead of a few large retailers with brand names, we have many small retailers doing business with many customers and therefore do not get bothered about returning customers.
Albania Male, early 20's, recently finished MBA, now living in Albania	• *In my country if the product is purchased and you leave the store the merchandise can't be returned for any reason* ... which is one reason that high end electronic products are not very popular with customers there. • The responsibility ... falls entirely into the consumer. One of the major reasons is that almost all of the products purchased are not accompanied by a receipt. • *Customers are the ones that are liable for products they purchase.* If they think they would not be satisfied with the purchase then the customers should not have purchased it to begin with.
Bosnia Male, mid-20's, MBA student, in U.S. 2 years	• As a post-war state, Bosnia is struggling in many respects, and *retailers are forced to neglect this side of customer service.* • People tend to fear cashiers (although this is changing for the better) as they are cold or rude, have signs indicating no returns, etc. So the shopping experience also influences *your perceptions of* return possibilities.
Pakistan Female, mid-20's, MBA student, in U.S. 5 years	• *There is no concept of trying something for 30-days and returning it if not satisfied.*
Venezuela Female, mid-20's, MBA student, in U.S. 1.5 years	• *Most stores simply don't accept returns or exchanges.* • I don't think any store would return money under any circumstances. • Exchanges are very rare but they do happen from time to time on expensive items or products with warranties. Most of the time people wouldn't even try ... you would have to pass through a complicated and time consuming process.
India Male, early 40's, faculty, in U.S. 15 years, traveled to India last year	• *There is no customer empowerment.* People realize they are being 'ripped off', but if everyone is a thief, what can the customer do. • Only recently legal legislation has come into play – however, the courts dealing with this type of offences are incompetent and not worthwhile for most low-budget items.

Study #2

The first study demonstrates that the return policies in different countries can vary substantially. By itself, however, this evidence is not sufficient to claim that the prevailing return policies have a greater effect on complaint behavior than does culture. Accordingly, a second exploratory study was undertaken in order to gain a better understanding as to the extent to which culture influences one's complaint behavior.

Methodology

The second study took place several months after the first study was conducted, and included many of the same respondents. Some of the original respondents had since moved back to their home countries or to other jobs, and could not be reached. Hence, additional international friends, colleagues, or former students who were living in the U.S. were contacted via e-mail. A total of 25 individuals responded (Table 4). As in the first study, this convenience sample represents individuals from a diverse set of countries.

In this second study, respondents were presented with the following scenario:

- Assume that you recently purchased a new shirt (or blouse) at a department store. After wearing it for the first time you washed the garment in cold water – with a mild detergent – as per the directions. However, after the shirt/blouse dried you noticed that the colors had faded, and consequently you are dissatisfied.

After reading the scenario subjects were asked the following question, and to respond on a seven-point scale (with -3 indicating "highly unlikely" and +3 indicating "very likely"):

- If you had purchased this shirt (or blouse) at a typical department store – in the ***U.S.*** – what is the likelihood that you would attempt to return it, and ask for a refund (or to exchange it)?

Similarly, subjects were asked to respond as though this same thing happened in their home country, and to indicate the probability of returning the item for a refund or exchange.

Consistent with previous work by Hofstede (1980), Triandis (1982), and Schwartz (1992) the resulting analyses were based on the assumption that one's underlying cultural values are fairly stable, and do not vary depending on the situation. Accordingly, if complaint behavior is primarily a function of a consumer's underlying cultural values then there should be little difference in the likelihood that one would return the product in the U.S. vs. in one's home country. On the other hand, if complaint behavior is largely a function of the prevailing return policies within a given country there should be a significant difference in the probability of seeking a refund or exchange if the events took place in the U.S. as compared to one's home country.

Subjects' responses to the two questions are shown in Table 4. In almost all cases respondents indicated that the probability that they would seek a refund or exchange was greater assuming that they were living in the U.S. vis-à-vis their home countries. A few individuals reported that the probabilities were equal (i.e., respondents from Ghana, India, and the Czech Republic), but in no instance was the likelihood of requesting a refund or exchange greater if the events happened in one's home country as compared to the U.S. Overall, the average "difference score" was 2.96, which is statistically significant (t_{24} = 5.40, $p < .05$), *suggesting that dissatisfied consumers' complaint behavior is heavily influenced by the prevailing return policy.*

Table 4
Results from Study #2

Country	Occurred in the U.S.	Occurred in Home Country	Absolute Difference Score
Albania	3	-2	5
Belgium	2	1	1
Bosnia	3	2	1
Brazil	3	0	3
Brazil	3	-3	6
China	0	-3	3
Czech Republic	-2	-2	0
Germany	2	-1	3
Ghana	-3	-3	0
Hong Kong*[1]	3	-1	4
India	-3	-3	0
Ireland	1	-1	2
Japan	-1	-3	2
Kenya	-1	-3	2
Latvia	2	-1	3
Iran*[2]	2	-3	5
Pakistan	3	-3	6
Peru	2	-2	4
Russia	3	-3	6
Russia*[3]	3	2	1
Switzerland	2	-2	4
Taiwan	3	0	3
Turkey*[4]	3	-1	4
Turkey*[5]	3	0	3
Venezuela	-1	-3	2
Averages	**1.38**	**-1.54**	**2.96**

Unless noted by an asterisk, the individual from a particular country in Study 2 is the same person as in Study 1. Respondents who were new to Study 2 are listed below. A few individuals in Study 1 – England, New Zealand, Belgium #2, France, and Argentina – did not participate in Study 2.

*[1] Female, mid-30's, 8 years in U.S., last in H.K. in 2006

*[2] Female, mid-40's, living in US 20+ yrs, visited Iran in 2006

*[3] Female, early 20's, grad student.

*[4] Female, mid-30's, 5 years in U.S., last in Turkey in 2005

*[5] Male, early 40's, 6 years in U.S., last in Turkey in 2005

CONCLUSIONS AND IMPLICATIONS

The findings from these two studies indicate that complaint behavior is largely dependent upon the prevailing return policies in a given country. The first study established that there are indeed significant differences in retailers' return policies throughout North and South America, Europe, Asia, and Africa; while the second study provides evidence that complaint behavior is largely situational – that dissatisfied customers in countries in which return policies are moderately or extremely restrictive are significantly more likely to seek redress in those situations in which retailers' policies are more customer oriented. Although we certainly would not claim that individuals' underlying cultural values do not affect complaining behavior to some extent, it appears that culture has a lesser influence on dissatisfied consumers' decision to seek (or not seek) a refund or exchange. Regardless of the underlying cultural values of a country, we would expect to observe greater incidences of complaint behavior as the prevailing return policies become more liberal and consumer friendly.

These findings challenge conventional thought that differences in the complaint behavior of dissatisfied consumers from around the world are due to variations in their underlying cultural values. As previously noted, this study was exploratory in nature, and thus the findings are not definitive. Nonetheless, given that the analyses were based on information provided by respondents from a wide range of cultures (varying in their degree of individualism/collectivism, power distance, uncertainty avoidance, and masculinity/femininity), and from countries experiencing different stages of economic development (developed, emerging, lesser developed), the results compel the authors of this article to hope that this study will lead to a closer examination of the influence of cultural values on post-purchase complaint behavior, and will spark additional research into the effects of competitive and structural factors such as retail policies, consumer legislation, and industry structure.

These findings have implications not only for retailers, but also for public policy makers and consumer advocacy organizations. Several respondents alluded to the fact that consumer education and more demanding service expectations were leading to the development of more liberalized return policies in their countries (e.g., see the excerpts from the Russian and German respondents). Although there are long traditions of consumer rights legislation and enforcement in some countries (e.g., the U.S., England, and New Zealand), in other parts of the world legislation and consumer protection agencies are clearly in a more formative stage. This study has indicated that consumers – of different cultures – will indeed take advantage of efforts by retailers, public policy makers, and consumer rights organizations that result in more favorable and customer oriented retail policies.

Limitations

The results of this study are subject to limitations that tend to be typical in exploratory, qualitative studies. First, data was collected via a convenience sampling of individuals whose values might not represent those of the general population of their home countries. Future research should incorporate independent measures of culture in order to determine whether respondents' values mirror those of their countrymen. Study 2 did not control for possible confounds such as the perceived ease and costs of complaining, or attribution of blame, or product importance. It is possible that returning products in the U.S. might be less time consuming, less costly (i.e., in terms of transportation), and more convenient as compared to returning items in other countries. Although the scenario indicated that the customer was not at fault, it is possible that some respondents (e.g., those from Ghana, India, and the Czech Republic) attributed the blame to a mistake on their part. Also, respondents in countries in which return policies are restrictive might be more likely to complain when the defective product is more valuable or crucial. Future research should control for these potential confounds. More importantly, this research focused on only one type of complaint behavior; other forms such as negative word-of-mouth and sabotage were not addressed. Future research should examine whether the restrictive policies found in many countries inadvertently result in increased levels of negative word-of-mouth and or sabotage (i.e., as compared to the U.S.), and whether culture moderates these forms of complaint behavior.

Summary

The issues surrounding culture and its effects on complaint behavior are interesting, and are far from settled. Culture is pervasive, both at a macro and a micro level. At a macro level it certainly influences business practices within a given country – at least to some degree – and on a micro level it influences individuals' attitudes, perceptions, and behaviors. It is hoped that this exploratory research will lead to more innovative and thought provoking studies that provide richer insights regarding cross-cultural behavior. Collaboration by researchers specializing in culture, consumer behavior, and in retail structure could result in valuable new insights.

Appendix A

List of Countries Represented in Studies 1 & 2

Country	Economic Development	IND	MAS	UA	PD
Albania	developing	n/a	n/a	n/a	n/a
Argentina	emerging	med	med	high	med
Belgium	developed	high	med	high	high
Bosnia	developing	n/a	n/a	n/a	n/a
Brazil	emerging	low	low	med	high
China	emerging	low	med	low	high
Czech Republic	emerging	n/a	n/a	n/a	n/a
England	developed	high	high	low	low
France	developed	high	low	high	high
Germany	developed	med	high	med	low
Ghana	developing	n/a	n/a	n/a	n/a
Hong Kong	emerging	low	med	low	high
India	emerging	med	med	low	high
Iran	developing	low	low	low	med
Ireland	developed	high	high	low	low
Japan	developed	med	high	high	high
Kenya	developing	n/a	n/a	n/a	n/a
Latvia	emerging	n/a	n/a	n/a	n/a
New Zealand	developed	high	med	med	low
Pakistan	emerging	low	med	med	med
Peru	emerging	low	low	high	med
Russia	emerging	n/a	n/a	n/a	n/a
Switzerland	developed	med	high	low	low
Taiwan	emerging	low	low	med	med
Turkey	emerging	low	low	high	high
U.S.A.	developed	high	high	med	med
Venezuela	emerging	low	high	med	high

IND — Individualism/Collectivism
MAS — Masculinity Femininity
UA — Uncertainty Avoidance
PD — Power Distance
n/a — Information not available

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IS THE PROPENSITY TO COMPLAIN INCREASING OVER TIME?

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ABSTRACT

The purpose of this article is twofold. First we present some of the measurement problems involved in interpreting consumer complaint data. Second we provide some unique longitudinal results on complaint propensity documenting that, in spite of a doubling of the number of cases submitted to the Danish National Complaints Board, the propensity to complain in Denmark has not increased in the past 25 years. We conclude by discussing how the analysis should be extended from merely describing to explaining the variation in propensity to complain across consumers.

INTRODUCTION

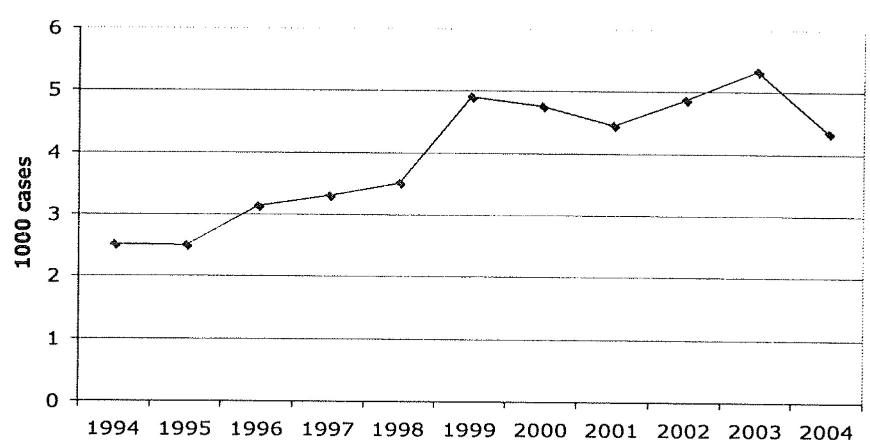
Evidence suggests that consumer complaints have increased in recent years. In a new consumer survey from Great Britain administered by the consultancy TMI (Berry 2006), one of the conclusions is that the volume of consumer complaints is increasing sharply and data from Denmark discussed below indicate the same tendency.

For many years, Denmark has had a National Complaints Board as a component of the country's general consumer protection program. If a consumer is dissatisfied with a product/service then it is possible, for a small fee (20 EURO, or $25), to have the Complaints Board look into the case and recommend a resolution under the condition that the original product/service cost was between 100 EURO (or $125) and 12,500 EURO (or $15,700).

As illustrated in Figure 1, although the rate of change varies from year to year there is an increasing long-term trend in the number of filed complaints to the board. The number of complaints per year to the board is now about double what it was just a short decade ago.

Figure 1

Number of Written Filed Complaints to the Danish National Complaints Board



For example, 4456 complaints were filed with the Complaints Board in 2001, and were especially prevalent within the following product groups: telephones, textiles, radio/TV sets, computers, furniture, and footwear.

An important insight from extant research on consumer complaints and complaint behavior is that the number of complaints to various third-party complaints-boards gives only an incomplete picture of consumer experiences, including the *degree* of the consumer's dissatisfaction with products and services. This illustrates the now-famous "tip of the iceberg" view introduced by Best and Andreasen (1977) in a study of dissatisfaction and complaint behavior across 34 product and service categories at a specific point in time.

Figure 1 shows a clear increasing trend in the number of filed complaints. However, in spite of the clear trend, the Figure raises more questions than it answers. Is the increased number of complaints a result of Danish consumers' increasing propensity to complain? Have people turned into bellyachers? How upset are they? Are their demands on quality higher? Have they become more fussy and over-particular? Or does the increasing number of complaints reflect a general deterioration in the quality of products and services? Attempts to answer these questions raise a number of methodological concerns, some of which will be discussed in this article. Based upon a comparison between results from a 1978 and a 2002 consumer complaint survey we will specifically answer the question whether the propensity to complain has indeed increased in Denmark in the last 25 years. If it is concluded that the propensity to complain has not increased over the years, then discovering the origin of the increase in complaints may more clearly lead to a call for action from companies and from consumer policy authorities.

COMPLAINING AS A LATENT TRAIT

First, the central response, "to complain," must be defined. According to Kowalski (1996), dissatisfaction is an attitude resulting from disconfirmation of expectations, and complaining is a behavioral expression of the dissatisfaction. In a strict sense, complaining can be defined as approaching a party in a transaction who is perceived as directly or indirectly responsible for the quality of a rendered product or service and expressing one's dissatisfaction. But is it enough to vent one's dissatisfaction with the product or service? Or does one have to state directly that it is a complaint and not merely a statement of dissatisfaction? It is not unequivocal when a consumer sees his or her reaction as a "complaint". Possibly, there are negative connotations to the word that makes a consumer hesitant to call it a complaint. Scholars ought to take such sentiments into account when attempting to measure and monitor consumer complaint behavior.

Further, we believe that it is important to distinguish between an underlying, but unobservable, construct "propensity to complain" and the observed complaint response *per se. The propensity to complain is best understood as an individual's inherent tendency to react to perceived or experienced dissatisfaction by performing the act of complaining* (Kowalski 1996). The observed complaint behavior is co-determined by a person factor (the propensity to complain) and a situational factor (a composite of the "gravity" of the defect or deficiency, the difficulty and costliness of complaining, and the perceived likelihood of success). In the following, a method will be described for isolating and measuring the propensity to complain, which we believe will be useful for monitoring this propensity over time, and the method will be demonstrated by way of an empirical application.

The Basic Measurement Model

A person's response in a given situation (for instance, a complaint) can always be described as the result of two factors:

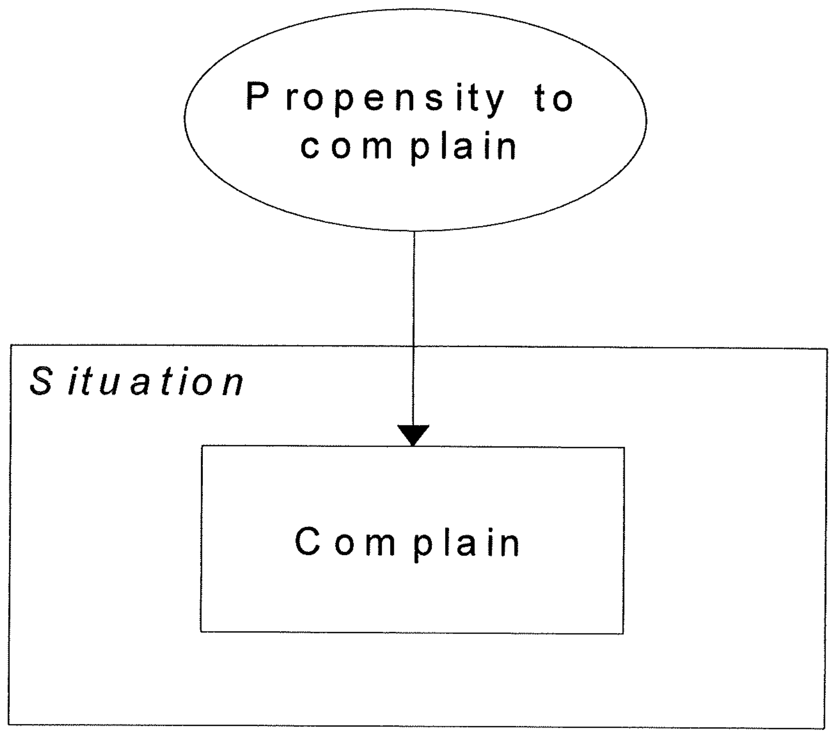
- A person factor and
- A situation factor.

In the case of consumer complaint behavior, there is a person parameter, the propensity to "complain" no matter what the circumstances, and a situation or item parameter, the ability of the situation to evoke "complaint," no matter the person (Rasch 1960). By administering a battery of situationally specific scenarios – in the case reported below hypothetical complaint situations –

and recording the answers "complain" or "not complain" for a sample of respondents, the item and person parameters can be identified and estimated.

Figure 2

Complaining as a Result of the Personal Factor 'Propensity to Complain' and the Situation



From this simple model it follows that an observed complaint may be the result of a "grave" situation and/or a person's high propensity to complain. This is why statistical data on the aggregate frequency of complaints are relatively uninformative: such data neither controls for the situation nor for the persons involved.

There is nothing new in proposing that consumer personality is an important antecedent in models of post-purchase processes (Singh 1990). More recently, Kowalski (1996) proposes the existence of a "complaining threshold" and that dissatisfaction is a sufficient but not a necessary prerequisite for complaining. As he writes on page 184, "...even though an individual may not currently be experiencing dissatisfaction, his or her need to complain for other interpersonal reasons may prompt complaining behavior (i.e. the complaining threshold has been reached)." A number of dispositional variables may influence a person's complaining threshold, including extroversion, dogmatism, and self-presentational concerns; so might socioeconomic/demographic varibles such as age and gender. For example, individuals who are more sensitive to the impressions that others form of them are less likely to complain.

The propensity to complain has been defined as "an individual's demonstrated inclination and intentions to complain in the face of an unsatisfactory purchase experience" (Cho et al. 2002, p. 319 referring to Bearden et al. 1979). Operationally the measure of the propensity to complain attempts to capture a cross-sectional behavioral tendency or inclination. However, past measures such as the one applied by (Cho et al. 2002) tend to confound situational, attitudinal and behavioral tendencies. The approach presented in this article avoids this confounding and obtains a purely behavioral measure of the propensity to complain construct.

When it comes to monitoring the development in the propensity to complain, we propose using hypothetical descriptions of situations that may potentially lead to complaints. A hypothetical situations approach was implemented in a study on consumer complaints in Denmark that was carried out in 1978 (Kristensen & Wiis 1979). Here, six situations were selected from a pool of constructed situations taking into account the expected variation in the situations' power to evoke complaints. The gravity of the situations ranged from a trifle (most consumers would not bother to complain) to a serious defect (most consumers would probably complain). By repeating the survey using the same hypothetical situations and comparing the results of the two surveys we are able to investigate whether or not consumers' cross-situational propensity to complain has increased between 1978 and now.

An Empirical Application

In order to evaluate whether Danish consumers' general propensity to complain has increased over the years, we replicated a study from 1978 (Kristensen 1980; Kristensen and Wiis 1979). The 1978 study was based on nearly 2125 randomly selected adult respondents. The response rate was approximately 50 % so the number of completed self-administered questionnaires exceeded 1000. Our data collection took place in 2002 and our survey methods combined telephone calls with follow-up mail surveys. The selection of respondents was accomplished by random dialing; and the closing question in each telephone interview was whether or not each respondent would be willing to participate in a follow-up mail survey that included new questions but related to the same general topic. The final response rate in 2002 was 67 per cent: 684 respondents returned completely filled out questionnaires. The six hypothetical complaint situations from 1978, shown in Table 1 (see page 122), were included in the Mail survey. In each situation the respondent was asked whether he/she would complain to the supplier. The word "complain" was used in the 1978 survey which is why we used it in the 2002 survey, although it may have been ambiguous in 1978 and, of course, might have been perceived in slightly different ways again by some respondents in 2002.

Here we only consider the "complain to the 'shop' or 'supplier'" reaction. The percentage of respondents indicating they would complain to the 'shop' in the different situations in 1978 and 2002 are given in Figure 3 (shown on page 123).

Table 1

The Six Hypothetical Situations

Situation A Imagine yourself in the following situation: You have bought three pairs of socks labelled 'second grade'. After one month you notice that there's a hole on the heels of two of the pairs, although each of the pairs has only been worn for less than a week.
Situation B Imagine yourself in the following situation: About six months ago you bought a carpet with latex backing, which you fitted yourself. Now you discover that the latex sticks to the floor.
Situation C Imagine yourself in the following situation: You have bought a new refrigerator from a dealer, who installs it. After the installation you discover a 5-cm long scratch on the refrigerator door.
Situation D Imagine yourself in the following situation: You have bought a cheap, black sweater and a pair of cheap jeans that you intend to use together. The first time you wear the sweater and the jeans, the sweater stains the jeans.
Situation E Imagine yourself in the following situation: You have bought a jar labelled genuine honey. The jar is correctly labelled in every way – however, you believe that the honey doesn't taste like genuine honey.
Situation F Imagine yourself in the following situation: On sale you have bought a bookshelf at a reduced price. The store delivers the shelf to your address but does not assemble it. In the evening when you put the shelf up against the wall you see some scratches in the wood that you didn't notice in the store.

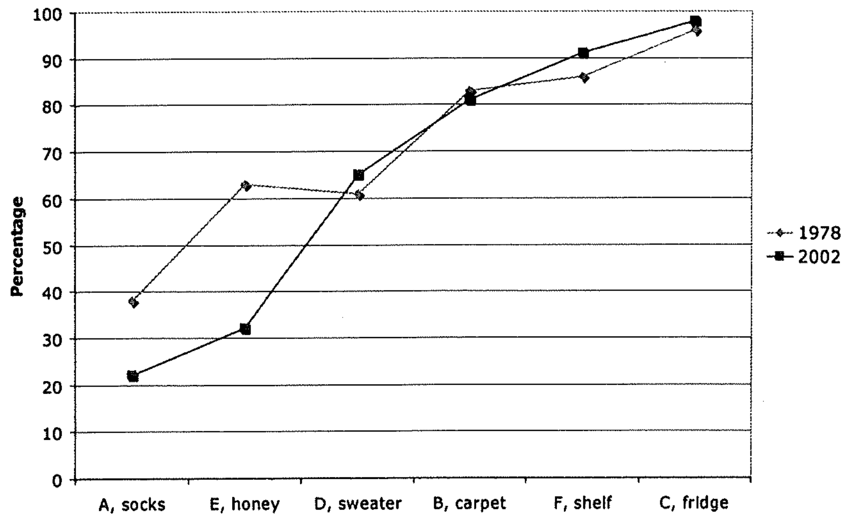


Figure 3
Propensity to Complain in 1978 and 2002

Figure 3 suggests that the propensity to complain, if anything, has decreased between the two time points, but only in situations characterized by a low ability to evoke complaints. In the "graver" situations, there might be a slight change in the opposite direction, that is, an increased propensity to complain.

A test of the null hypothesis that the complaint profiles for 1978 and 2002 are actually the same was carried out as a standard profile analysis in SPSS. Because of the large number of respondents in each of the data sets, the assumption of an approximation to a multivariate normal distribution is reasonable. The test results in Table 2 show a significant year effect for situation A, E and F. Especially in situation E we have a large difference between the two years. Based on these results, there is no clear basis for concluding that the likelihood of complaining at the aggregate level has increased from 1978 to 2002.

Table 2
Profile Analysis Comparing Propensities to Complain in 1978 and 2002

Source	Dependent variable	Type III Sum of squares	df	F	Sig
Year	Socks	9,874	1	48,466	0,000
	Carpet	0,021	1	0,138	0,711
	Fridge	0,106	1	3,588	0,058
	Sweater & Jeans	0,060	1	0,208	0,648
	Genuine Honey	31,483	1	140,639	0,000
	Bookshelf	1,346	1	12,44	0,000

However, an analysis of the aggregate propensity to complain may be deceiving. If there are consumer segments holding different propensities to complain and if they follow a different growth path, the aggregate numbers could show a decrease although all segment-level propensities to complain actually increase. If segments characterized by a relatively low propensity to complain grow faster than segments with a relatively high propensity to complain, this may lead to a decrease in the aggregate propensity to complain, although segment-level propensities have not decreased, or perhaps even increased.

In order to investigate whether there is an underlying change in the composition of the population with respect to complaint propensity from 1978 to 2002, a latent class analysis is carried out. The defining characteristic of the latent class model is that it assumes that consumers can be grouped into a number of discrete classes or types. Within each type the consumers have the same propensity to complain, but across types there are differences in the propensity to complain. However, the class/type variable is *latent*, as it is not directly observable or measurable.

The model can be formulated as a statistical model with the following parameters:

- The number of classes
- The size of each class, i.e. how many respondents that go into each latent class/type
- The complaint likelihood within each class/type in each of the situations A-F.

The latent class model is estimated by Maximum Likelihood, using LatentGOLD (Vermundt and Magdison 2000). Based on values for the overall fit (BIC, AIC) of a one-class, two-class and three-class solution the analysis points to a two-class solution shown in Figure 4. In 1978, 54 per cent and in 2002, 57 per cent of the respondents belonged to type 1 with a relatively low propensity to complain; the remaining 46/43 per cent belonged to type 2 with a relatively high propensity to complain. The likelihood to complain varies with the situation, but in all situations complaining is more likely for consumers belonging to class two than for class one.

It appears that there is considerable agreement between the class structures from 1978 and 2002. The two classes are of similar size at the two time points. As in the one class solution, we find the largest change in situation E (Genuine honey) from 1978 to 2002. In 1978 this situation triggered complaints from 50 per cent and 80 per cent in the two classes respectively, while the corresponding numbers in 2002 are 16 percent and 52 percent.

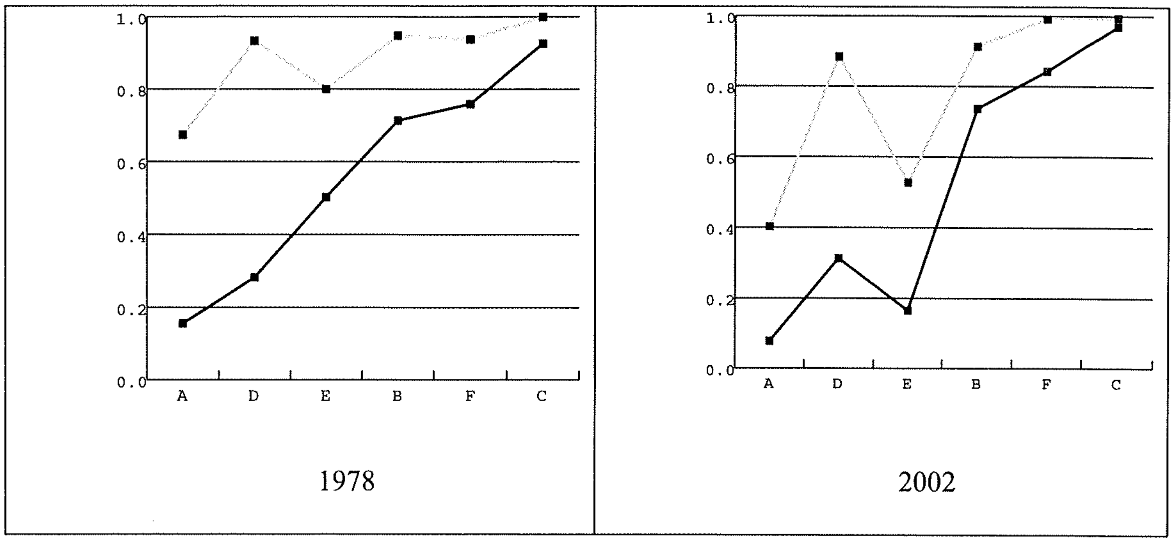


Figure 4

Propensity to Complain: 1978 and 2002, Distributed in Two Latent Classes

Legend: A=Socks, B=Carpet, C=Fridge, D=Pants and Sweater, E=Honey, F=Shelf

CONCLUSIONS AND DIRECTIONS FOR FUTURE RESEARCH

Based on the analysis of consumer complaint responses to the same six hypothetical situations in 1978 and 2002, it can be concluded that there was no increase in the complaint propensity in the analyzed population over the last 25 years. Apparently, the registered increase in filed complaints to the National Complaints Board does not reflect a corresponding increase in the general propensity to complain. On the contrary, the evidence suggests that the most marked change over the analyzed period is a *decrease* in the propensity to complain *in some situations*, namely those situations where the economic loss suffered due to the defect or deficiency seemed to be the smallest. One may speculate that as a result of rising incomes, for many consumers the expected benefits of complaining in these situations no longer justify the costs of spending time and effort pursuing the matter. Other societal changes, which only affect some, but not all of the situations covered in our measurement instrument may also have been involved. For instance, consumers may have grown so accustomed to nationally branded food products (for better or for worse) over the past 25 years that they no longer expect 'genuine' honey to have much to do with buzzing bees!

The approach used to measure the propensity to complain has a number of limitations which should be addressed in future research. Our approach is silent about the extent to which variation in the "complain" response can be attributed to variation in the perceived gravity of the situation *or* to external conditions regulating the propensity to complain, such as social norms. Further, because it focuses only on complaint responses, our approach is also silent about how complaining is linked to dissatisfaction. Kowalski

(1996) suggests that the individual's threshold for experiencing dissatisfaction is independent from, and depends on resources and personality traits other than his or her complaint threshold. He suggests, for example, that a personality trait's negative affectivity (sometimes equated with neuroticism), agreeableness and locus of control may influence a person's subjective experience of dissatisfaction.

Future research aimed at explaining complaint behavior, rather than just describing it, may include a measure of the individual's dissatisfaction threshold, conceptualized as a latent trait, 'the propensity to become dissatisfied,' and distinguished from the individual's assessment of any specific experience, analogous to the construct 'propensity to complain.' As suggested by Kowalski (1996) and others, an individual's personality-bound sensitivity to unsatisfactory experiences may be a valuable predictor of complaining in specific situations, supplementing the propensity to complain and the perceived gravity of the situation.

A causal analysis of complaining could (and should) be extended even further. In particular, we see two promising directions, recently travelled to some extent by a few scholars. First, the latent traits 'propensities to become dissatisfied' and propensities to complain' should be integrated in a larger, more comprehensive theoretical framework, such as the ones suggested by (Singh and Wilkes 1996) and (East 2000). In addition to propensities to become dissatisfied and to complain, a comprehensive model of complaint behavior should include attitudinal, normative, and control variables as well as additional personality traits and situation variables (see, e.g., (Thøgersen, Juhl & Poulsen 2003)).

Second, each situation's ability to provoke dissatisfaction/complaint responses need not be treated as fixed, as we did in the analyses presented here. By means of scenarios where various elements are varied across respondents it is possible to measure the response elasticities of these elements, just like factors in an experiment. Further, one might vary the response of the supplier to the complaint and in this way measure secondary dissatisfaction/complaint responses (Oliver 1997).

These remarks about causal analyses of complaining are not meant to derogate the usefulness of descriptive accounts, such as the one presented here. In this study we were limited by having only two measurement points, which is sufficient to evaluate the long-term trend in this important aspect of consumer sentiments, but not for monitoring possible short-term variations. We would suggest that our approach to measuring consumers' propensity be integrated into instruments for monitoring the development in complaining over time.

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KOHONEN SELF-ORGANIZING MAPS: A NEURAL APPROACH FOR STUDYING THE LINKS BETWEEN ATTRIBUTES AND OVERALL SATISFACTION IN A SERVICES CONTEXT

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Rouen School of Management, France

ABSTRACT

This research aims at analyzing and understanding the attributes - overall satisfaction links (A - OSL) for a service. To date, marketing managers tend to assume that these links are linear, even though scholars have for at least two decades pointed out that they can often be non-linear as well as asymmetric (Kano, Seraku, Takahashi and Tsuji 1984; Anderson and Mittal 2000). Blindly assuming that these links are linear may lead to serious mistakes in estimating the attribute levels which trigger the highest degree of targeted consumers' overall satisfaction (TCOS). In this article, we explore the A - OSL relationship by using a powerful neural network methodology: Kohonen Self-Organizing Maps (KSOM). KSOM have the ability to infer the functions describing A - OSL from data. This methodology also classifies the input data in relation to prototypes on a topological map by using a Euclidian distance criterion.

The analysis of a database for a utility company with the KSOM methodology suggests the existence of five main A - OSL patterns:

i) **Linear A – OSL**

ii) **attributes having increasing returns on TCOS**

iii) **attributes having decreasing returns on TCOS**

iv) **attributes having increasing returns on both TCOS and consumers overall dissatisfaction; and**

v) **attributes reflecting an assimilation-contrast effect.**

INTRODUCTION

For more than thirty years, consumer satisfaction has been shown to be a key construct in marketing. This is one reason why managers invest heavily in consumer satisfaction programs. They try to identify product or service attributes which lead to high levels of customer overall satisfaction (TCOS). To date, little has been published on how to go about examining the attributes - overall satisfaction's links (A - OSL), even though it has been known for some time that understanding the nature of these links should help managers to optimise customers' overall satisfaction. Most managers consider the A - OSL to be linear in nature. Hence, there may often be an erroneous estimation of a product's or service's attributes leading to high level of TCOS (Anderson and Mittal 2000). Scholars (Swan and Combs 1976; Kano, Seraku, Takahashi and Tsuji 1984; Anderson and Mittal 2000, among others) have suggested that these links may not always be linear, but these suggestions have been based largely on intuition and subjective analysis, and have not resulted as fruits of the labor of empirical research.

The approach described in this article investigates the A - OSL by using an exploratory, yet powerful methodology called Kohonen Self-Organizing Maps (KSOM). KSOM is one of the approaches based on neural networks methods. It can define attributes - overall satisfaction prototypes which characterize the A - OSL. It also classifies the data in relation to these prototypes on the basis of a Euclidian distance criterion. Finally, KSOM provides a topological map (or grid), on which prototypes are related one to another.

Consumer satisfaction has been shown to be crucial for companies because it has been learned that in general, a satisfied customer is more loyal, buys more (Reichheld and Sasser 1990; Anderson and Sullivan 1993), is less sensitive to product/service prices (Fornell, Johnson, Anderson, Cha, Everitt and Bryant 1996), buys other products/services from the same company (Fornell 1992) and generates positive word-of- mouth (Anderson 1998). Gruca and Rego (2005) reveal that satisfaction plays a key role in building companies shareholder value. Fornell, Mithas, Morgeson and Krishnan (2006) also show that firms which do better in terms of satisfying customers tend to generate a superior return on investment and yield higher profits. Indeed, it is for these reasons that companies seek to develop products or services which maximize customers overall satisfaction.

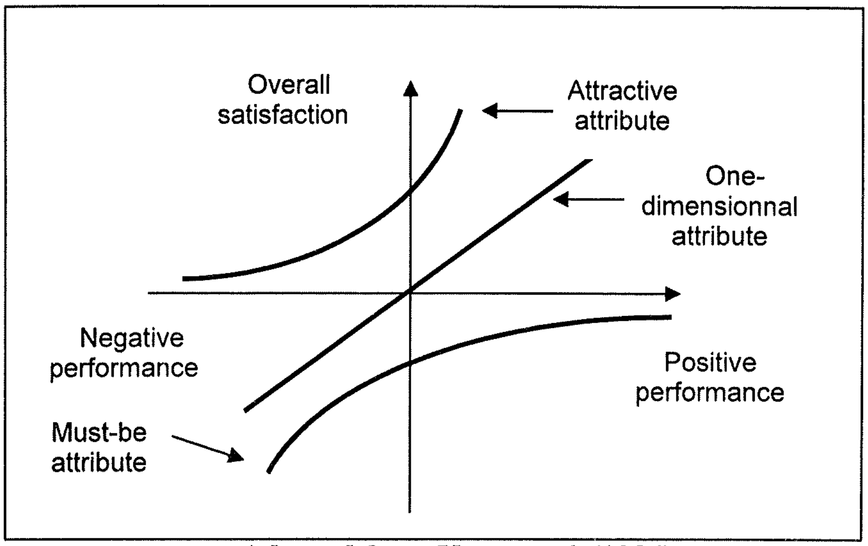
Managers should especially want to identify the product or service attributes which lead to high levels of consumers' satisfaction. To do so, marketing researchers typically measure consumers' satisfaction overall, as well as their evaluations of salient attributes. Then they often estimate attribute-importance using a linear regression model. By using this popular approach, attributes have linearly increasing returns on consumers' overall satisfaction. Indeed, whether it be a conscious view or not, today most empirical considerations of the role of attribute satisfaction on overall satisfaction judgments are considered linear in nature. However, a few scholars have suggested or shown that product or service attributes may not impact overall satisfaction in a linear and symmetric way. Relying on Herzberg, Mausner and Snyderman's bi-factorial theory, Swan and Combs (1976) show for clothes the existence of attributes contributing to an increase in consumer overall satisfaction ('expressive dimension'), while others contribute to a decrease in overall dissatisfaction ("instrumental dimension"). They conclude, in line with Herzberg et al.'s bi-factorial theory, that consumer satisfaction is not a uni-polar construct, but a bi-polar one. Satisfaction and dissatisfaction would not compensate since they are two different, independent constructs.

A few scholars in the marketing and quality management fields are currently offering the opinion that A - OSL relationships are not always linear in nature. Swan and Combs' (1976) research has been replicated and confirmed by Gnoth and Hilt (2000) (although admittedly there is controversy surrounding this replication (Maddox 1981; Yi 1990). In studying consumer satisfaction with consumer goods, Kano, Tsuji, Seraku and Takahashi (1984) revealed the existence of four main attributes: a) attributes with increasing returns on overall satisfaction (they call them 'attractive' attributes) ; b) attributes with decreasing returns on overall satisfaction (they call them 'must-be' attributes; c) attributes contributing to consumers satisfaction in a linear way (they call them 'one-dimensional' attributes) and d) attributes hardly contributing to overall satisfaction ('secondary' attributes) (refer to Figure 1 and Table 1, below). To Kano et al., attractive attributes lead to high levels of satisfaction. They can create a competitive advantage. On the other hand, 'must-be' attributes trigger high levels of dissatisfaction. For this reason, managers should first try to reach a minimum level on these attributes before concentrating on one-dimensional and attractive attributes. Kano et al.'s research has also been confirmed by others (Lee and Newcomb, 1997; Brandt, 1988; Vanhoof and Swinnen, 1998).

More recently, relying on Kahneman and Tverski's Prospect Theory (1979, 1984), Anderson and Mittal (2000), and Mittal, Ross and Baldasare (1998) suggest and show that the A - OSL linkages are often asymmetric and non-linear. Prospect theory predicts that a loss weighs more heavily than a gain on people's preferences (see Figure 2 and Table 1, below). It also forecasts that performance has decreasing returns on consumers' preferences. Transposed to consumer satisfaction, one can infer that a negative performance weighs more than a positive one. Prospect theory also suggests that performance has decreasing returns on overall satisfaction (again, see Figure 2 and Table 1), suggesting that the A/OS function is an 'S' shape function.

Figure 1

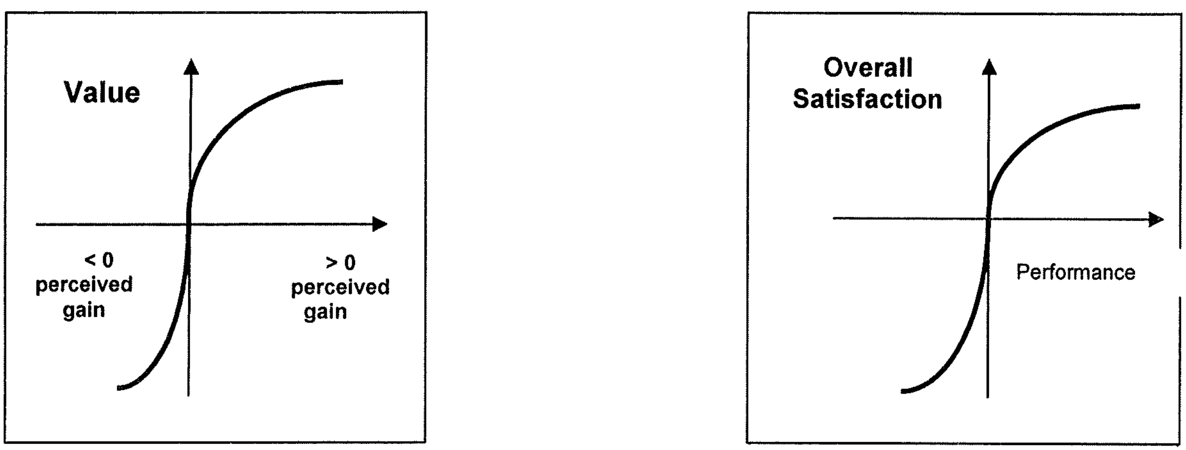
Functions Characterizing Attributes-Overall Satisfaction Links



Adapted from Kano *et al.* (1984)

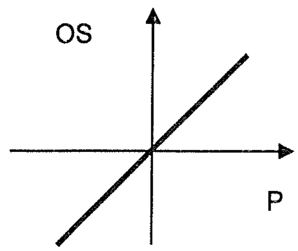
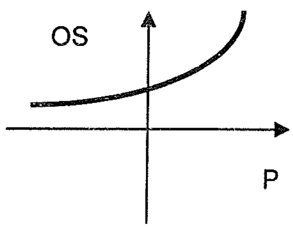
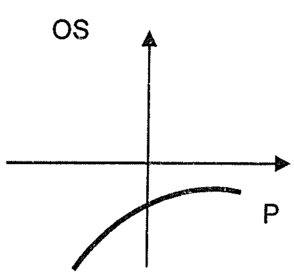
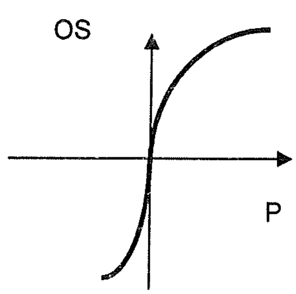
Figure 2

Transposition of Kahneman and Tversky's (1979) Prospect Theory to the Consumer Satisfaction Construct



Based on this theory, Anderson and Mittal (2000) have suggested the existence of both 'linear' and 'asymmetric non-linear' A - OSL: 'Satisfaction enhancers' (equivalent to 'attractive' attributes) and 'satisfaction maintainers', having decreasing returns on overall satisfaction and dissatisfaction (i.e. describing an 'S' shaped, sigmoid function, as illustrated in Figure 2 and ld in Table 1).

Table 1

SYNOPTIC TABLE SHOWING THE VARIOUS CONTRIBUTING FUNCTIONS IDENTIFIED AND SUBSEQUENT MANAGERIAL IMPLICATIONS	
 Fig. Ia	**One-dimensional** The link between performance (P) and overall satisfaction (OS) is linear. Performance has a proportional effect on OS. The company must perform well on these attributes which contribute to a high level of OS.
 Fig. Ib	**Attractive** The link between performance (P) and overall satisfaction (OS) is non- linear and asymmetric. A poor performance has a low impact on OS. A high performance has a more than proportional impact on OS. Attractive attributes only play a role on OS (not on overall dissatisfaction). The company must identify these attributes and reach a high level of performance.
 Fig. Ic	**Must-be** The link between performance (P) and overall satisfaction (OS) is non- linear and asymmetric. A poor performance has a strong impact on OS. A high performance has a more than proportional impact on OS. The company must identify these attributes and reach a minimum level of performance as they have the potential to create considerable damage to OS.
 Fig. Id	**Satisfaction Maintainers** The link between performance (P) and overall satisfaction (OS) is non- linear and asymmetric. The performance has decreasing returns on OS and has a threshold effect around the neutral point. The company must reach a minimum level of performance above the upper limit of the threshold. These attributes also have the potential to create great damage on OS. Managers must first obtain overall satisfaction on these attributes.

In conclusion, a method aimed at identifying A – OSL relationships, be they linear or non-linear, should be of interest to both practitioners and scholars.

Research Objectives and Methodology

This article summarizes research aimed at exploring the A – OSL linkage and uses a neural network methodology: Kohonen Self-organizing Maps (KSOM). Artificial neural networks can be seen as a paradigm encompassing various sophisticated modelling techniques developed in ways analogous to the structure of the brain (Rojas 1996). What is common to these approaches is that they are based on interconnected processing elements, neurons, that work together to produce an output function. Neural network approaches can be differentiated thanks to three elements: their neurons; their architecture, and learning law. The neurons themselves are characterized by the input data, the transfer function, and the output data. The neural network architecture refers to the way the neurons are connected together and to the number of neural layers. The learning law refers to the way the neural network learns from the data. It can either be supervised or unsupervised. When supervised, the system must be trained first: It requires input and output data to calibrate the network. It then 'learns' from the data. When unsupervised, the algorithm develops on the basis of a real data set and it does not require a training phase.

KSOM can legitimately be described as a clustering method relying on a competitive, unsupervised learning algorithm. It identifies a definite number of 'prototypes' characterizing the input data and classifies these data thanks to a Euclidian distance criterion. The input data are simple vectors. The result is a 'topological map' where prototypes are projected and organized so that each prototype is related one to another. For this reason, KSOM can be seen as a 'visualization' segmentation or clustering technique.

In summary, the KSOM algorithm can be described as follows. Once the number of clusters (i.e. the number of lines and columns of the grid) has been defined by the researcher, random vectors (called 'processing elements': w_i) are initialized in each cell of the grid. These random vectors represent the first set of cluster prototypes. The competitive, unsupervised algorithm then compares each input vector (x_i) on a Euclidian distance criterion to each w_i. It selects the closest processing elements and modifies it according to the following learning law': $w_i^{new} = w_i^{old} + \alpha(x - w_i^{old}) z_i$. In other words, it moves the processing vector a fraction α from its previous value to the entry vector x. z_i equals 0, when the processing element is not selected, and 1 when it is selected. The neighboring processing elements of the chosen w_i are also modified in a similar fashion, but to a lesser extent. The algorithm iterates the process up to convergence. The final result is the topological map (two-dimensional grid) where adjacent 'prototypes' are related to each other and share common characteristics. KSOM therefore differs substantially from traditional clustering methods, such as k-means, for example, where clusters are mutually exclusive one from another. Besides, KSOM is a 'visualization technique', which is not the case for traditional clustering techniques. It is also robust to non-normality assumptions. Certainly, KSOM can be viewed as an alternative to cluster analysis (Curry, Davies, Evans and Philips 2003). Indeed, like K-means, it classifies data thanks to an unsupervised competitive algorithm that is based on a Euclidian distance criterion.

KSOM can also be seen as a substitute to factor analysis, since its main function is to map the input data from an n-dimensional space to a lower dimensions space, while maintaining the original topological space. Kiang and Kumar (2001) find that KSOM provide solutions superior to unrotated factor solutions and that it is more robust than factor analysis when the data are skewed (which is often the case when considering satisfaction data).

Overall, KSOM can be seen as a data reducter or as a classifier, but not as a predictive method such as regression analysis, for example. It presents several advantages to study the A - OSL structure. First, it infers a definite number of functions (called 'prototypes') characterizing the A - OSL from the data. Second it classifies the input data in relation to these prototypes. Third, it provides a managerial visual tool, a topological grid, to understand and analyze these functions. Fourth, KSOM is also able to deal with a great amount of data and is able to deal with skewed data such as satisfaction data.

The Data

Having discussed and defended Kohonen Self-Organizing Maps, an example is now presented based on secondary data: A six-year longitudinal data set developed to track consumer satisfaction for a utility (electric heating) company in France. In this survey, consumer overall satisfaction as well as detailed satisfactions were measured on four-point Likert scales. The salient attributes were initially identified by conducting formal content analyses of the transcripts from two different focus group interviews.

Consistent with KSOM requirements, entry vectors must first be defined. The vectors are the followings: $(x^i_1; x^i_2; x^i_3; x^i_4; x^i_5; x^i_6)$, where x^i_j expresses the average global satisfaction evaluation for people declaring they are not at all satisfied (j =1), slightly dissatisfied (j=2), rather satisfied (j=3) or fully satisfied (j=4) with the attribute 'i'. Data, of course, were first standardized. The two secondary derivatives are also included in order to take into account function concavities. x^i_5 and x^i_6 represent the secondary derivative coordinates of the vector $(x^i_1; x^i_2; x^i_3; x^i_4)$. To estimate the classification quality, two criteria are invoked. The first one assesses the average distance between the entry classified vectors and the Kohonen defined prototype (Desmet 2001). It is called Projection Error (P.E.) and is defined as follows:

- $EP = \frac{1}{n} \times \sum_{j=1}^{n} D_j$, with n the number of input vectors and

where $D_j = \sqrt{\sum_{i=1}^{6} (x_i - w_i)^2}$ and,

$(x^i_1;x^i_2;x^i_3;x^i_4;x^i_5;x^i_6)$ represent the input vector coordinates,

$(w^i_1;w^i_2;w^i_3;w^i_4;w^i_5;w^i_6)$ the coordinates of the vector code.

A second indicator is hereby proposed which measures the average Intra-Class Distance (ICD):

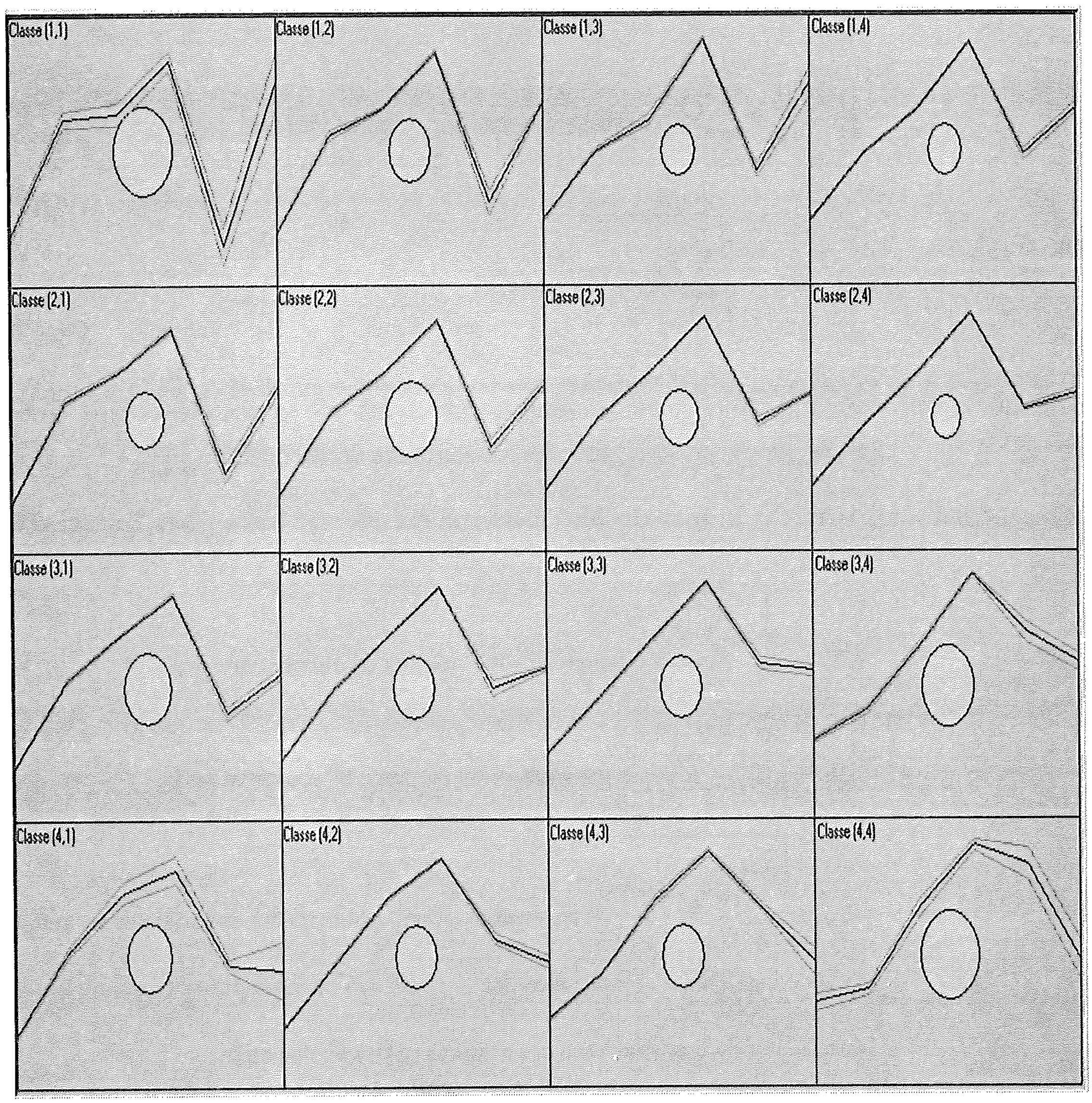
- $ICD = \frac{1}{n} \times \sum_{j=1}^{NVj} D_{Ij}$ where n is the number of clusters and,
- $DI_j = \frac{1}{NVj} \times \sum_{j=1}^{NVj} D^j_{vij}$ is the intra-class distance of vector w^j and,
- $D^j_{Vi} = \sqrt{\sum_{i=1}^{6} (w_k^{v_{ij}}{}_i - w_{jk})^2}$,Nv_j: number of neighbors to the code vector w_j and,
- $(x^i_1;x^i_2;x^i_3;x^i_4;x^i_5;x^i_6)$ represents the coordinates of the input vector and,
-
- $(w^i_1;w^i_2;w^i_3;w^i_4;w^i_5;w^i_6)$ the coordinates of the vector code.

It is standard practice to consider the classification to be of good quality when the E.P. value is smaller than the I.C.D.

Results

We ran the KSOM algorithm on the above defined entry vectors using the 'Courboscope' software, designed by E.D.F. (Electricité de France) to classify consumption patterns. A Kohonen Self-Organizing Maps Procedure is also available on SAS as well as on other software products. Analyses were run for 2 × 2; 3 × 3; 4 × 4 and 5 × 5 maps and the solution with the optimum Projection Error (P.E.) and Inter-Class Distance (I.C.D.) indicators was chosen in each instance. The P.E. and I.C.D. indices are the best for the 4 × 4 map: The P.E. equals .209 and the I.C.D. .360. This reveals that, for the 4 × 4 map, the intra-class distances are smaller than the average inter-class distances, which is not the case for the other maps. The results are portrayed in Figure 3, below

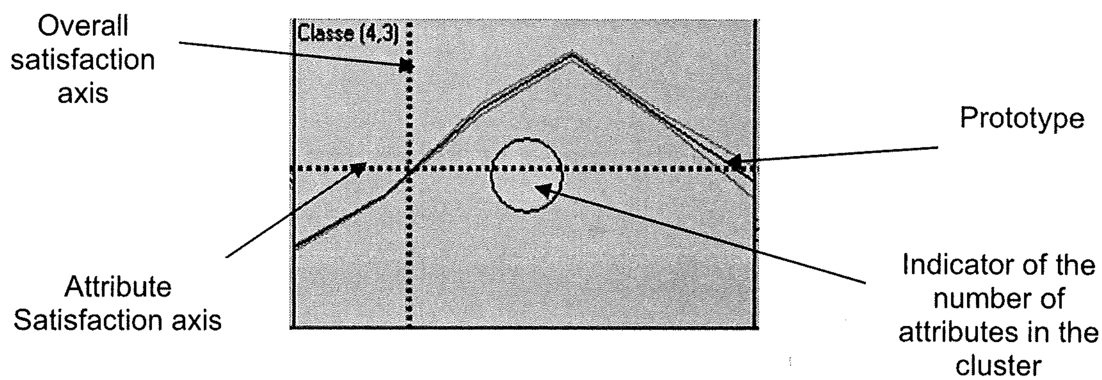
Figure 3



The above 4 × 4 Kohonen map suggests the existence of both linear and non linear attribute / overall satisfaction links (A - OSL).

Let us consider a definite cluster (cluster '4,3' from Figure 3). The horizontal axis represents the average attribute satisfaction level, and the vertical axis, the overall satisfaction level (Figure 4). The four first points define the cluster's prototype, (the third and fourth points account for secondary derivatives). The curve in the middle represents the cluster's prototype. Around each prototype, two curves are representing +/- 1.5 the standard deviation. Like E.P. and I.C.D., they provide 'visual' information on the classification's quality: When these curves are close to the prototype, the classification is considered homogenous. Information on the cluster size (i.e. number of attributes classified) is also given by circle's size.

FIGURE 4



Consistent with results summarized in Table 1, the prototype '4,3' and the related attributes are 'satisfaction maintainers'.

Overall, this Kohonen map reveals the existence of both linear and non-linear / asymmetric A - OSL. More precisely, it identifies: a) Linear or quasi-linear prototypes, (accounting for 'one-dimensional' attributes; cf. cluster '3,3'; or cluster '2,4'); b) prototypes with increasing returns on overall satisfaction ('attractive attributes'; cf. cluster '3,4' for example); c) prototypes with decreasing returns on overall satisfaction ('must-be attributes'; cf. cluster '4,1' for example); d) prototypes with increasing returns on overall satisfaction and dissatisfaction ('satisfaction maintainers', cf. cluster '4,4' for example). The results also suggest the existence of attributes with increasing returns on overall satisfaction and a threshold effect (cf. cluster '1,1'). These attributes present an indifference zone around the mean. Within this zone, the performance does not impact significantly the overall satisfaction. Outside, the performance strongly impacts customers overall satisfaction. In line with the marketing literature, we infer that this expresses an 'assimilation-contrast' effect of the performance on overall satisfaction. This is consistent with the research of Anderson (1973) and that of Woodruff, Cadotte and Jenkins (1983). Though these attributes were not taken into account in the typologies derived in this article, the results nevertheless underline the importance of analyzing A/OS links in order to optimize overall customer satisfaction.

RESEARCH AND MANAGERIAL IMPLICATIONS

The first lesson for managers to learn is that they must not consider the functions relating consumer attribute evaluation to consumer overall satisfaction as always or even necessarily linear. Indeed, our results confirm that these relationships are often more complex. This research also confirms findings from previous studies relying either on Herzberg et al.'s bi-factorial theory or on Kahneman and Tversky's prospect theory. The typology that resulted from our methodology supports the existence of attributes ('must-be' or 'satisfaction maintainers') which mostly impact consumer's *overall dissatisfaction*, while others ('attractive' or 'assimilation-contrast') have more potential to trigger off very high levels of consumer *overall satisfaction*. The research also revealed the existence of "assimilation-contrast" attributes having a neutral zone around the mean point, in line with Anderson (1973) and Woodruff et al.'s (1983) results. This finding suggests that a performance around the mean (perhaps within 1 standard deviation) does not significantly impact consumers' overall satisfaction but that high or low performances (greater than plus or minus 1 standard deviation) dramatically impact overall satisfaction / dissatisfaction.

In general, the typology uncovered suggests three main managerial actions. First, it encourages managers to prevent dissatisfaction by focusing on 'must-be', 'assimilation-contrast' and 'satisfaction maintainers', each of which has the potential to cause great damage to overall satisfaction. A certain minimum level of performance has to be reached on these attributes. Managers should then pay attention to 'one dimensional' and 'attractive' attributes which can contribute to high levels of overall satisfaction. In particular, 'attractive' attributes can create very high levels of satisfaction. That is why managers should try to detect these attributes and strongly invest in them. Presence of these attributes (and the emphasis placed on them as connected to the company's brand or service marketing communication tactics) can create a competitive advantage. It also should be noticed that assimilation-contrast attributes have increasing returns on overall satisfaction. It is therefore important to detect the minimum required level that enables performance to strongly impact satisfaction.

This article also points out the usefulness of KSOM as a tool to characterize A - OSL and to classify the contribution of attributes to overall satisfaction. This neural network approach defines prototypes of the A - OSL on the basis of satisfaction data measured on Likert or other scales that have interval scale properties, and provides managers with a typology diagram where prototypes are related. Also of interest is the fact that KSOM, while defining clusters with neighbouring properties, enables the tracking of the attributes / overall satisfaction functions over time. Moreover, since it is possible to project new entry vectors on a previously defined grid, KSOM enables benchmarks over time or across products / services. Finally, KSOM is a very powerful tool to visualise the A – OSL linkage, as it is not sensitive to data non-normality and it can deal with very large databases. It therefore should be very useful to managers seeking to identify the levers of consumer satisfaction.

CONCLUSION

This article demonstrates how the KSOM neural network approach can be used to explore, analyse and track consumer satisfaction. This methodology provides managers with tools to understand and identify product / service attributes which lead to high levels of overall consumer satisfaction. More precisely, this article discussed an application of KSOM for a service and it revealed the existence of six general types or categories of attributes: 'Attractive'; 'one-dimensional'; 'must-be'; 'assimilation-contrasts'; 'satisfaction maintainers' and 'secondary'. More work is now needed to replicate these findings for others product types, for both the consumer goods and B2B sectors. More work is also needed to understand why a particular attribute belongs to a specific attribute category type.

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