ASSESSING THE EFFECTS OF POST-PURCHASE DISSATISFACTION AND COMPLAINING BEHAVIOR ON PROFITABILITY: A MONTE CARLO SIMULATION

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ABSTRACT

The authors present a Monte Carlo simulation demonstrating the effect of post-purchase dissatisfaction and complaining behavior on profitability. Although it is widely believed that improvements in complaint management can increase profits, empirical evidence is lacking. Based on pre-specified probabilities of complaint behaviors, and inputs regarding different outcomes (specifically justice, repatronage, and word-of-mouth), a simulation model is developed. The model allows one to estimate the opportunity costs of post-purchase dissatisfaction and complaint behavior. "What if" analyses are also conducted in order to estimate the impact of changes in complaint management and recovery outcomes on profitability.

INTRODUCTION

Numerous studies report that many retailers and service providers lose a substantial number of customers each year because of post-purchase dissatisfaction (Smith and Bolton 1998; Grainer 2003, Bougie, Pieters, and Zeelenberg 2003). The source of this dissatisfaction typically stems from an inadequate or defective product or service offering, and/or shoddy customer service. It is critical to develop policies and procedures to effectively address post-purchase dissatisfaction because disgruntled customers who do not complain tend to compensate by frequenting the retailer or service provider less often and/or by purchasing fewer items or services (Chebat, Davidow, and Codjovi 2005). And, although many dissatisfied customers do voice their complaints – and thus give the retailer or service provider an opportunity to recover – a large number of these complainants end up "defecting" because the seller's recovery efforts are somehow insufficient (Maxham and Netemeyer 2002). The end result for retailers and service providers is lost sales and profits.

There is ample evidence that retailers and service providers can substantially improve their profitability by retaining a greater percentage of dissatisfied customers via more effective recovery efforts (Tax, Brown, and Chandrashekaran 1998). Indeed, several researchers have found that customer retention – in general – has a substantial impact on profitability (Anderson and Sullivan 1993; Reichheld 1996). Not only is it less costly to retain current customers as compared to attracting new patrons (Hart, Heskett, and Sasser 1990; Fornell and Wernerfelt 1988), there is also evidence that complainants who are satisfied with the recovery process oftentimes became more loyal, and hence more profitable customers (TARP 1986).

Over the years a growing body of research has investigated the impact of various strategic marketing initiatives – such as complaint management, service quality, and customer satisfaction – on key performance indicators such as market share, shareholder value, and customer lifetime value (Rust, Zahorik, and Keiningham 1995; Berger and Nasr 1998; Zeithaml 2000;

Kamakura et al. 2002). Fornell and Wernerfelt (1988), for example, demonstrated that effective complaint management can result in increased levels of market share. Similarly, Anderson, Fornell, and Lehmann (1994) found that firms that achieve higher levels of overall customer satisfaction experience greater economic returns.

Building upon this line of research, the objective of this study is to assess the impact of post-purchase dissatisfaction and complaining behavior on profitability. Although a plethora of studies have found a significant relationship between the recovery process and repatronage intentions (Blodgett, Hill, and Tax 1997; Tax, et al. 1998; Rust, Subramanian, and Wells 1992) the effect of complaint outcomes on profitability has not been explicitly quantified. In order to address this gap in our knowledge we present a Monte Carlo simulation that estimates the potential increase in profits resulting from more effective complaint management and recovery efforts. It should be noted that by doing so this study addresses a key priority of the Marketing Science Institute (2000) to link the effects of strategic marketing expenditures to financial outcomes such as profitability and net value.
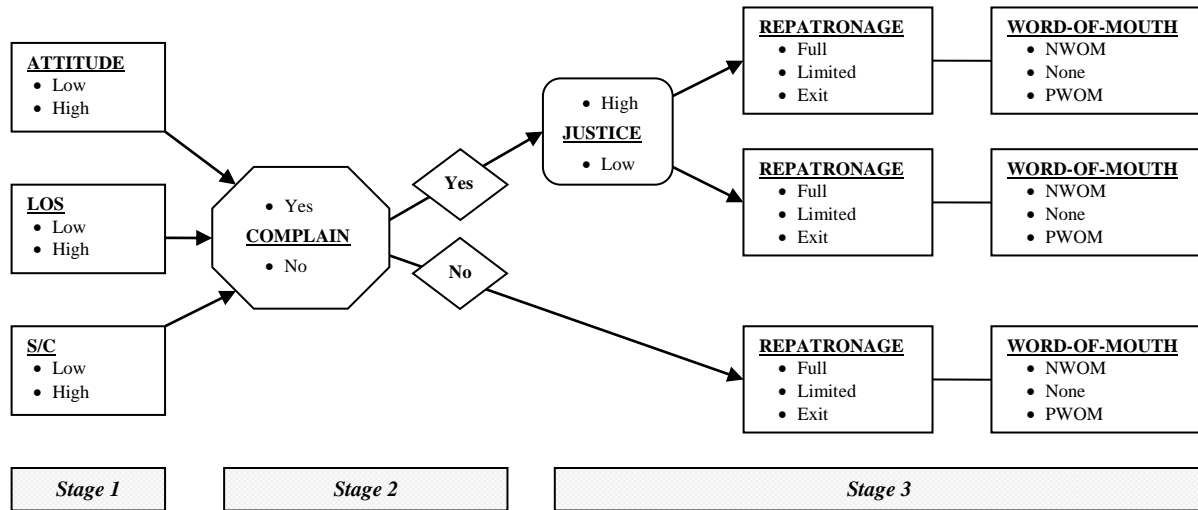
THE COMPLAINING BEHAVIOR & RECOVERY PROCESS

The underlying model upon which the simulation is based is shown in Figure 1. This model depicts complaining behavior and recovery outcomes as a series of contingent events – somewhat like a decision tree – in which the probabilities of repatronage and word-of-mouth behavior vary under different circumstances (see Blodgett and Anderson 2000 for additional perspective on these points). The process begins post-purchase when a customer experiences dissatisfaction. At this point the customer must decide whether or not to complain to the seller. Variables that influence this decision include attitude toward complaining, likelihood of success, and stability/controllability attributions. Customers who do not voice their complaint to the seller are more likely instead to react by limiting future purchases from the seller; and, in order to alleviate cognitive dissonance they might also engage in negative word-of-mouth (Stephens and Gwinner 1998). Fortunately, many dissatisfied consumers do complain to the seller and request a refund, exchange, or some other form of redress. The future behavior of these complainants is then largely dependent upon the seller's recovery efforts (Tax et al. 1998). Complainants who are pleased with the recovery process/outcome (and thus perceive that justice has been done) are more likely to repatronize the seller, and might even engage in positive word-of-mouth; whereas complainants who are unhappy with the seller's recovery efforts (and thus perceive a lack of justice) are more likely to defect and to warn others not to shop at the seller.

FIGURE 1

The Consumer Complaining Behavior Process Underlying the Simulation Model

Stage 1	Stage 2	Stage 3

ATTITUDE
- Low
- High

LOS
- Low
- High

S/C
- Low
- High

COMPLAIN
- Yes
- No

Yes → **JUSTICE**
- High
- Low

REPATRONAGE
- Full
- Limited
- Exit

WORD-OF-MOUTH
- NWOM
- None
- PWOM

No →

REPATRONAGE
- Full
- Limited
- Exit

WORD-OF-MOUTH
- NWOM
- None
- PWOM

Given that the variables specified in the model have been extensively discussed in the literature this paper provides only a brief review of these constructs. Attitude toward complaining refers to an individual's predisposition to seek redress when dissatisfied with a product or service. Some consumers are more assertive and will more readily request a refund or exchange when dissatisfied, whereas others are reluctant to do so. Likelihood of success reflects the consumer's perception as to the probability of readily obtaining sufficient remedy from the seller. Dissatisfied consumers who perceive that the seller's policy is to provide a hassle-free remedy are likely to give the seller an opportunity to do so, whereas dissatisfied consumers who perceive that the recovery process would be contentious and unproductive are more likely instead to defect and bad-mouth the seller. Stability is an attribution as to whether or not the problem is common, while controllability is an attribution as to whether or not the problem could have been prevented. Consumers who attribute the problem to controllable and/or stable causes are less likely to complain and instead are more likely to engage in negative word-of-mouth (Blodgett and Anderson 2000). Once a dissatisfied customer seeks redress the seller's recovery efforts begin, ultimately resulting in the complainant's perception of justice, which in turn affects his/her subsequent patronage and word-of-mouth behavior. Justice is multidimensional, encompassing the perceived fairness of the remedy offered by the seller (i.e., distributive justice); the nature of the interaction between the complainant and the seller (i.e., interactional justice), and the processes and procedures that determined the outcome (i.e., procedural justice). Complainants typically weigh these three dimensions in a compensatory manner. For example, a number of studies (e.g., Blodgett, Hill, and Tax 1997) have found that complainants who receive the desired outcome, but experience tense or unpleasant interactions with the seller, typically perceive an overall lack of justice. At the same time, many complainants who do not receive a full refund or exchange, but experience pleasant and respectful

interactions with the seller, report high overall levels of justice. Dissatisfied customers who do not complain and thus do not go through the recovery process, by default, do not form a perception of justice.

SIMULATION

The impact of complaint management and recovery on profitability is assessed via a Monte Carlo simulation. Simulation, in general, is a technique that imitates the operation and mechanism of a complex real-world system characterized by uncertainties and nonlinearities. In doing so it also allows for "what if" analyses based on differing conditions. Simulation has become one of the most widely used operations research techniques and has been applied in areas such as manufacturing and inventory systems, communication and transportation networks, service operations, and supply chain analysis, etc.; see Banks et al. (2004) and Law (2007). Monte Carlo simulation, in particular, is a sampling technique that generates values for random variables in a stochastic system from known (or pre-specified) probability distributions. It is one of the most popular simulation techniques among the business disciplines, and has been applied in statistics, bioinformatics, finance, industrial engineering, and operations management. For a detailed discussion on Monte Carlo simulation see Fishman (1996).

In this particular study the randomness of the simulation model is generated from two sources: customers and retailers. Dissatisfied customers' decisions as to whether or not to complain, complainants' perceptions of justice, repatronage, and word-of-mouth behavior are modeled as stochastic variables, based upon known probability distributions. In order to estimate the impact of complaint behavior and recovery outcomes on profitability certain retail inputs are also required. These inputs pertain to an array of variables – e.g., the average dollar value of a single transaction, average annual purchases of a customer prior to dissatisfaction, retailers' gross margins, the opportunity costs resulting from negative word-of-mouth, the extent of repatronage – and result in different payoffs across the various outcomes. Details regarding these parameters will be discussed next.

Pre-Specified Probabilities

The simulation model was initialized using known probabilities regarding complaining behavior and recovery. Prior and conditional probabilities regarding each of the independent and dependent variables were taken from a Bayesian model developed by Blodgett and Anderson (2000). Their data comes from a study of 502 consumers who experienced dissatisfaction with a product purchased at a retail store. A wide variety of retailers were represented in their sample, including department stores, specialty stores, discount stores, and mass merchants. In this study the independent and dependent variables were modeled as categorical variables, with attitude toward complaining, likelihood of success, stability/controllability, and perceived justice each reflecting a "high" or "low" state. The dependent variables, repatronage behavior and word-of-mouth, consisted of three categories. Dissatisfied customers reported that they 1) continued to patronize the seller on a regular or "full" basis, 2) shopped at the seller less often, on a "limited" basis, or 3) "exited" (i.e., defected). Some dissatisfied customers engaged in 1) negative word-of-mouth, while others reported 2) positive word-of-mouth behavior, or 3) no word-of-mouth.

The authors reported that 54% of the respondents complained to the seller (i.e., requested a refund, credit, exchange, or repair, etc.), whereas 46% did not seek redress. Of those who complained to the

seller, 76% reported a high level of justice whereas 24% perceived a low level of justice. Fifty-five percent of the 502 respondents had a favorable attitude toward complaining, 55% perceived a high likelihood of success, and 57% believed the problem to be neither stable nor controllable. An examination of conditional probabilities reveals the influence of these independent variables. For example, 72% of the complainants had a favorable attitude toward complaining, as compared to only 35% of the non-complainers; likewise, 74% of the complainants had initially perceived a high likelihood of successful redress versus only 31% of the non-complainers. Similarly, a greater percentage of complainants (63%) felt that the underlying cause of the problem was neither stable nor controllable, as compared to non-complainants (50%). See Table 1, below.

TABLE 1			
Prior and Conditional Probabilities			
	Prior Probabilities	**Conditional Probabilities**	
	All 502 Respondents	**Non-Complainers (46%)**	**Complainants (54%)**
Attitude = high	.55	.35	.72
Attitude = low	.45	.65	.28
Likelihood = high	.55	.31	.74
Likelihood = low	.45	.69	.26
Stable/Control = high	.43	.50	.37
Stable/Control = low	.57	.50	.63
Justice = high	n/a	n/a	.76
Justice = low	n/a	n/a	.24

Table 2 lists the conditional probabilities of repatronage and word-of-mouth. These probabilities vary considerably across non-complainers, complainants who experienced a high level of justice, and complainants who reported a lack of justice. For example, 67% of "high-justice" complainants continued to patronize the seller on a full basis, as compared to only 28% of "low-justice" complainants and 25% of non-complainants. Only 1% of high-justice complainants defected, versus 4% of non-complainants and 14% of low-justice complainants. Similarly, only 22% of high-justice complainants engaged in negative word-of-mouth, as compared to 67% of low-justice complainants and 72% of non-complainants. Forty-six percent of high-justice complainants engaged in positive word-of-mouth, and thus created goodwill (again, see Blodgett and Anderson 2000).

TABLE 2
Conditional Probabilities of Repatronage and Word-of-Mouth

	Non-Complainers	Complainants	
		Justice = High	**Justice = Low**
Full Repatronage	.25	.67	.28
Limited Repatronage	.71	.32	.58
Exit/Defect	.04	.01	.14
Negative WOM	.72	.22	.67
No WOM	.28	.32	.33
Positive WOM	.00	.46	.00
N = 502. Non-complainants = 46%, Complainants = 54%. Of the complainants, 76% reported a high level of justice; 24% reported a low level of justice.			

Retail Inputs

As previously discussed, in order to estimate the impact of improvements in complaint management/recovery on profitability a number of retail inputs are required. These inputs, when applied to the various repatronage and word-of-mouth outcomes result in different "payoffs" – in terms of profitability – across non-complainers, complainants who experience high-justice, and complainants who encounter low-justice.

For the sake of parsimony, the inputs were based on the assumption that in each instance the source of the dissatisfaction was a mediocre or defective item purchased from a traditional retailer. Extrapolating from descriptive statistics reported by Blodgett, Granbois, and Walters (1993) it was assumed that prior to the dissatisfaction each customer had been shopping at that store on an ongoing basis, purchasing (on average) items totaling $800 per year. It was also assumed that the focal product (i.e., the source of the dissatisfaction) was priced at $75, and that the retailer maintains a 33% gross margin. Other

assumptions are that under conditions of high-justice complainants received either a full refund or an exchange, and that under conditions of low-justice complainants received either an exchange or nothing at all. The "out-of-pocket cost" of a refund or exchange was then calculated taking into consideration the retail margin earned on the original purchase, and it was assumed that the retailer could not charge back the cost of the item to the manufacturer. Furthermore, a $25 "recovery fee" was added in the case of high-justice to reflect the additional cost of superior customer service.

It was assumed that the payoffs resulting from the various levels of repatronage differ across complainants who encounter a high level of justice as compared to those who perceive a lack of justice, and to non-complainers. Given that prior research has shown that complainants who are highly satisfied with the seller's recovery efforts oftentimes become more loyal customers (Hocutt, Bowers, and Donavan 2006; Magnini et al. 2007) it was estimated that under conditions of high-justice "full" repatronage results in subsequent purchases of $1000 per

year; whereas under conditions of low-justice and for non-complainers full patronage remains at $800 per year. Because their overall experiences with the seller are quite different we feel that it is reasonable to assume that "limited" repatronage will also differ across the three groups (Hogan, Lemon, and Libai 2003). Accordingly, under conditions of high-justice limited repatronage was estimated at $500, whereas for non-complainers it was estimated at $400. Keeping in mind that under conditions of low-justice complainants have twice experienced dissatisfaction their limited repatronage was estimated at $300 annually. Of course, in all situations "exit" results in a complete lack of future purchases by that customer.

Based on previous research (Anderson 1998; Hogan et al. 2003) it is estimated that negative word-of-mouth has a detrimental effect on the seller, resulting in "opportunity" costs. These costs are due to "lost" sales from current or potential customers who avoid the retailer because of a dissatisfied customer's comments and/or criticism. Assuming that the valence and intensity of these word-of-mouth communications vary across the different situations (i.e., non-complainers, high-justice and low-justice complainants) the opportunity costs vary accordingly. In conditions of low-justice complainants are apt to be highly critical of the seller and to "get even" by warning numerous others about the seller (Bougie, Pieters, and Zeelenberg 2003), and thus the opportunity cost of their negative word-of-mouth is estimated at $400 per year. Complainants who experience a high level of justice most likely are less critical in their comments, and thus the opportunity cost of their negative word-of-mouth is estimated at $200 annually. Although negative word-of-mouth by non-complainers is probably less pointed than of that of low-justice complainants it probably is somewhat more critical than that of high-justice complainant, and thus the opportunity cost in this situation

is estimated at $300 per year. Finally, it is assumed that positive word-of-mouth creates goodwill and leads to new customers (Wangenheim and Bayón 2007), and is estimated to increase sales of other customers by $200 per year. Based on previous research which indicates that consumers weigh negative information more heavily than positive information (Brown et al. 2005) this estimate seems reasonable.

The repatronage and word-of-mouth behavior of dissatisfied customers have long-term consequences, manifesting themselves over several years. Accordingly, the financial impact of complaint management and recovery was assessed by calculating the net present value of the profits earned from purchases by these customers over the next three years, taking into consideration the costs of remedying complaints, and accounting for sales lost (i.e., opportunity costs) or gained (i.e., goodwill) due to word-of-mouth, using an 8% discount rate.

Absolute vs. Relative Measure of Profitability

It is important to note that the absolute levels of profitability as estimated by the simulation model – in and of themselves – are not of any particular relevance. Instead, knowing that the prior probabilities and retail inputs are arbitrary the resulting net present values should be evaluated in relative terms. In this case the estimated values can be compared to a base rate that reflects a "best case" scenario; e.g., in which all dissatisfied customers continue to patronize the seller on a regular basis. This type of relative measure best illustrates
the impact of a particular set of outcomes on profitability, and thus is more informative and relevant than an absolute measure. Accordingly, a base rate will be developed later in the paper to provide a standard unit of measurement.

MONTE CARLO SIMULATION MODEL

In order to simulate the consumer complaint and recovery model the *state variables* were specified, as follows:

$ATTITUDE$ = {High, Low}

LOS = {High, Low}

S/C = {High, Low}

$COMPLAIN$ = {Yes, No}

$JUSTICE$ = {High, Low}

$REPATRONAGE$ = {Full, Limited, Exit}

$WORD\text{-}OF\text{-}MOUTH$ = {PWOM, None, NWOM}.

As per Blodgett and Anderson (2000) each variable consisted of two (e.g., High, Low) or three (e.g., Full, Limited, Exit) states. Having established these variables the Monte Carlo simulation proceeded in three stages. In Stage 1 the independent variables *ATTITUDE*, *LOS* and *S/C* were instantiated based on their prior probabilities (as listed in Table 1). For example, the probability of *LOS*=High was set at .55, and the probability of *LOS*=Low was set at .45. In Stage 2 the state of *COMPLAIN* (Yes or No) was determined based on the conditional probability: P (*COMPLAIN|ATTITUDE, LOS, S/C*). In other words, the probability that a dissatisfied consumer would complain to the

seller was conditional on the joint probability of the three independent variables. The various combinations of the three independent variables resulted in eight sets of joint probabilities, as shown in Table 3.

In practical terms, these probabilities reflect the odds that a dissatisfied customer who is characterized by a specific combination of *ATTITUDE, LOS,* and *S/C* will complain to the seller. In terms of simulation mechanics, these probabilities reflect the odds that the random number generator will select *COMPLAIN*=Yes or *COMPLAIN*=No, given a particular combination of the independent variables. In Stage 3 the states of *REPATRONAGE* (Full, Limited, or Exit) and *WORD-OF-MOUTH* (PWOM, None, NWOM) were determined, based on the conditional probabilities shown in Table 2.

As previously discussed, these probabilities vary; i.e., depending on the state of *COMPLAIN* (as determined in Stage 2) and the state of *JUSTICE* (which is instantiated when *COMPLAIN*=Yes). Consequently, the odds that a particular *REPATRONAGE* or *WORD-OF-MOUTH* outcome will occur vary considerable across non-complainers, complainants who experience a high level of justice, and complainants who perceive a lack of justice.

In summary, the model simulates the real world by forecasting whether complainants and non-complainers will engage in positive or negative word-of-mouth, and whether each individual will patronize the seller on a regular or a limited basis in the future (or exit), based upon a pre-determined set of probabilities.

TABLE 3 **Conditional Probability of *COMPLAIN* Used in Stage 3 of the Simulation**				
			P(*COMPLAIN*)	
ATTITUDE	**LOS**	**S/C**	**Yes**	**No**
Low	Low	Low	0.18	0.82
High	Low	Low	0.52	0.48
Low	High	Low	0.59	0.41
High	High	Low	0.88	0.12
Low	Low	High	0.12	0.88
High	Low	High	0.39	0.61
Low	High	High	0.46	0.54
High	High	High	0.81	0.19
These probabilities reflect the odds that a dissatisfied customer who is characterized by a particular level of ATTITUDE, LOS, and S/C will complain to the seller.				

Simulation Results

The simulation model was implemented in Microsoft Excel using @Risk Simulation Analysis Excel Add-in. The results were based on 10,000 iterations. Based on the states of *COMPLAIN, JUSTICE, REPATRONAGE,* and *WORD-OF-MOUTH* the model generated a present value for each iteration. These figures were then averaged to determine the net present value of a customer who experienced dissatisfaction.

As previously discussed, the net present value generated by the model can be evaluated in relation to a base rate that reflects a best-case scenario. In this case, the best-case standard is defined as the net present value of a regular customer – who does not experience dissatisfaction with a product, and thus continues to shop at a rate of $800 per year and engages in no word-of-mouth – over three years at 8% interest. The resulting base rate is $687.

Based on the prior and conditional probabilities reported by Blodgett and Anderson (2000) and the retail inputs previously specified, the simulation resulted in a present value of $382, which is only 56% of the base rate. These figures illustrate that dissatisfaction can have a substantial impact on profitability. Given a situation in which many dissatisfied customers do not seek redress, and in which some complainants experience a lack of justice, the seller ends up losing out on 44% of the future profits that would have been realized had these customers not experienced dissatisfaction.

It is informative to examine the results even further, and compare the net present values across the different possible outcomes (see Table 4). For example, compared to a base rate of $687, the net present value of a complainant who experiences a high level of justice and hence becomes a more loyal customer and engages in positive word-of-mouth actually increases to $968 (i.e.,

because of increased purchases and goodwill due to PWOM); whereas the net present value of a complainant who subsequently perceives a lack of justice and hence limits future patronage and engages in negative word-of-mouth is estimated at -$111. Similarly, the net present value of a non-complainer who does not engage in any word-of-mouth but limits future patronage is estimated at $344 (which is approximately 50% of the base rate), while the net present value of a non-

complainer who exits and gets even via NWOM is estimated at -$258. Overall, the weighted average net present value of a complainant who experiences a high level of justice is $719, as compared to $230 for a non-complainant and $87 for a complainant who subsequently encounters a low level of justice. These figures certainly demonstrate the effects that the different recovery outcomes can have on profitability.

TABLE 4 Net Present Values Across Conditions (in $$'s)				
REPAT	**WOM**	**High-Justice Complainants**	**Low-Justice Complainants**	**Non-Complainers**
Full	PWOM	968	834	859
Full	None	796	662	687
Full	NWOM	625	319	429
Limited	PWOM	625	–	–
Limited	None	453	233	344
Limited	NWOM	281	-111	86
Exit	PWOM	109	–	–
Exit	None	-63	-25	0
Exit	NWOM	-234	-369	-258
Weighted Average NPV		719	87	230
The weighted average is based on the joint probabilities of REPATRONAGE and WORD-OF-MOUTH, which vary across the three groups.				

"What If" Analyses

A benefit of the simulation model is that sensitivity analyses can be conducted. For example, one can estimate how improvements in complaint management and recovery efforts would affect profitability by modifying the underlying assumptions of the model; e.g., the probability that dissatisfied customers would complain to the seller, as well as the probability that complainants would experience a high level of justice. The

resulting values can then be compared to that of the original model.

To illustrate this type of "what if" analyses a truncated version of the simulation model was employed, in which the probabilities of complaining and justice were varied. In order to simplify the calculations the independent variables (ATTITUDE, LOS, and S/C) were dropped from the model. We then let both P (*COMPLAIN*=Yes) and P (*JUSTICE*=High) vary in the set of probabilities {0.1, 0.2, …, 0.9}. For each

scenario represented by the pairing of the two sets of probabilities, we ran the corresponding simulation model 10,000 iterations. The mean payoff values are shown in Table 5. These figures can be compared to the net present value resulting from the original model; i.e., $382. Table 5 shows, for example, that if the seller can increase the probability of *COMPLAIN*=Yes to .60 (i.e., from the original value of .54) and the probability of *JUSTICE*=High to .80 (i.e., from the original value of .76) the present value will increase by 21%, to $463. Similarly, if the probability of COMPLAIN=Yes can be increased even further, to .70, and the probability of JUSTICE=High improved to .90 the expected value increases by 51%, to $576. For a large retailer or service provider, such increases in present value could be substantial when applied across multiple dissatisfied customers. Indeed, this type of sensitivity analysis is valuable; by estimating how changes in complaint management policies and procedures might affect recovery outcomes a seller can determine if the incremental profits outweigh the costs of these improvements.

TABLE 5

Mean Present Values Across Combinations of P(*COMPLAIN* =Yes AND *JUSTICE* =High)

		Probability of *COMPLAIN* = Yes								
		.1	.2	.3	.4	.5	.6	.7	.8	.9
Probability of *JUSTICE* = High	.1	31	31	29	28	29	24	23	22	21
	.2	35	40	41	45	47	53	60	65	70
	.3	41	51	60	68	76	86	98	08	18
	.4	47	63	80	92	05	21	37	51	68
	.5	50	72	94	13	35	56	79	99	21
	.6	57	85	11	38	65	92	17	44	71
	.7	62	95	28	60	94	27	60	89	22
	.8	69	06	45	85	25	63	99	37	73
	.9	74	17	58	02	44	87	32	76	18

These figures should be compared to that of the original model, $382.

DISCUSSION AND MANAGERIAL IMPLICATIONS

This study has demonstrated the impact of complaining behavior and re-covery outcomes on profitability. Although it has always been assumed that retailers and service providers can benefit by encouraging dissatisfied customers to complain, and by ensuring that complainants receive the outcomes they desire, the literature is short on hard evidence. The simulation model discussed in this paper is a step in the right direction. Based on empirically derived prior and conditional probabilities the results indicate that, on average, retailers realize significantly lower profits from customers who experience dissatisfaction. Profits vary considerably, though, depending on whether dissatisfied customers complain to the seller, and if so, whether they experience a high level of justice (again, see Table 4). Importantly, the model can also be used to estimate how changes in complaint management policies and procedures would affect the profitability of dissatisfied customers. One can simulate the effect of such changes by modifying the probabilities that a dissatisfied customer would perceive a high likelihood of successful redress and that a complainant would experience a high level of justice, etc., as well as the probabilities of full and limited repatronage and positive and negative word-of-mouth behavior. The present value resulting from these assumptions can then be compared to that of the original simulation model to determine the impact on profitability. This type of sensitivity analyses can indeed lead to more informed decision making. Furthermore, if it truly is more expensive to attract new customers as it is to retain dissatisfied customers then the potential for increased profitability via more effective complaint management and recovery practices is even greater than indicated by the model.

Limitations

The probabilities used to instantiate the simulation model and the retail inputs used to estimate the various payoffs should not be viewed as representative of retailers in general, nor of any retailer in particular. Although the probabilities were based on empirical data, and the retail inputs are reasonable, the results are merely illustrative. Nonetheless, the simulation model is still relevant and informative. Given that the various probabilities and retail inputs can easily be modified to reflect the situation faced by any particular retailer, and the results can be compared to a valid base rate, this type of simulation model can be a valuable managerial tool.

Future Research

Although the Monte Carlo simulation model is indeed stochastic it is relatively simplistic. More sophisticated models can be developed to allow for variance in the prior and conditional probabilities, and in the retail inputs. For example, the probabilities of repatronage and word-of-mouth could be modeled as being dependent, in part, upon the cost of the defective item. Similarly, inputs for full and limited repatronage could be dependent upon the level of prior purchases, which could vary across different customers. Additional independent variables can also be added to more precisely model the effects of situational variables on dissatisfied customers' decision to complain and seek redress. Inputs could also be modified to reflect increasing costs of recovery as the probabilities of complaining and high-justice increase. Indeed, many additions and modifications can be made to the complaint management and recovery simulation model so that it better imitates real-world conditions, and hence leads to more informed decision making.

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SATISFACTION THEORY
AND THE DISADVANTAGED CONSUMER

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ABSTRACT

Previous research suggests that satisfaction processes may vary across different types of products and different time periods, but little research has sought to determine if satisfaction processes vary across different consumer groups. This qualitative study of disadvantaged consumers compares the existing satisfaction paradigm with consumers' actual consumption experiences to highlight limitations and deficiencies with the current theory as it applies to disadvantaged consumers. The results indicate that disadvantaged consumers do not seem to form or articulate prepurchase expectations, while performance, equity, and affect appear to play strong roles in their satisfaction judgments. Equity in terms of interactional fairness was especially dominant for services. The disadvantaged consumers in this study also failed to complain when dissatisfied, passively accepting inferior service and products. Implications for researchers, public policy makers, and marketing managers are discussed.

INTRODUCTION

Customer satisfaction remains a central construct in marketing as companies continue to keep customer satisfaction as one of their primary goals (Fornell 1992; Morgan, Anderson, and Mittal 2005; Oliver 1997). As a result, a considerable amount of consumer satisfaction research in the last 30 years has focused on the discovery of the antecedents and outcomes of satisfaction. Many theoretical models of the satisfaction process have been developed and tested, and strong support for several antecedents has been found, including expectations (Bearden and Teel 1983; Churchill and Surprenant 1982; Oliver 1980, 1981), disconfirmation (Bearden and Teel 1983; Churchill and Surprenant 1982; Oliver 1981), performance (Churchill and Surprenant 1982; Oliver and DeSarbo 1988), experience-based norms (Woodruff, Cadotte, and Jenkins 1983), equity/fairness (Bowman and Das Narayandas 2001; Davidow 2003; Oliver and DeSarbo 1988; Oliver and Swan 1989a), affect/emotion (Westbrook 1980, 1987; Westbrook and Oliver 1991), desires congruency (Spreng and Olshavsky 1993; Spreng, MacKenzie and Olshavsky 1996), and causal attributions (Folkes 1984; Oliver and DeSarbo 1988) to name a few. The expectancy-disconfirmation framework, in particular, has garnered considerable attention, and variations of Oliver's (1980) model continue to build the satisfaction literature base.

While previous research on satisfaction suggests that satisfaction processes may vary across different types of products and different time periods (e.g., Cadotte, Woodruff, and Jenkins 1987; Churchill and Surprenant 1982), little research has sought to determine if satisfaction processes vary across different consumer groups. Furthermore, the traditional focus on the expectancy-disconfirmation framework, or any other single satisfaction paradigm, may limit our understanding of customer satisfaction and its antecedents and consequences for all consumers (Fournier and Mick 1999; Iacobucci, Grayson, and Ostrom 1994; Arnould and Price 1993). For example, consumers who lack the knowledge and/or experience to conceptualize prepurchase

expectations in post-consumption measurement contexts should not logically be subjects of an expectancy-disconfirmation study. This example applies to the subjects of this study—disadvantaged consumers.

It is important to study disadvantaged consumers as they represent an important component of the U.S. economy, and researchers need a better understanding of this group. While specific estimates regarding the size of this group are not available since disadvantaged consumers represent a variety of sub-groups (i.e., lower income, elderly, lower education, illiterate, etc.), a recent study provides some insight into the potential size and importance of this group. Information Resources, Inc. (IRI), one of the world's largest marketing research companies, recently released a report focusing on lower income shoppers (Information Resources, Inc. 2007). While lower income shoppers do not completely represent all disadvantaged consumers, it does provide a general sense as to the size and buying power of this group. The IRI report indicates that lower income households will spend $85.3 billion on consumer packaged goods in 2007 and that "lower income households are one of the hottest opportunities in the marketplace." In addition, the report states that "almost four out of every 10 consumers are considered lower income, representing one of the most underserved shopper segments in the United States." Given the size and spending power of this group (not to mention the public policy responsibility of marketers), it is important that researchers (once again) focus their attention on disadvantaged consumers.

Previous research suggests that disadvantaged consumers differ from other consumers in a number of ways and that traditional models may not adequately represent the pre-consumption, consumption, and post-consumption experience of these consumers (cf. Andreasen 1993; Capon and Burke 1980; Viswanathan, Rosa, and Harris

2005). Therefore, this study examines consumer satisfaction among disadvantaged consumer groups using qualitative techniques similar to those of Fournier and Mick (1999) in which subjects are allowed to describe their consumption experiences in depth. The goal of this exploratory research is to compare the existing satisfaction paradigm with the actual experiences of disadvantaged consumers to highlight limitations and deficiencies with the current theory as it applies to disadvantaged consumers.

The article is organized as follows. First, an overview of the concept of disadvantaged consumers is provided. Then, the expectancy-disconfirmation framework is reviewed along with a brief review of other common antecedents of satisfaction. The results from focus groups and depth interviews are provided and analyzed and then summarized with respect to previous satisfaction research. Implications for satisfaction researchers and for managers marketing to vulnerable consumers are then discussed.

DISADVANTAGED CONSUMERS

Disadvantaged consumers in the marketplace were studied extensively in the 1960s and 1970s as the U.S. consumerist movement gained momentum (e.g., Andreasen 1975; Barnhill 1972; Caplovitz 1963). During that period, emphasis was on identifying and quantifying vulnerable consumer groups and studying the various ways in which these consumers were disadvantaged, such as paying price premiums (Cady and Andreasen 1973; Caplovitz 1963; Marcus 1969). More recently, specific groups of disadvantaged consumers in the marketplace have been studied in depth (e.g., functionally illiterate consumers, Viswanathan, Rosa and Harris 2005).

The definition of a disadvantaged consumer has varied over the years, primarily because it includes so many different types of vulnerable consumers. Research in the 1960s and 1970s focused primarily on the poor and racial minorities, and to a lesser extent, children and the elderly (e.g., Andreasen 1976; 1982; Barnhill 1972; Caplovitz 1967). Barnhill (1972) viewed disadvantaged consumers on a spectrum ranging from average middle class consumers as "amateurs" compared to "specialized pro-fessional sellers" to handicapped consumers needing full governmental protection. More recently, Andreasen (1993) argued that the traditional concept of the disadvantaged consumer must be broadened to include recent immigrants, the physically handi-capped, more ethnic minorities, and even in select cases such as automobile shopping, women. For the purposes of this research and consistent with previous research (Andreasen 1976; 1982; 1993; Gronhaug 1987), *disadvantaged consumers are defined as those consumers who lack various financial, social, intellectual, or physical resources necessary to function well in the marketplace, and include vulnerable groups such as the poor, the elderly, minorities, the homeless, the illiterate, and others.*

Previous research indicates that disadvantaged consumers experience a number of problems in the marketplace. For example, disadvantaged consumers receive less per dollar or per unit of effort expended than others, suggesting that they are more prone to experience problems in the marketplace (Andreasen 1975). Gronhaug (1987) referred to the concept of marketplace difficulties as well, suggesting that there was an "inverse Matthew effect" (p. 76) for disadvantaged consumers. Rather than the cumulative advantages enjoyed by the rich (i.e., the rich get richer), disadvantaged consumers experience cumulative dis-advantages. When confronted with market-

place problems, their limited resources cause them to be even further economically challenged, thus causing more marketplace problems, and so on. As posited by Andreasen (1975), the very notion of disadvantaged consumers suggests that marketplace chances are not the same for everyone and assumes explicitly that some consumers are worse off than others.

Earlier research also suggests that the decision-making processes and buying behavior of disadvantaged consumers are different than those of non-disadvantaged consumers. For example, disadvantaged consumers have been found to shop less widely for bargains and alternative products (Caplovitz 1963; Andreasen 1976; Viswanathan, Harris and Rosa 2005), yet paradoxically often use low price as either a major shopping goal or their sole purchase criterion (Viswanathan, Harris and Rosa 2005). In addition, disadvantaged consumers in England use alternative retail channels (e.g., second hand shops, flea markets, charity stores) very frequently and use multiple outlets (Williams 2003). Their widespread shopping is primarily out of economic necessity, not choice. This behavior is distinctly different from inner city dis-advantaged consumers in the U.S. who often rely on one or only a few stores and brands when making purchases (Andreasen 1976, 1982). Furthermore, disadvantaged con-sumers are generally exposed less to print media (Belch and Belch 2004), further limiting their information-seeking and knowledge of alternatives. In summary, previous research suggests that the consumption experiences and the decision-making processes of disadvantaged consumers are somewhat different than those of other consumers. Therefore, this research seeks to determine if the satisfaction process for disadvantaged consumers is somehow different than the satisfaction process for other individuals.

PREVIOUS CONSUMER SATISFACTION RESEARCH

Consumer satisfaction can be defined as an overall positive evaluation of performance based on all prior experiences with a firm (Anderson, Fornell, and Lehmann 1994; Fornell 1992). Excellent summaries of previous satisfaction research exist (e.g., Oliver 1997; Szymanski and Henard 2001; Yi 1991), so the goal of the following discussion is to provide a brief review of frequently studied antecedents of satisfaction. Accordingly, this review provides a brief overview of theoretical issues that will be discussed in the results section of the article.

Expectations and Disconfirmation

The dominant satisfaction models proposed and tested in the consumer satisfaction literature have been variations of Oliver's (1980) model in which consumer expectations are the basis of post-purchase evaluations such as disconfirmation and satisfaction. In expectancy-disconfirmation theory, satisfaction is said to be formed on the basis of consumers' prepurchase expectations about the attributes or performance of a product/service as well as their judgments about whether the actual product/service performance is the same as (confirmation), better than (positive disconfirmation), or worse than expected (negative disconfirmation). Expectations are said to either assimilate toward or contrast against performance depending on the degree of difference between expectations and actual performance. Assimilation results in high/low satisfaction judgments when expectations are high/low (Oliver 1997) in order for consumers to avoid the dissonance that would result if expectations and satisfaction diverged. Most of the empirical research supports the assimilation effect, a positive relationship between expectations and satisfaction (e.g., Bearden and Teel 1983;

Oliver and DeSarbo 1988; Swan and Trawick 1981).

Disconfirmation, separate from expectations, has a significant positive effect on satisfaction in addition to the independent effect from expectations (Halstead, Hartman and Schmidt 1994; Oliver and DeSarbo 1988; Oliver and Swan 1989a). It should be noted that the use of the term expectancy-disconfirmation in this research varies slightly from the specific definition used by Oliver (1997) in which expectancy disconfirmation is used to mean disconfirmation only (p. 27). We use the term more broadly, encompassing both expectations and disconfirmation. See Teas and Palan (2003) for a review of the empirical support found for the expectancy-disconfirmation model and Szymanski and Henard (2001) for a meta-analysis of consumer satisfaction research results.

Performance

Scholars who have expanded on the expectancy-disconfirmation model have isolated performance perceptions from disconfirmation judgments. That is, performance has been found in some cases to have a direct effect on satisfaction separate from and in addition to its indirect effect through disconfirmation. Performance has been looked at both objectively (e.g., performance or quality ratings) and subjectively (i.e., perceived performance) and has been found to be positively related to satisfaction judgments (Churchill and Surprenant 1982; Cronin and Taylor 1992; Halstead, Hartman and Schmidt 1994; Oliver and DeSarbo 1988).

Equity

Equity judgments refer to consumer evaluations of the fairness or the rightness of an outcome or decision in reference to what others receive (Oliver 1997). Consumer equity judgments can take several forms,

including: procedural justice—the manner in which outcomes are delivered, interactional justice—the manner in which a customer is treated in terms of respect and politeness, or distributive justice—consumers getting what is deserved based on their inputs (Seiders and Berry 1998). Satisfaction has been modeled as a direct, positive outcome of equity (e.g., Oliver and DeSarbo 1988; Oliver and Swan 1989a, 1989b; Swan and Oliver 1991).

Affect

In addition to cognitive antecedents, several researchers have found consumer affective responses to consumption exper-iences to be precursors of satisfaction (Homburg, Koschate and Hoyer 2006; Mano and Oliver 1993; Oliver 1993; Westbrook 1987; Westbrook and Oliver 1991). Specifically, positive affect is significantly associated with satisfaction while negative affect leads to dissatisfaction. Affective factors play the strongest role in the early stages of satisfaction formation (Homburg, Koschate and Hoyer 2006). Even individual emotions such as joy have been found to positively impact consumer satisfaction (Soderlund and Rosengren 2004). Oliver (1989) suggested several satisfaction modes involving specific emotions including, for example, satisfaction-as-contentment, satis-faction-as-surprise, and satisfaction-as-relief or regret. These modes were expanded upon by Fournier and Mick (1999) to include satisfaction-as-love, satisfaction-as-awe, dis-satisfaction-as-helplessness, and satisfaction-as-resignation.

METHOD

The satisfaction process of dis-advantaged consumers was investigated through a series of five focus groups and nine in-depth interviews with disadvantaged consumers. The focus groups were held in five separate cities in a southeastern state in

the U.S. The cities ranged considerably in size; some locations were rural, and others were more urban. The individual focus group participants ranged in number from 5 – 12, with a total of 44 adults participating. Females comprised 75 percent of the study participants. Participants were selected based on their enrollment in a state health insurance program that was created specifically for the indigent and uninsurable populations. One of the study's authors had access to these disadvantaged consumers through work with an insurance provider. Recruiting for each city was handled by the insurance provider's customer service representative in that city and was based on members' willingness and availability to be interviewed. Availability was often a function of the members' ability to obtain transportation to the focus group site. Some participants had been members for less than a year, while others had up to three years of experience in the healthcare program.

The participants in the focus groups were considered disadvantaged on the basis of disability, low income, little/no education, unemployment, poor health status, and/or age. Specifically, four insurance categories existed within the population: members who had previously been insured under Medicaid, those previously insured under Medicare, members with pre-existing chronic or serious illnesses who were unable to obtain private health insurance, and members who previously had no access to any health insurance at all. Each focus group was recorded via audiotape. Each participant was paid $50 in cash and provided refreshments.

The focus group questions were open-ended, and multiple prompts were used to expand the discussions. Participants were asked about their experiences, perceptions, expectations, knowledge, and satisfaction with various aspects of their health insurance plan and with the health insurance provider. There was some variation in the coverage of topics depending on the issues raised by the participants during the focus group

discussion. The focus group moderators included one of the study's authors, who participated in all five focus groups, and one additional trained moderator. The interviewers probed for elaboration on topics of interest to the participants as well as on satisfaction theory constructs (e.g., disconfirmation), thereby allowing possible discovery of emergent themes. Transcripts of the audiotapes were analyzed by two of the study's authors. Themes from each focus group were categorized separately, and then common themes across all five groups were classified and analyzed. Interpretation of the data developed through multiple readings and was the result of interplay between assumptions from previous satisfaction research and emerging insights (Spiggle 1994).

Nine individual depth interviews were also conducted by one of the study's authors in one of the southeastern cities in which a focus group was held. Disadvantaged consumers were identified and solicited with the assistance of a community outreach center in the city. Participants' disadvantaged status was determined on the basis of participants' income, age, education, minority status, or the other variables mentioned earlier. Specific demographic information was gathered after each interview. Two subjects were eliminated from the study because it became apparent either during or after the interview that they did not truly reflect the definition of a disadvantaged consumer based on both their income and education level. Therefore, a total of seven in-depth interviews were used in the study. Table 1 provides a profile of the depth interview subjects.

Each interview was audio recorded, and respondents were paid $25 for their participation. The goal of the in-depth interviews was to supplement the information gathered from the focus groups and to investigate additional product and service categories beyond those discussed in the focus groups. Some of the products discussed in the depth interviews included automobile tires, hair products, computers, work uniforms, cleaning products, and purses, to name a few. The data collection method followed the qualitative approach of Fournier and Mick (1999) in which satisfaction was examined from "the firsthand viewpoints of the persons involved" (p. 5), including both past events and present salient experiences. The interviews focused on two recent (within six months) purchases: one in which participants were very satisfied and one in which participants were very dissatisfied. The satisfaction model used for the a priori themes was primarily that of Oliver (1980, 1997) and others in which expectations, disconfirmation, performance, and various post-usage responses (satisfaction and complaining behaviors) were examined. After the interviews were completed and transcribed, two of the authors (who did not conduct the interviews) independently read and analyzed each transcript. Then, the transcripts were read and analyzed together, with the goal of discovering common themes, uncovering new insights, and, like Fournier and Mick (1999 p. 7), "challenging existing theory."

Overall, the sampling frame posed particular challenges for the data collection efforts. In both the focus groups and depth interviews, the sample consisted of many consumers with limited communication skills. Some of the focus groups were held in rural locations in which regional dialects compounded the problem of the inarticulateness of the subjects. Focus groups and personal interviews were chosen not only as an exploratory research tool but partially due to the literacy constraints of some disadvantaged consumers. Surveys are generally not viable research design alternatives for this population.

Table 1

Depth Interview Participants

Participant	Gender	Age	Income Level	Occupation	Race
Mable	Female	65 or older	$5,000-$9,999	Retired	Caucasian/White
Geraldine	Female	45-54	$15,000-$19,999	Food Service	African-American
Peggy	Female	45-54	$10,000-$14,999	Homemaker	Caucasian/White
Stephen	Male	45-54	$10,000-$14,999	Retired	Caucasian/White
Carolyn	Female	45-54	Less than $5,000	Service Worker	African-American
Nancy	Female	55-64	$20,000-$29,999	Managerial/Administrative	Caucasian/White
Jerry	Male	25-34	$40,000-$49,999	Professional/Technical	African-American

RESULTS

The following sections discuss the results of the focus groups and in-depth interviews. The discussion of the results focuses on highlighting instances where current theory of satisfaction and the dominant satisfaction paradigm do not completely reflect the real-world consumption and post-consumption experiences of disadvantaged consumers. Thus, the goal is in identifying limitations and deficiencies with current satisfaction theory as it relates to disadvantaged consumers. Relevant excerpts from both the focus groups and depth interviews are included in the discussion of the results.

Lack of Expectation Formation

The influence of expectations on consumer satisfaction has received much attention in satisfaction research during the previous three decades (Bearden and Teel

1983; Churchill and Surprenant 1982; Oliver 1980, 1981). The results from the current research, however, suggest a somewhat less prominent role of expectations in the satisfaction process. In both the focus groups and depth interviews, participants were asked to describe their initial expectations for various products and services. Overall, the majority of study participants were completely unable to form or articulate their expectations, regardless of the number or the types of questions asked. Multiple variations of expectations questions were used (i.e., "Before you were enrolled, what did you expect from the company?" or "When you first became a member, what did you expect?) as were extensive probing questions to uncover participants' initial expectations. Terms and descriptions other than expectations (i.e. "What did you think the product would be like?" and "How did you think the product would work?") were also used to overcome the potential problem of

participants not understanding the term expectations.

While limitations in the communication ability of the respondents certainly contributed to the lack of discussion relative to their prepurchase expectations, it became evident throughout the research process that the disadvantaged participants truly had very limited expectations prior to many purchases. When attempting to discuss their expectations, participants often told stories about their current situation such as medical health problems and/or the performance of their health insurance plan. For example, the excerpts below demonstrate several responses (clearly unrelated to the topic of expectations) that participants provided when asked about their initial expectations. These verbatim quotes highlight the difficulty that most of the participants had with discussing their prepurchase expectations.

"I mean, I haven't had…no…well, I haven't had any bills. What I've…my son is needing his teeth operated on, and they have…I didn't know you have to be approved for it now. At first, you know, you just go to the doctor and they said well, this has got to be done, but they had sent me a letter in the mail I think last week some time saying that it was going to be approved. I guess if he wasn't going to be approved, they was going to let me know then too, but I thought everything…you go to the doctor for…that they approve it. I guess not, though. I guess it has to be OK'd then. That's about it."

"I ain't had no problems, none at all, so…You

know, everything I had has been fine."

"Ah, I became uninsurable, okay? Because I had a lot of major medical problems, and they've come through, you know, real good on mine, and I'm glad I went with them because I…I had an aneurysm repair in '95, or then in '94, and in '95 I had a major hernia repair, & they've come through real good."

"I ain't had no trouble out of them."

Other participants appeared to more fully understand the concept of expectations but simply indicated that they did not have any expectations prior to the purchase. The following verbatim quotes reflect different individuals' responses to questions about their expectations prior to the actual purchase.

"No. I didn't bother thinking about all that."

"No, not really. I just always wanted one."

"When I first saw it, nothing.

While many participants were unable to identify their prepurchase expectations, it was evident that a limited number of participants had some prepurchase expectations. These expectations were, however, very general. As indicated in the excerpts below, participants stated that they expected that the product "would work" or would be "good."

"Something that, you know, that worked good and had good quality to it. That it worked and satisfied."

"I expected them to be good."

"No. Well you know you take something like that you know, you think, well they'll work fine you know. You wouldn't think something like that would be something defauly in it or something; dealing with the medical field."

"That the product needs to do its job."

Perhaps it is not surprising that participants were unable to articulate their expectations given the recent findings of Viswanathan, Rosa, and Harris (2005). In their study of functionally illiterate consumers, clearly a disadvantaged group, they found most consumers operating primarily in the "visual and concrete realm rather than in the symbolic and abstract realm" (p. 22). Expectations represent an abstract construct, as well as something that must be recalled from memory, sometimes from the distant past. Therefore the lack of any consistent or meaningful findings on expectations among a group with education, literacy, and communication limitations can perhaps be explained this way.

It could be argued that many consumers would have difficulty verbalizing prepurchase expectations in postpurchase situations. However, previous research has successfully utilized similar qualitative methods to uncover respondent prepurchase expectations in postpurchase situations (Gardial, Clemons, Woodruff, Schumann, and Burns 1994; Gardial, Woodruff, Burns, Schumann, and Clemons 1993). In these two

separate studies of non-disadvantaged consumers, respondents were able to provide a detailed recollection of their prepurchase expectations. Thus, the inability of disadvantaged consumers to discuss their prepurchase expectations in the current study suggests a decreased emphasis on expectations in the satisfaction process of disadvantaged consumers.

Emphasis on Interactional Fairness

Previous research supports the influence of equity judgments such as distributive, procedural, and interactional fairness in the satisfaction process (Oliver and Swan 1989; Blodgett, Hill, and Tax 1997; Goodwin and Ross 1992). The results from the current study, however, suggest that a much greater emphasis should be placed on interactional fairness when studying satisfaction of disadvantaged consumers. Interactional fairness reflects the manner in which the customer is treated and focuses on the interpersonal aspects of the transaction (Blodgett, Hill, and Tax 1997; Goodwin and Ross 1992). It was evident that participants' satisfaction level depended greatly on their perceptions of interpersonal dimensions. As indicated in the excerpts below, participants' often discussed interpersonal dimensions when asked about their overall level of satisfaction.

"I was treated very courteously and seemingly concerned."

"We were treated nice."

"You are treated indifferently."

"I felt like a ping pong ball in the hand of giants."

"It was nothing I could prove, but it is just something you pick up in an attitude. It was a skin specialist…you know I almost felt like leaving the office because of his attitude."

"I wish I hadn't of come here."

"We're treated as though whatever negative outtcome that could be expected is supposed to be falling at our door steps. I'm treated like I'm going to get pain medication to resell when I'm suffering."

"I was treated good. I was treated nice."

"Most of the staff seem to be very helpful and willing and wanting to respond to you."

"Most of the time when I call, they're real nice."

Participants were particularly sensitive to issues related to respect and dignity. The disadvantaged consumers interviewed often felt as though they were treated with less respect as a result of their disadvantaged status, and this had a negative influence on their overall level of satisfaction. The following excerpts echo these concerns:

"…there's a few staff members there that, I mean, they're just not as friendly as they used to be when I came in with the, you know, other insurance when I came in…like they are

paying their taxes for me to see the doctor or something…"

"Yeah, it's like {our insurance} is the lowest, the lowest, you know, to have. Like doctors are not touching it."

"I'd expect to be treated like a human."

"That's the way they treat you, low…low…just low. Your insurance, you know, they need to respect you."

Subjects' fairness responses were not nearly as lengthy or as emotional for product categories when compared to service categories. It may be that interpersonal fairness plays a greater role in satisfaction with services than with products due to the interpersonal interactions that occur in the service delivery process. This supports Fournier and Mick's (1999 p.16) suggestion that the "equity model may not be germane" for products as compared to services. In addition, health insurance represents a type of "credence product" which is difficult to evaluate even after the service is performed (Nelson 1974). Thus, interactional fairness becomes the consumer's surrogate measure of service quality.

Satisfaction as "Here and Now"

Satisfaction can be defined both as a transaction-specific evaluation and an overall evaluation based on all prior experiences with a product or service provider (Anderson and Fornell 1994; Bitner and Hubbert 1994; Fornell 1992). The focus of satisfaction for the current study was on disadvantaged consumers' overall satisfaction with a product or service provider since overall satisfaction is a better indicator of a firm's past, current

and future performance (Anderson, Fornell, and Lehmann 1994). Despite the focus on overall satisfaction in the current study, disadvantaged participants' satisfaction evaluation often focused on recent transaction-specific performance. Particip-ants were often unable to provide a global satisfaction evaluation and were only able to provide performance evaluations based on recent events. For example, in the focus groups describing their health insurance, participants focused their overall evaluation on a medical problem they were currently experiencing or had experienced in the recent past. Lengthy, complicated, non-linear stories of specific medical histories and specific procedures were often relayed when disadvantaged customers were asked about their overall satisfaction with the health insurance provider. Examples of such statements are provided below.

> *"My provider was not available and, ah…I had a terrible migraine. I didn't want to go to the Emergency Room because that's not an emergency. To me it was, because it hurt so badly. Anyway, I called the 1-800 number and told them what was going on and in ten minutes they called back and said you've been approved to go to your local Emergency Room. And, I told him you know some people gets the headaches where they feel them coming on, you know…mine don't do but one or twice a year but anyway, but I told them it wasn't all the way there yet but if it got worse that I would go and I laid down and got quiet and everything went away so I didn't have to use it, but I*

almost did but within ten minutes they gave me approval on the phone.

> *"One problem they have is some things that I have had to have…it takes up to a year or a year and a half to get the approval to get them, and…sure, I'm going to need them in a year to a year and a half, but I need it now."*

> *"I've only had one problem with it and when I was supposed to..had some dye through me at {a local hospital}…and when I got there they didn't have my paper work…I said, 'Lady, you're playing with somebody's life, how would you like me to make you eat them words."*

These results indicate that disadvantaged consumers have difficulty taking a step back and providing a global evaluation of a company or product based on all of their experiences. This finding seems to reflect satisfaction as context-dependent in that performance is evaluated only in terms of current experiences, not previous or accumulated experiences (Fournier and Mick 1999). At the same time, most of these respondents conceptualize performance in a very transaction-specific manner. That is, satisfaction with their health insurance is based on their current medical situation, current insurance needs, and current performance (claims paid) rather than the cumulative effect of these experiences. Thus, disadvantaged customers appear to equate satisfaction with a "what have you done for me lately?" scenario. While it seems likely that all consumers (not just disadvantaged consumers) weigh recent experiences more

heavily than prior experiences when forming overall satisfaction judgments, the results from this study suggest that disadvantaged consumers are either unable to integrate experiences across time into their satisfaction judgment or simply choose to form their satisfaction judgment based almost exclusively on the most recent transaction.

Satisfaction as Affect

While early models of consumer satisfaction focused on more cognitive antecedents (e.g. Oliver 1980), research eventually included affect as an important determinant of satisfaction (Westbrook 1980, 1987; Westbrook and Oliver 1991). The results from the focus groups and depth interviews suggest a much greater role of affect in the satisfaction process. In fact, satisfaction was often equated as positive affect by many of the disadvantaged respondents interviewed. Throughout the focus groups and depth interviews, participants repeatedly equated satisfaction with being happy and dissatisfaction with being unhappy. The importance of affect in the satisfaction process is reflected in the excerpts below.

"I'm not happy with it."

"I was disappointed."

"Just being happy with it I guess."

"I guess, you know, that you're not happy with it."

"I'm unhappy with it."

"Oh, I was just so frustrated…I ended up crying on the phone."

"Well yeah I like it…So I'm happy with it."

"It made me mad."

"…it makes you feel bad. It really does and it's like, okay I'm trying and I'm doing what they told me to do and they say it's suppose to do this and it is not. And you feel bad, about, you know obviously it looks bad today because I'm not feeling real good. You know you go out and you think well I'm doing all this and yet, here look at it. And that makes you just feel bad about yourself. You know that kind of sets your whole day sometimes, you know?"

These results support the important role that affect plays in the satisfaction process but suggest that affect may actually play a more prominent role in the development of satisfaction for disadvantaged consumers. In fact, the disadvantaged consumers that were interviewed often discussed affect as the primary antecedent while failing to discuss disconfirmation which typically serves as the primary antecedent of satisfaction in most research. The variation in these responses supports Fournier and Mick's (1999, p. 5) suggestion that satisfaction has different meanings for different consumers—what they call a "multi-model, multi-modal blend of motivations, cognitions, emotions, and meanings. These exploratory results suggest that satisfaction, for disadvantaged consumers, does not appear to be as deeply rooted in the expectancy-disconfirmation framework when compared to other consumers.

Passive Acceptance/Lack of Complaining

While this research focused primarily on the conceptualization of and antecedents to consumer satisfaction, the focus groups and

interviews also revealed one notable difference in the consequences of satisfaction/dissatisfaction for disadvantaged consumers. Previous research supports voice, exit, and loyalty as the main consequences of dissatisfaction (Hirschmann 1970; Singh 1990). The results of this research, however, indicate that for disadvantaged consumers, voice or formal complaining to the company is an option that is rarely understood or properly utilized. Often, these disadvantaged consumers did not appear to be aware of or knowledgeable about the process needed to complain to the company. For example, when focus group participants were asked about their complaining behavior, several participants indicated that they did not know that they could complain or did not know how to complain. The excerpts below echo these concerns.

> *"I didn't know they had a number to call. I would have bombarded them if I had."*

> *"If I'd known more about it {the ability to complain}, I wouldn't have had the trouble I'm in now."*

> *"I don't know no grievance number."*

Other participants expressed somewhat of a passive resignation to their situation. These respondents generally felt as if complaining would not result in a positive outcome.

> *"No, 'cause I just figured that the store wouldn't take them back, so I just kept them. I just said the heck with it."*

> *"Nobody to tell."*

> *"No. Cause I bought it at the Dollar Store."*

> *"No. I figure it wouldn't do no good. Just blowing hot air. Just take my losses and keep moving."*

The level of passive resignation is even evident in a rather extreme case reflected in the excerpt below. This participant did not complain about having to wait for a referral despite the severity of the problem and the extremely negative consequences of the delay. The participant's child suffered a permanent hearing loss due to a delay in treatment for a simple ear infection, yet she never complained during or after the referral process and subsequent appointment.

> *"...my four year old, she woke up saying her ear was hurting, and I gave her some medicine, and I made her an appointment with her doctor. They told me I was going to need a referral with so and so and a week to two weeks. When she did get there, she had partial hearing loss...And she had an ear infection that whole time...because my little girl I have to holler at her now."*

Across all of the focus groups and depth interviews, there was a general lack of awareness of the grievance procedures available to the customers. This finding was especially surprising with the health plan members participating in the focus groups since the health insurer had engaged in numerous marketing efforts to inform its members of the grievance or complaint process. Because they were often less confident and less articulate than average

consumers, these disadvantaged respondents also appeared more vulnerable to service failures because of their reluctance to voice their concerns. These results suggest a satisfaction-as-resignation mode for disadvantaged consumers which reflect a passive acceptance of an unwelcome and unavoidable state, one in which declining expectations are met by a low performance level (Fournier and Mick 1999).

Andreasen (1993) has acknowledged that the disadvantaged do not complain as much but that the underlying reasons are not known. One possible explanation is that disadvantaged consumers have lower and more homogeneous expectations and thus have less perceived dissatisfaction (Gronhaug 1987). The results of the current research, however, suggest that issues related to illiteracy, lack of knowledge of the complaint process, and passive resignation may explain this previous finding.

Henry's (2005) findings about disempowered consumers might also be relevant here. He found that lower, manual labor, working class consumers were less likely to actively seek opportunities than their higher class, professional counterparts. They were uncertain about the future, had a desire to reduce stress, and lacked task persistence.

These findings suggest that the disadvantaged consumers in this study may have avoided formal complaining because complaining is inherently stressful and requires follow up action after a consumption experience. Further, if disadvantaged consumers feel disempowered, it is unlikely that they would feel comfortable complaining to an authority figure.

DISCUSSION AND IMPLICATIONS

While previous research suggests that the satisfaction process may vary across product categories, little research has investigated whether or not the satisfaction process varies across different types of consumers. Therefore, the research summarized in this article sought to compare the actual postpurchase evaluation process of disadvantaged consumers with the dominant satisfaction paradigm which supposedly reflects the satisfaction process of all consumers. Overall, this exploratory research uncovered some interesting things about disadvantaged consumers and suggests that the dominant satisfaction paradigm may not necessarily reflect the satisfaction process for at least one consumer segment, disadvantaged consumers. See Table 2 for a summary of key findings.

Table 2

Key Findings of Exploratory Research

- Disadvantaged consumers were either unable to form or to articulate expectations in a concrete manner. Those with defined expectations had low expectation levels.

- Disadvantaged consumers focus heavily on interactional fairness when evaluating services as compared to products.

- Disadvantaged consumers put emphasis on the most recent product or service experiences when making evaluations.

- Disadvantaged consumers view satisfaction as an affective response.

- Disadvantaged consumers do not necessarily fit the traditional expectancy-disconfirmation model of satisfaction.

- Disadvantaged consumers may be more vulnerable regarding product and service failures due to their lack of complaining.

Taken together, the focus groups and depth interviews indicate that disadvantaged consumers do not seem to form prepurchase expectations. If they do, they cannot recall them in postpurchase contexts or cannot articulate them. Those disadvantaged consumers who can recall their expectations tend to have very low level expectations that are not very attribute-specific. Their satisfaction judgments also tend to be global in nature and seem to vary depending on whether the reference point is products or services. When dissatisfied with a service, equity judgments appear to play an important role in satisfaction, especially with respect to interactional fairness. Satisfaction also appears to be based on performance, especially for specific product or service experiences that the disadvantaged consumers had.

When it comes to (dis)satisfaction with an existing product or service, current performance or current transactions play a dominant role, regardless of how the consumers conceptualize satisfaction/dissatisfaction in general. Affect also plays a prominent role in disadvantaged consumers' evaluations, while disconfirmation judgments were negligible. The disconfirmation finding is consistent with the disadvantaged consumers' lack of expectation formation. Disadvantaged consumers tend to be more passive when dissatisfied, accepting lesser service quality or poor product performance without complaining.

These exploratory findings, when integrated with previous qualitative research on satisfaction, highlight several important things for satisfaction researchers, strat-egists, and policy makers. First, this study supports

the arguments in an article by Fournier and Mick (1999) in which they claim that pre-consumption standards have been overemphasized in satisfaction models. They call for a contingency approach to satisfaction in which some models are based on expectations, and others are not. This flexible approach was also suggested by Spreng, MacKenzie and Olshavsky (1996).

Westbrook's (1997) arguments went a step farther. He suggested that any psychological process model of consumer satisfaction that relies on a comparison standard framework, whether based on expectations or some other standard, is largely irrelevant when it comes to a practical, organizational application. Our results support this notion and extend it to disadvantaged consumers in particular. It should be noted that the research findings somewhat contradict Wells' (1993) supposition that expectations play "pivotal roles in consumer behavior" (p. 494), and that researchers must not ignore expectation effects when developing consumer models. It should be noted that previous expectation research conducted among nondisad-vantaged groups typically used surveys or experiments to study expectations, using closed-end scales rather than open-ended questions. It is therefore possible that even more advantaged consumers would have difficulty expressing expectations in an open-ended fashion, especially for infrequently purchased and complex products such as health insurance. Future research might follow up by examining the similarities in and differences between the articulated expectations of advantaged vs. disadvantaged consumers using more quantitative methods.[1]

This pilot research, while clearly exploratory in nature, lays some initial groundwork for future theory development in

satisfaction among disadvantaged consumers. Based on the findings, a satisfaction model that applies to disadvantaged consumers should include two primary antecedents: perceived per-formance and equity. The equity construct should include an overall/global measure of fairness as well as specific measures of procedural and interactive justice (e.g., Bowman and Das Narayandas 2001; Davidow 2003; Smith, Bolton, and Wagner 1999; Tax, Brown and Chandrashekaran 1998). In addition, the performance measure should tap into current product/service performance only, not past performance. When it comes to the issue of fairness, the findings here confirm arguments that equity models may be more appropriate in the context of services rather than products (e.g., Fournier and Mick 1999). The model would not necessarily include either expectations or discon-firmation, but might include various affective measures given the high degree of emotion found in the responses of the disadvantages consumers studied here.

In other ways the results mirror those of Fournier and Mick (1999) in which a satisfaction-as-resignation mode was identified, with one important difference. Fournier and Mick link the satisfaction-as-resignation mode to the traditional expectancy-disconfirmation model in terms of declining expectations and subsequent confirmations of low performance. Our results suggest the same passive submission and acceptance that typify a resignation mode, but they clearly do not conform to an expectations processing model. In addition, for some focus group participants, a dependency mode of satisfaction became evident in that a negative dependency or helplessness theme emerged. This was evident with some members who had no other options for health insurance other than their current program and were thus unable to even consider switching to an alternative provider. Some helplessness was also exhibited in the

telling of medical stories in which members expressed being completely dependent on health care providers not only for medical outcomes but for important referrals and pre-authorizations of procedures in order to achieve insurance coverage.

For marketing managers who wish to reach disadvantaged consumers, several caveats are in order. Promotion and other marketing information must be carefully tailored and targeted in order to communicate effectively with this group. Given the findings of Viswanathan, Rosa, and Harris (2005) about concrete vs. abstract concepts, messages to the disadvantaged should be direct and concrete. Their study also suggests that any tactic that reduces their anxiety over purchase decisions or avoids negative emotions will help vulnerable consumers. Our research also found that the negative emotions experienced by disadvantaged consumers can be powerful indicators of dissatisfaction, yet this rarely translated into complaining behavior. Managers therefore need to find ways to solicit feedback from their disadvantaged consumers in order to diagnose and prevent product and service failures, thereby improving satisfaction and repurchase. Because current performance dominated the satisfaction processing of disadvantaged consumers, managers will need to be vigilant in their customer service efforts to ensure that product/service failures are corrected quickly.

Public policy makers may need to focus greater attention on reaching disadvantaged consumers and educating them about marketplace practices and their rights as consumers, specifically their rights to seek redress. Increasing the complaint rates among dissatisfied disadvantaged consumers may be a worthy public policy goal. In addition, finding out the root causes of their lack of complaining is important. Do disadvantaged consumers choose to remain silent because they are unaware of their complaint options or

because they think their complaints will go unanswered? Or are there other reasons underlying their behavior? Additional research among disadvantaged consumers is needed to address this issue.

Policy makers might also focus on consumer education and self-help programs for the disadvantaged in which other marketplace practices are addressed. For example, as services take on increasing importance in our economy, equitable treatment of the disadvantaged by service providers might be an area in which to focus resources. This will be especially important in certain service categories such as health care, insurance, banking, and even cellular service.

Given the low literacy of some disadvantaged consumers (e.g., Viswan-athan, Rosa, and Harris 2005) and the limited education and communication skills demonstrated by the participants in this study, the issue of consumer understanding or knowledge must be addressed. How likely are some disadvantaged consumers to understand important communication from companies such as product instructions or warning labels? Of greatest importance is human safety. Beyond that, companies must be concerned about any product liability issues that might come into play (e.g., Morgan and Riordan 1983). Finally, consumers who have problems under-standing service instructions have been shown to experience higher levels of difficulty using the service, lower satisfaction levels, higher switching intentions, and were less likely to recommend the service to others (Jones, Taylor, Becherer, and Halstead 2003).

These findings suggest that extraordinary efforts may be needed to satisfy dis-advantaged consumers and turn them into loyal customers.

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QUESTIONS ABOUT THE ULTIMATE QUESTION: CONCEPTUAL CONSIDERATIONS IN EVALUATING REICHHELD'S NET PROMOTER SCORE (NPS)

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ABSTRACT

Approximately four years ago in a *Harvard Business Review* article, Frederick Reichheld (2003) – noted Harvard Business School Press author, speaker, loyalty expert, and Director Emeritus of Bain & Company Consulting – introduced a concept called the Net Promoter Score (NPS). Reichheld's claim was straightforward: of all the customer survey metrics an organization can track, one stands out above all others in terms of its relationship with company financial performance – an aggregate-level measure derived from scores on a "likely to recommend" survey item. In his article, Reichheld presented the case for his premise. While most scholars would agree that positive word of mouth is highly beneficial and that negative word of mouth is detrimental, less tenable is Reichheld's claim that a single word of mouth metric is the '*one* thing' a company needs to track and manage. A recently published *Journal of Marketing* paper challenges the validity of Reichheld's claims on empirical grounds (Keiningham, Cooil, Andreassen, and Aksoy 2007). However, in addition to empirical scrutiny, evaluation of Reichheld's NPS should include detailed conceptual scrutiny. If there are threats to validity in the conceptual elements, these must be factored into evaluations of any empirically-based claims. This paper adds to the assessment of NPS by going back to Reichheld's original work and suggests that rethinking on conceptual grounds will reveal potential threats present in various elements of the NPS formulation.

INTRODUCTION

In the influential *Harvard Business Review*, Frederick Reichheld (2003) introduced the idea of a Net Promoter Score (NPS). He claimed this single summary number from one customer survey question is a sufficient basis for profitably measuring and managing customer loyalty. On a 0-to-10 scale, customers answer the question: "How likely is it that you would recommend [company X] to a friend or colleague?" Anyone rating 0 to 6 is labeled a "detractor", 7 or 8 "passively satisfied", and 9 or 10 a "promoter." The Net Promoter Score (NPS) is the percent "promoters" minus the percent "detractors." According to Reichheld (2003), this single number has more relationship with company financial performance than all others he tested, leading to the following statement:

> *"This number is the one number you need to grow. It's that simple and that profound."*
> p. 54.

Following the original article, Reichheld continued to spread that message in additional published material (e.g., Reichheld 2004; 2006a), conference presentations (e.g., Reichheld, 2006c), and a Harvard Business School Press book exclusively devoted to the

topic (Reichheld 2006b). His NPS concept has also gained considerable momentum because of its appealing simplicity; compelling claims of links to profitability (Reichheld 2003; 2004; 2006a; 2006b); apparent independent replication of those links by other researchers (Marsden, Samson, and Upton 2005); reported adoption by prominent companies such as GE, American Express and Microsoft (Creamer, 2006; Keiningham et al. 2007); and Reichheld's own strong consulting credibility and stature. Another force augmenting NPS attention is its natural fit with the modern "revolution" taking place regarding consumer-to-consumer communication and consumer generated media, blogs, and viral marketing (c.f., Kirby and Marsden 2005). Evidence of some of the breadth and volume of attention received in just four short years can be seen with a simple Google search on the term "Net Promoter," and a visit to the 'What They're Saying' section of the official NPS website (www.netpromoters.com).

Despite the impressive momentum of the net promoter concept, not everyone has been willing to so quickly accept and adopt Reichheld's NPS. Immediate and subsequent challenges to Reichheld's claims have arisen. A number of points of critique emerged from practitioners and academics shortly after the 2003 article (e.g., Grisaffe 2004a; Grisaffe 2004b; Morgan and Rego 2004; Kristensen and Westlund 2004). And while the years following have seen many enthusiastically embracing Reichheld's prescription, others have continued to raise notes of caution that the simple claims about NPS may not reflect the "ultimate" in customer measurement and management. Again, these concerns have been raised by both academic and practitioner authors (Brandt 2007; Crosby and Johnson 2007; Keiningham et al. 2007; Morgan and Rego 2006; Nicks 2006; Pingitore, Morgan, Rego, Gigliotti, and Meyers 2007).

With this collection of differing opinions and viewpoints, what is to be made of NPS? Minimally, thorough evaluation of NPS must be made from at least two perspectives, a) on empirical grounds, and b) on conceptual grounds. To confirm or fail to confirm the claims that surround NPS as the "ultimate" question, rigorous empirical testing must be done, as indeed some have been undertaking (e.g., Keiningham et al. 2007; Marsden et. al 2005; Morgan and Rego 2006). Second, there must be rigorous scrutiny of the conceptual foundations underpinning Reichheld's work and his message. These issues also are critical in evaluating the foundation upon which NPS has been built because quantification and associated empirical analyses strictly hinge on the quality of conceptualization and operationalization.

The core purpose of this current article is to examine the conceptual foundations of NPS. The evaluation and arguments presented here stem largely from a practitioner's perspective (see Endnote). Additional points of critique are drawn from logic and principles of social science and marketing methodology. The claims under scrutiny come from Reichheld's original paper on the NPS topic (Reichheld 2003), several of which are reiterated here through the use of a liberal set of direct quotes.

Finally despite the concerns that follow regarding NPS, two important notes of clarification and intent should be added. First, one can raise points of critique regarding NPS while still being an absolute advocate of *earning* positive word of mouth communication from customers, and strategically *avoiding* negative word of mouth communication. Marketers accept that word of mouth is a critical behavioral outcome of strategic customer experience management. Word of mouth in that light is a *consequence* resulting from customer perceptions and

evaluations of a company's total offering (e.g., excellence in products, services, value for the money, reputation, etc.). Managing to excellence on those causally-driving dimensions is required to generate positive word of mouth from customers, and to avoid negative word of mouth. Thus, it is noted up front that a critique of NPS is *not in any way* an indictment of the value of understanding and trying to manage customer word of mouth behaviors.

Second, in evaluating NPS as a concept, the focus is not on Reichheld as a person or his past work. He is a prominent figure and has earned a strong favorable reputation in industry and academic circles. Many of his ideas are widely cited and certainly deserve respect. This paper is strictly limited to the formulation of the NPS method, particularly questioning whether the conceptual logic supports the nature and force of the claims Reichheld has made about it. The paper is thus about NPS, not about Reichheld or his past scholarship.

CONCEPTUAL CONSIDERATIONS IN EVALUATING NPS

Frederick Reichheld is an established expert, a noted author and speaker, and clearly cares about advancing the topic of customer loyalty. His frequently cited book on the positive effects of earning loyalty (Reichheld 1996a) continues to be extremely influential. However, regardless of the eminence of the originating source, ultimately ideas and claims should be accepted or rejected based on their defensibility, particularly in business where large dollar amounts are at risk if wrongly invested. Thus while Reichheld in the past has been a powerful voice in the area of loyalty, his latest ideas about NPS (Reichheld 2003) seem less tenable on a number of fronts. This paper raises questions about several specific elements of Reichheld's perspective. Primary

among the points of concern is the overarching core claim made by Reichheld, namely, that tracking *one* number based on *one* customer-survey question (likelihood to recommend to others) is a sufficient approach to the measurement and management of customer loyalty. When viewed through a customer measurement practitioner lens, this claim and its supporting arguments and implications lead to a number of practical and logical concerns spelled out in the sections that follow.

1. Recommendations Alone are not Enough

Obviously, customer recommendations are important, particularly in certain sectors and markets. Earning positive word of mouth communication from customers can be a powerful force augmenting a company's marketing efforts, especially in today's "connected customer" contexts (Kirby and Marsden 2005). It is in fact a very noble aim to provide the kind of excellence, differentiation, and value for the money that leads customers of their own volition to recommend patronage of the firm – definitely a testimony to the organization's ability to effectively meet customer wants and needs. Thus few would argue with the premise that recommendations are a good thing. But, that really is not Reichheld's basic assertion. His claim is that recommendations are the *main* thing, truly the *one* thing that companies need to attain to manage and drive business success and growth. That singular claim raises a set of logical questions.

Will increasing recommendations really be the single best method of driving business success? Will it have more business impact than reducing customer loss? If I lose 35 percent of my customer base per year, but most of those who stay would recommend, am I really in good shape? Will recommendation be more powerful than

increasing current customers' volume, cross sales, or share of purchase? Will it be more powerful than company controllable marketing actions aimed at acquisition of targeted, profitable new customers? Will it extend the lifetime or lifetime value of the existing customer base? The core NPS premise leaves out such examples of more traditional thinking about customer loyalty, paradoxically some of which have been raised and discussed previously by Reichheld himself (Reichheld 1996a).

2. Reichheld's Message has Changed

At least on the surface, Reichheld's one-number claim seems to contradict his own past writing. He previously argued that reducing customer loss by even five percent radically multiplies profitability (e.g., Reichheld 1996a). Loyalty and customer retention were the primary focus, not recommendations. Further, he did not present word of mouth as a *measure* of loyalty, but rather as an *outcome* of loyalty. In fact, customer recommendations were just one among several important outcomes springing from loyalty. Other powerful dynamics discussed that seem logically more connected to revenues and profitability included: sustained base profit across time through retention; increased volume; in-creased share of purchase; additional prod-ucts and services cross-sold; and other loyalty dynamics. Somehow, those other powerful outcomes of loyalty are now supplanted by this current emphasis on recommendations alone. The new picture, while parsimoniously appealing, appears to leave out important ideas from prior conceptualizations.

3. One Number Tells You Something, but not Everything

A single diagnostic measure can be vitally important but not comprehensive. Consider an analogy. Imagine that your child has a high fever. The "one number," his or her temperature, clearly is not where it should be. A doctor having that one number may now know there is a problem, but still does not know what the specific problem is, and by implication, what the most appropriate treatment should be. The one number tells him something, but not everything. In fact, it would be in-appropriate to rely on the one number alone. Imagine the doctor saying, "Your child has a fever, we must make the one number improve." He has made no real diagnosis. He has not charted a specific course for curative action based on knowing or describing the one number.

The doctor must go deeper than that to make a specific diagnosis. He must go through a number of more detailed lines of investigation to understand the *root cause* of the problem and to determine what best-fitting course of treatment is required to move the temperature number to a better place. He has to know details about the cause of the fever to know a fitting treatment. The temperature number alone gives little if any such actionable guidance. Certainly the temperature metric is an appropriate and useful indicator of health. No one would deny that. But it does not and cannot by itself tell the whole story.

The same is true with Reichheld's single-question approach. However, Reichheld claims that the one number *is* sufficient in itself to drive motivating, curative organizational action.

> *"Most customer satisfaction surveys aren't very useful. They tend to be long and complicated, yielding low response rates and ambiguous implications that are difficult for operating managers to act on." p. 47*

"By substituting a single question...for the complex black box of the typical customer satisfaction survey, companies can actually put consumer survey results to use and focus employees on the task of stimulating growth." p. 48

It is counter-intuitive that a single overall question is a sufficient basis to put results to use, but that acting upon information from multiple more specific questions is difficult. Certainly Reichheld's one NPS number can reveal something about a company's overall health. However, that single score cannot provide all the information needed to guide targeted strategic improvement actions. To move the one number upward, what specifically shall we do? We must diagnose the underlying causal factors that truly drive it. Reichheld offers no prescription for that kind of diagnosis. Indeed, he seems to indicate that knowing the one number is sufficient in itself:

"The most basic surveys..can allow companies to report timely data that are easy to act on." p. 53

"...the managerial charge, 'We need more promoters and fewer detractors in order to grow.' The goal is clear-cut, actionable, and mot-ivating." p. 53-54

The goal may be clear-cut, but it does not seem actionable with NPS alone in hand. Organizational change agents will be left to speculate about what specifically needs to be done, among all possible things that could be done, to really make the number go up. In fact, how to make the score move up is not

knowable based on the score itself. Obviously more information is required. Reichheld seems to acknowledge this himself at one point, contradicting the premise of his one-question NPS approach.

"Follow-up questions can help unearth the reasons for customers' feelings and point to profitable remedies. But such questions should be tailored to the three categories of customers. Learning how to turn a passively satisfied customer into a promoter requires a very different line of questioning from learning how to resolve the problems of a detractor." p. 53

4. The Nature of the One Question

Reichheld's argument is that effective measurement of loyalty can center on one question, *"How likely is it that you would recommend [company X] to a friend or colleague?"* p. 50. What seems to be missing is a critical scientific measurement clarification. Is that item an *outcome* of loyalty, a *measure* of loyalty, or a *cause* of loyalty? In measurement science, ante-cedents (causes), consequences (effects), and indicators (items that help to measure some underlying construct) are clearly distinguished. The distinction is vital scientifically as well as from an applied perspective since it shapes what should be done organizationally. Different courses of action will be required, depending on how the question is "conceptualized." If it is an antecedent or indicator of loyalty, we may try to drive the measure itself. If it is a consequence of loyalty, we will try to drive loyalty to make the outcome increase. Scientifically and pragmatically, the appropriate distinction about the nature of this

item must be made clear. Yet, Reichheld's own language does not offer a clear conceptual distinction, as evidenced by the following quotes:

> A. *"...the 'would rec-ommend' question generally proved to be the most eff-ective in determining loyalty and predicting growth..." p. 48*

> B1. *"...the percentage of customers who were enthusiastic enough to refer a friend or colleague – perhaps the strongest sign of customer loyalty..." p. 48*

> B2. *"...such a recom-mendation is one of the best indicators of loyalty..." p. 48*

> C1. *"...loyal customers talk up a company to their friends, family, and colleagues." p. 48*

> C2. *"...what may be the ult-imate act of loyalty, a recommendation to a friend" p. 50*

Quotes A, B, and C respectively make it sound like the one question *determines* loyalty, is an *indicator* of loyalty itself, and is an *outcome* of loyalty. Which is the case? Does recommendation cause, indicate, or result from loyalty? It makes a big difference in terms of diagnosing how best to drive desired customer behaviors, and therefore ultimately in terms of business action. Clear definitions of concepts, and correct specification of causal relations, are vital. Reichheld's NPS approach and his discussion of it leave those distinctions unresolved.

5. How is Loyalty Defined?

Interestingly, despite the confusion about customer recommendation as an indicator, antecedent, or consequence of loyalty, Reichheld does at one point put a stake in the ground on a conceptual definition of loyalty itself. That too is a critical part of good science – providing strong conceptual definitions of constructs under study. However, merely being clear in stating a definition does not ensure its validity. Therefore, construct definitions need to be scrutinized for their soundness. Reichheld ties NPS to a particular definition of loyalty as follows:

> *"Loyalty is the willingness of someone – a customer, an employee, a friend – to make an investment or personal sacrifice in order to strength-en a relationship." p. 48*

Reichheld views recommendation as fitting that definition – as a form of sacrifice, since the recommender's personal reputation is at stake when a referral is made. Recommendation certainly can fit that definition when considered that way. But just because recommendation fits the chosen definition, does not mean that definition really fits the idea of loyalty. Again, in scientific measurement terms, it is a question of validity. Not only does this definition differ from more well-accepted conceptualizations of loyalty (e.g., Jacoby and Chestnut 1978; Dick and Basu 1994; Oliver 1999), but also logical consideration calls into question the degree to which it fulfills Reichheld's intended purpose.

Can we think of an example that also fits the definition, but which does not clearly constitute loyalty? For instance, consider a

bachelor who is a "player," dating many women at once but committing to none. He is willing to make substantial sacrifices on fancy dinners, presents, his time and effort, etc., to build his relationship with each of his many dates. That seems to meet the definition of sacrifice to strengthen relationships. However, it does not sound like loyalty. So from the start, there are some concerns about Reichheld's definition of loyalty. But it gets more problematic as we dig even further into his explanation.

Reichheld reasserts, with many previous loyalty theorists, that mere repeat purchase is not the same as loyalty. Repurchase could stem from inertia or exit barriers or other reasons not really fitting our natural sense of the word loyalty. However, he steps completely out of more orthodox thinking about loyalty when he argues that true loyalty does not require repeat purchase.

> *"...loyalty may have little to do with repeat purchases. As someone's income increases, she may move up the automotive ladder from the Hondas she has bought for years. But if she is loyal to the company, she will enthusiastically recommend a Honda to, say, a nephew who is buying his first car." p. 48*

While repeat purchase doesn't *constitute* loyalty, it is very atypical to find loyalty *defined without* repurchase. But according to Reichheld, as long as someone refers the company they validly can be labeled a loyal "customer" whether they purchase or not. That is fascinating given his previous writings (e.g., Reichheld 1996a) where he argued that the bulk of financial benefits of loyalty come through sustained repeat purchase. He argued the byproducts of repeat purchase across the customer lifecycle

are primarily what lead to enhanced profitability. How then can it be that recommendation alone can comprise the entirety of the loyalty picture – even if someone is not continuing to purchase from the company at all?

Prevailing theory is that true loyalty is both attitudinal and behavioral, and that the behavioral component is repeat purchase (e.g., Jacoby and Chestnut 1978; Dick and Basu 1994; Oliver 1999). Attitudinal loyalty without behavioral loyalty should not be considered "true" loyalty (Salegna and Goodwin 2005). Reichheld does not embrace this view in his case for NPS, believing someone who is attitudinally loyal but not behaviorally so is just as legitimately called truly loyal.

6. Information in Real Time

Reichheld argues that complex survey approaches offered by applied customer measurement firms somehow cannot offer the kind of real-time, technologically facilitated customer feed-back that can be achieved through adoption of the NPS approach.

> *"The most basic sur-veys…can allow companies to report timely data that are easy to act on. Too many of today's satisfaction survey processes yield complex information that's months out of date by the time it reaches frontline managers." p. 53*

This claim unnecessarily ties the choice of measurement approach to technological sophistication. In reality, apart from NPS, widely available CRM technologies and the proprietary "portal" platforms offered by most major customer/marketing research firms offer real-time record/sample management, contact,

collection, analysis, and distribution tools through sophisticated technological applications. These tools add significant value by accelerating collection, analysis, distribution, organizational access and use of customer information. Many companies in partnership with marketing research firms or through their own information technology solutions now have real-time customer information, at any level of customer breakdown – by total population, segment, account, and individual customer levels – with organization-wide distribution and access to such data. Sophisticated technological tools have nothing to do with survey length or format and therefore should not be used as justification for one-item surveys. While such tools can be used with NPS, companies also may leverage these powerful technological benefits completely independent of adopting Reichheld's NPS approach.

7. Interpretation of Exceptions

Another issue to consider, by Reichheld's own admission (Reichheld 2003), is that NPS *was not* the one thing that best related to growth rates in some cases. For such cases, he interprets the mixed pattern of findings as being due to a lack of choice in those situations.

> *"Asking users of the system whether they would recommend the system to a friend or colleague seemed a little abstract, as they had no choice in the matter." p. 51-52*

> *"... 'would recom-mend' also didn't predict relative growth in industries dominated by monopolies and near monopolies, where consum-ers have little choice." p. 52*

That kind of interpretation makes sense for a question about the likelihood to continue doing business. A lack of choice on the part of a customer certainly would influence how they answer such a question. But when it comes to positive word of mouth behavior – i.e., would recommend – there is no restriction on doing so, even if there is a restriction on choice. For example, one may not be able to choose his or her electric company but that doesn't restrict in any way positive or negative word of mouth to friends and peers. Likewise, if one is using a technology system chosen by someone else (e.g., an IT manager), it in no way prevents one from speaking positively or negatively about the system to others. Thus even when choice is not in customers' direct control, what they say to others about their experiences is in their control.

Some other dynamics likely are happening in those "exception" cases, yet Reichheld does not offer much more about what those other dynamics might be. Indeed, despite observing exceptions, he still offers a blanket prescription for the one-item approach. However, the exceptions show that the approach doesn't work in some industries. In the exceptional cases, we are told explicitly other questions appeared to work much better, according to Reichheld himself.

> *"The 'would recom-mend'question wasn't the best predictor of growth in every case. In a few situations, it was simply irrelevant" p. 51*

He mentions several example industries where the question did not seem to work as well: (e.g., database software, computer systems, local phone, and cable TV). Since his research is based on "more than a dozen industries," apparently, some significant percent of the time, his single item

approach was not the best way to go. By Reichheld's admission, other items provided better information. What implication does that have for other industries not included in his "more than a dozen" sample? There is at least the possibility that his one-item approach doesn't work in many of those either. Based on his mixed results, it seems risky to generalize in a broad blanket statement that NPS is the one and only number needed to grow. Yet that is what Reichheld does:

> *"This number is the one number you need to grow. It's that simple and that profound." p. 54*

The fact that his own data reveals differences in loyalty dynamics across different industry sectors should imply something more is happening than can be captured in any single item. Even if we can measure loyalty itself with a fairly simple approach, the dynamics of what causally drives that loyalty clearly differs by industry. Many other academic and practitioner theorists have spelled out that position quite clearly. Pricing may carry different weight depending on degree of differentiation in market offerings. Service quality may rule the day in service-oriented industries, whereas product-quality may rule in tangible goods. It seems risky to presume that one number can tell the full story and provide a course for enterprise action across the many varied business contexts that exist.

Interestingly, if loyalty instead is a pre-cursor to recommendation as Reichheld originally believed (Reichheld 1996a), available theory could explain cases where customers are recommending but business results are not indicating growth. Specifically, in the matrix formulation of Dick and Basu (1994) some customers can have a highly positive attitudinal state toward the company/product (one that logically could produce recommendations), simultaneously accompanied with a *lack* of repurchase behavior.

8. Manage the Cause or the Effect?

In his fundamental premise, Reichheld argues for managing the NPS formulation because it *correlates* with business performance.

> *"... the percentage of customers who were enthusiastic enough to refer a friend or colleague…correlated directly with the differences in growth rates among competitors." p. 48*

> *"...a strong correlation existed between net promoter figures and a company's average growth rate…Remarkably, this one simple statistic seemed to explain the relative growth rates…" p. 51*

> *"...in most industries, there is a strong correlation between a company's growth rate and the percentage of its customers who are promoters'" p. 52*

Based on these correlations, Reichheld implicitly concludes that a causal relationship is present – manage to higher positive recommendations, and a company will achieve growth. That causality is implied is clear from his language.

"… the percentage of customers who are promoters of a brand or company minus the percentage who are detractors – offers organizations a powerful way to measure and manage customer loyalty. Firms with the highest net promoter scores consistently garner the lion's share of industry growth." p. 53

But, scientific logic delineates the fact that correlation does not necessarily imply causation. Certainly, if A causes B, we will see correlation between A and B. But if A and B are correlated, it doesn't necessarily mean that A causes B. Yet in Reichheld's discussion, he appears several times to extend from the existence of correlation to the interpretation of causation.

An analogy reveals why the leap to causation in this case could be dangerous. Assume for example the desire to see greater levels of physical health in senior adults. Studying a number of factors reveals a biometric that correlates with better physical health in older age: HDL (high-density lipoprotein) cholesterol. Higher HDL is associated with better health - less heart trouble, better muscle tone, better bone density, better positive emotion, etc. So, if we simply find a way to make HDL go up, will all of those positive health benefits be realized? Not necessarily.

There is a plausible alternative hypothesis as to why that one number correlates with better health. HDL might be the effect of some other true underlying cause that drives both HDL and the other positive benefits. If so, drug-based management of

HDL cholesterol won't drive the healthy benefits implied by a causal interpretation of the observed correlation. While they are correlated, HDL may not be the cause. Exercise for example could be the real underlying causal agent producing the observed correlations. When senior adults exercise, their HDL levels increase. They also have less heart trouble, better muscle tone, better bone density, and better positive emotion. It is exercise, not HDL itself that is producing all the positive benefits. Trying to manage the HDL number could miss the efficacious root cause. Rather, what should be managed is exercise itself. Then, HDL will go up, and so will all the other benefits.

In the customer context, what if true loyalty is the underlying root cause of recommendation? What if true loyalty also underlies increased shares of purchase, purchase of additional products and services, resistance to competitive offers – things that lead to business success? That common underlying root cause, loyalty, thereby would cause recommendation and business growth factors to correlate.

Understanding the distinction as to why things are correlated could not be more important in its management implications. Teasing out true cause and effect, and making sure to avoid spurious conclusions, is an accepted fundamental of the scientific method. The focus of our efforts should be management of the causal factor itself, not management of an outcome of the ultimate causal factor. Rather than managing recommendation directly, we should be managing its root cause, true loyalty. Getting true loyalty to increase will cause recommendations to go up and will cause other positive indicators to go up too. It is a very important technical distinction. Reichheld seems to have missed that distinction in his article.

What is interesting is that in Reichheld's previous work (e.g., Reichheld 1996a) he seemed not to miss the distinction. His argument was that positive referrals did help a business grow, but it was one of several positive outcomes of managing and realizing loyalty itself. The emphasis was not "get referrals," it was "get loyalty and you will get referrals and a host of other economic benefits." Now his focus, and apparently his conceptual logic, has changed. Perhaps his old assertions were more plausible than his new assertions: to grow and prosper, we should manage the cause – loyalty – not the effect – recommendations.

9. Temporal Precedence

A threat to scientific interpretation of true causality emerges in another place in the paper. Reichheld (2003) presents research done in collaboration with a customer measurement and technology firm and draws conclusions based on data that do not meet one of the fundamental conditions required to infer causality. Namely, if X causes Y, then X must occur before Y. However in the article, that condition is not adhered to, and yet a causal explanation is still offered.

Specifically, Reichheld builds his case for the causal connection between corporate growth and NPS using data that does not fully meet required conditions of temporal precedence. The measure of corporate growth spanned a window from 1999-2002. The survey-based measure of customer recommendation intention did not start until 2001. Thus answers to a forward-looking 2001 "likelihood to recommend" measure are predicting growth observed in part in 1999 and 2000. That means something that happened in the future is being used as a cause of something that happened in past.

This again is a technical point, but it is an important one in assessing the validity of research that claims to tease out causality for the sake of managerial control. If managers invest in some presumed causal antecedent, but the causal link to the desired outcome has not been rigorously established, the investments may not produce the desired returns. In this case, investing to manage NPS upward could possibly not lead to growth. Temporal precedence is a necessary condition in establishing a cause-and-effect system, but it is clear that this condition has not been fully established in the empirical case for NPS. Yet it is evident that causality is being inferred based on the language used in interpreting the relationships found. For example, in describing the airline industry, this causality inference is implicit in the stated conclusion.

> *"Remarkably, this one simple statistic seemed to explain the relative growth rates across the entire industry; that is, no airline has found a way to increase growth without improving its ratio of promoters to detractors." p. 51*

Not only is the claim incorrect because of the technical issue, it is logically false. It implies several carriers in the airline industry have already been managing by the net promoter number and any and all who have realized growth, have done it only by increasing net promoter scores.

Net promoter scores from 2001 predicting growth partially drawn from 1999 and 2000 is a threat to validity in the conclusion of causality, and therefore a risk for the applied manager wishing to implement actions that drive growth.

10. Questions about Dynamic Interpretation

Another problematic element of the empirical research used to justify the claim that "one number is all you need" is the matching of a cross-sectionally measured

antecedent with a longitudinally measured outcome. Changes in company growth were measured longitudinally, yet the NPS scores were not. This raises questions about the appropriateness of claiming that upward *changes* in the net promoter score explain upward changes in growth. That really is not something Reichheld studied, and therefore should not be something about which such definitive conclusions are stated. Yet Reichheld generalizes just such an interpretation of the data across most of the industries studied.

> *"...no airline has found a way to increase growth without improving its ratio of promoters to detractors. That result was reflected, to a greater or lesser degree, in most of the industries we examined..." p. 51*

11. Scaling the One Question

Reichheld makes an argument for an 11-point scale ranging from 0 to 10, with verbal labels at the ends of the scale and at the midpoint. Typically, scales like that are used to try to ensure variability in responses and to more confidently presume the ratings are at a sufficient level of measurement to warrant certain statistical analyses (technically, to assume "interval-level" measurement). However, what Reichheld does with ratings from this scale is to collapse them into a categorical measure with three levels:

"promoters:" those who scored 9 and 10; "passively satisfied:" those who scored 7 and 8; and "detractors:" those who scored 0-6. That categorization is claimed to be the best way to use the 0-10 ratings.

> *"...three categories...turn out to provide the simplest, most intuitive, and best predictor of customer behavior..." p. 51*

Several concerns and questions arise regarding this formulation. First, only two of three of the collapsed categories are used subsequently to compute the "net promoter score" (promoter percent minus detractor percent). Second, one could ask why 6s are included in the "detractors" group. A rating of 5 is the "midpoint" of the scale, so 6s are on the positive side of "neutral." Why interpret them as negative? Third, how is it that the collapsed categories are the "best predictor of customer behavior" when one normally would expect the increased variability of more scale points to allow for better prediction? Fourth, it is not clear whether these particular break points to create the three groups were chosen arbitrarily, based on some conceptual logic, or empirically. Finally, this particular approach to categorization and the subsequent use of two collapsed categories to create the NPS measure involves computations that allow several very different scenarios to produce the same net promoter score.

12. Examining the Math

As described, customers are divided into one of three categories, and then two of those categories are used to calculate the net promoter score. NPS is the percent "promoters" – those most likely to

recommend – less the percent "detractors" – those less likely to recommend. Bigger numbers obviously are better. In the extremes, 100 percent promoters and 0 percent detractors would yield a net promoter score of 100. Zero percent promoters and 100

percent detractors would yield a minus 100 net promoter score (-100).

A concern with this math is that very different scenarios can produce precisely the same result. Thus, while completely different management actions are likely to be called for under different scenarios, the net promoter score in itself – the one number Reichheld says you need for management – will not expose those differences.

For example, consider two different contrived, but possible, company scenarios to demonstrate the point. Imagine Company A scenario with 5 percent promoters, 90 percent passively satisfied, and 5 percent detractors. We compute the net promoter score to be zero (5% - 5%). Now imagine Company B scenario with 50 percent promoters, 0 percent passively satisfied, and 50 percent detractors. Again the net promoter score is zero (50% - 50%). Two completely different situations produce the same net promoter score, but logically require very different managerial actions.

In scenario A, a very small minority is divided in the extreme ends of the three-category distribution, while the company is doing a mediocre job for most of its customers. In scenario B, the company is doing great with half of its customers, and not great with the other half, essentially producing a two-group distribution divided exclusively into the extreme end categories of the NPS components. Completely different scenarios, exactly the same net promoter scores. Shall we expect the same market performance for the two companies? Will the same management action be required in both cases? It seems unlikely on both accounts.

The one NPS number in isolation requires more information to appropriately interpret and act upon – even the very numbers that went into the single score itself. Without that minimal extra information, there is no hope of knowing the rest of the story. In the example, Company B relative to A has ten times as many promoters, and simultaneously ten times as many detractors. These are totally different situations. The implication of Reichheld's assertions, however, is that both patterns should lead to the same basic growth in the market. It is even more dangerous to think about Reichheld's suggestion that we should be comparing regions, branches, customer segments, even against competitors' scores on this one number. That seems risky given that vastly different scenarios will produce the same net promoter numbers. Likely, even knowing the component scores for NPS will not be enough. Beyond the potential problems posed by the NPS math, likely, more will be required to truly understand which underlying forces might be changed or improved to drive the net promoter components in the desired direction.

13. What is New at the Core?

Reichheld (2003) does not provide all the details of his empirical work, but the reader is informed that measures of actual customer repeat purchases and actual customer recommendations were used.

> *"...my colleagues and I looked for a correlation between survey responses and actual behavior – repeat purchases or recom-mendations to friends and peers..."p. 50*

It is unclear from the description whether they looked for correlation with actual repeat purchases in isolation, or actual

recommendations in isolation, or some combination of the two metrics. However it was done, behavioral referrals and continuation served as dependent / criterion variables. It sounds as if he and his colleagues tracked actual purchases and referrals, then searched for survey questions that were most highly correlated with those measurements. He reports that two of the three top predicting items were survey-stated likelihood to recommend and survey-stated likelihood to continue purchasing. In other words, survey reported intentions to exhibit certain behaviors (recommendation and continuation) were what correlated most with observance of those behaviors (actual recommendation and continuation). Is this really a new contribution to our understanding of customer behavior, or is the fundamental empirical basis of NPS more along the lines of something social scientists and market researcher already widely accept, namely that behavioral intention questions correlate with actual behavior? And if the empirical evidence for NPS really boils down to a simple replication of intention-behavior correlation, aren't we back to conceptual questions about behavior intentions not being a sufficient basis for measuring and managing customer loyalty (e.g., Jacoby and Chestnut 1978; Dick and Basu 1994; Oliver 1999; Grisaffe 2001)?

AGREEMENTS AND DISAGREEMENTS REGARDING NPS

After all the previous questions and issues have been raised about Reichheld's one number, it should be noted that those points do not constitute a blanket rejection of everything Reichheld (2003) stated in his article. Without embracing all his points about NPS, other points clearly do fit within widely accepted views about customer loyalty measurement and management. For example, Reichheld states:

> *"Companies won't realize the fruits of loyalty until usable measurement*
>
> *systems enable firms to measure their performance against clear loyalty goals – just as they now do in the case of profitability and quality goals." p. 49*

Clearly companies do need usable measurement systems to monitor progress in their efforts to achieve loyalty goals. Other points raised by Reichheld in the past and in this article also fit well with current thinking about customer loyalty. Some examples include: available technological systems greatly facilitate measurement and management of loyalty; the measurement of customer satisfaction is not enough; satisfaction is not the best predictor of repeat purchase and loyalty; customer loyalty is about more than just repeat purchase; repeat purchase can be simply from inertia, switching barriers or other factors; only a sub-segment of the customer base typically can be called truly loyal, and other points from various instantiations of Reichheld's thinking (e.g., Reichheld 1996a, 1996b, 2001, 2003).

However, other claims and premises Reichheld has advocated in his work on NPS do raise some questions and concerns: is tracking one number all that is needed to measure and manage customer loyalty; is "would recommend" the best indicator of loyalty; can a single survey item provide enough information to be actionable; does real-time customer feedback in tech-nologically-driven systems depend on one-

item surveys; are empirically-derived correlations enough of a solid basis to imply causation; is an 11-point scale, collapsed to three categories a best practice in "loyalty" measurement; what is the risk of adopting a conceptual definition or computational approach under which plausible cases can be conceived which appear to contradict the intent of the specification or calculation? Thus, after careful examination of the case advocated by Reichheld in his recent article (Reichheld 2003), an alternative conclusion can emerge which is different from his own. Namely, it is unlikely that one number is all a company needs to effectively measure and manage customer loyalty.

CONCLUSION

Ideas promoted by Frederick Reichheld have done much across the years to advance organizational attention to a collection of important topics around customer loyalty and loyalty measurement (e.g., Reichheld 1996a, 1996b, 2001). Recently, Reichheld has advocated measure-ment and management of a single customer metric – the Net Promoter Score (Reichheld 2003; 2006a; 2006b). The rapid adoption of his NPS concept by a number of extremely prominent companies (Creamer, 2006; Keiningham et al. 2007), perhaps in response to Reichheld's own advocacy and some degree of subsequent "contagion," anecdotally supports his core premise – word of mouth can have powerful effects in creating growth. Then again, to claim or demonstrate effects of positive and negative components of word of mouth is really not so new or revolutionary. The importance of positive and negative word of mouth behaviors has long been emphasized in marketing and consumer research, both in past years (e.g., Brown and Reingen 1987; Richins 1983) and in recent years (e.g.,

Anderson 1998; Luo 2007; Wangenheim 2005; Ward and Ostrom 2006).

The issue with NPS however, is not the *importance* of word of mouth, but rather Reichheld's claim that NPS is the *one and only* thing companies need to monitor and manage to realize success. There is a difference between a concept/construct being *one* important thing, versus it being *the one* important thing. When being claimed as *the* one important thing, at a minimum, Reichheld's claims can and should be scrutinized for validity, both on empirical grounds, and on conceptual grounds. Whereas recent papers have begun to address empirical testing (e.g., Keiningham et al. 2007; Marsden et. al 2005; Morgan and Rego 2006), this article has evaluated NPS conceptually by examining elements of Reichheld's original description of the NPS development. This careful evaluation of the conceptual bases of his original work raises some lingering concerns.

In light of all this, how then should NPS be viewed? NPS ultimately may be something more like a dashboard light. A dashboard light is valuable and does reveal important information about the working of the car. When the indicator gives warning, we know we are in trouble. However, we don't then proceed to manage the light (e.g., unscrew the bulb to make the warning go away). We diagnose the root cause in the engine and address that fundamental underlying issue. Once the root problem is fixed, the indicator light then takes on healthy status again. So with NPS, it may be a valuable, applied diagnostic metric. But in itself, on its own, it probably is not the one and only thing a company needs to manage for success. Neither is it likely to be an ideal operationalization of generally accepted theoretical formulations of the loyalty concept.

Perhaps when all the conceptual issues have been considered, and all the empirical data are in, NPS will retain a revised version of its "one number" status – "one number among several." While admitting additional complexity, perhaps a degree of additional plausibility also would accompany a more holistic and complete *multidimensional system* of indicators of the health and strength of a company's relationships with its customers (Grisaffe 2000). Conceptualization and operationalization of such a collection of indicators, perhaps including NPS, should be viewed contextually in relation to a) controllable organizational actions that can causally drive various metrics upward, and b) the consequent customer behaviors that demonstrably drive firm financial performance. Also included could be other functional and competitive indicators of health, strength and growth. Helping companies succeed financially in the long run would thus involve understanding, measuring, and managing the *total system* of indicators capturing customer experiences with, attitudes toward, and responses to, the total offering of the organization as a collective (e.g., products, services, and other intangibles) (Grisaffe 2000). Certainly, the specifics of any such system also should be subject to conceptual and empirical testing, even precisely against the notion of a singular NPS metric. While there is a tempting simplicity of a "1 number needed for growth" approach, and while its figurehead is widely respected, in light of conceptual considerations presented here and elsewhere, perhaps a more multi-dimensional perspective on customer loyalty metrics ultimately will win the day.

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TOWARD UNDERSTANDING CUSTOMER POWERLESSNESS: ANALYSIS OF AN INTERNET COMPLAINT SITE

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ABSTRACT

This research investigated and established the emergence of different components of consumer powerlessness using complaints found on an airlines Internet complaint site, www.Untied.com. Consumer powerlessness is believed to be more prevalent in ambiguous circumstances, and traveling by air provides ample opportunities for ambiguity.

Consequently the authors expected to find powerlessness themes in an airline complaint site. Formal content analysis was relied upon for the analysis with the specific provisions that customers explain a service failure that they tried to remedy *and*, from the point of view of these customers, their efforts were not properly recognized by personnel working for the airline. To exhibit powerlessness, people simply described a situation that they could not improve through their own efforts or used similes and/or metaphors that indicated positions of subordination to the marketer. Consequences of powerlessness identified in the content analysis were heightened vigilance, grudge-holding, retaliation, and fear. Grudge-holding and fear were most evident when customer service representatives were perceived to be rude to their customers.

INTRODUCTION

The purpose of this research is to analyze consumer complaints to establish and probe feelings of consumer powerlessness and to delineate antecedents and consequences of powerlessness using complaint text found on the Internet complaint site, Untied.com, as evidence. Consistent with Seeman (1959), powerlessness is herein defined as the general condition in which individuals believe that their behavior cannot determine desired outcomes.

More specifically, this research identifies two components of powerlessness. The first component follows the general definition of powerlessness and refers to consumers' beliefs that their complaints would lead to no corrective action by the company. For the second component to be discerned, the complaints had to include an element in which consumers express a form of powerlessness during the failure episode by describing a self effacing event. For example, one consumer described her companion's experience as the "most humiliating moment of her life."

The central purpose of using comments in which customers expressed powerlessness, is to help identify complaints that portray powerlessness, and is further explained in the methodology section. Describing feelings of powerlessness in complaint letters adds a new layer of understanding to these complaints. Thus, adding powerlessness to the complaint literature is expected to be helpful to both scholars and practitioners.

Complaints

The formal study of complaint behavior has a long history that begins in the 1970s and has recently included the Internet as a forum for consumer complaints (Nasir

2004). Understanding complaint behavior is important because firms that encourage complaints, and act on those complaints, have been seen to obtain an advantage with their customers (Fornell and Wernerfelt 1987). Consequently, these firms place themselves in a position to better serve both dissatisfied as well as satisfied customers. For example, savvy companies can use complaints as a valuable source of customer feedback (Nyer and Gopinath 2005) and engage in service recovery which would reduce negative comments to third parties (East 2000). By recovering well after a complaint, firms also have the potential of increasing satisfaction levels of complainers (Spreng, Harrell, and Mackoy 1995).

Complaining benefits consumers as well as companies. External benefits that customers may receive due to complaint behavior involve seeking and obtaining redress for the company's perceived wrongdoings (Mattila and Wirtz 2004). Other benefits include the reduction of feelings of disappointment regarding a service experience that did not meet the customer's expectations (Zeelenberg and Pieters 2004). Some of the most common ways that consumers complain are face-to-face, making a phone call, writing a letter or writing an email (Matilla and Wirtz, 2004). These complaint methods are directed at the company and consumers usually expect some type of redress for their complaint efforts.

Consumers are also known to complain to the company without seeking personal compensation. For example, customers can write anonymous complaints on comment cards or voluntarily express their dissatisfaction on surveys by writing extra comments in the margins. This type of complaining is referred to as catharsis and provides consumers a release of negative emotions (Kowalski and Erickson 1997). Additionally, writing about a dissatisfactory experience has been shown to help low propensity complainers to feel better about the situation.

Even though some (perhaps many) customers may not choose to complain to the offending service provider, they still may complain to their acquaintances (Halstead, Morash, and Ozment 1996) or write into a complaint site found on the internet (Harrison-Walker 2001). Up to now, customers engage in electronic word-of-mouth behavior much less than person-to-person word-of-mouth behavior (Carl 2006), although this may change in the years ahead. In any case, complaining on a protest internet site is beneficial to consumers because they see themselves as crusaders for the common people, and also they hope to convey their personal betrayal as a sign of disrespect by the company to all customers (Ward and Ostrom 2006). Consequently Internet complaint sites as third party complaint forums should worry marketers because they act as a higher-order action than complaining to friends, family, or even to the offending service provider (McAlister and Erffmeyer 2003). Third party complaint sites also help dissatisfied consumers because it gives them the opportunity to complain when they were not able to obtain a remedy from the firm (Lapidus and Schibrowsky 1994). Additionally Internet complaint sites allow customers to confidentially complain to a potentially large audience (Lee and Hu 2004).

An example of an Internet complaint site is Untied.com which is the complaint site for customers dissatisfied with United Airlines (Tyrrell and Woods 2004). This site is useful for analyzing complaints because of the richness of the data that it holds. Untied.com boasts more than 9,500 complaints from October 1998 to the present (see www.United.com/ual), thus allowing multiple themes and analyses to emerge from the database provided by this website. One of the reasons that Untied.com is a popular site for consumers to upload complaints about

service failures with United Airlines is that customers know that the complaints are forwarded to the company, United Airlines (Harrison-Walker 2001). Whether United Airlines acts on these complaints is not documented, however. Previous research utilizing the Untied.com database investigated the types of complaints that occur on this site (Harrison-Walker 2001). Harrison-Walker created thirteen categories for the complaints on Untied.com, thus illuminating the nature of complaints in airline service failure contexts. It is not necessary to completely replicate their work; indeed, this article focuses on research that investigates only those complaints that exhibit evidence of consumer powerlessness.

Powerlessness

Researchers have looked at powerlessness in several different contexts such as romantic relationships (Rotenberg, Sheewchuk, and Kimberley 2001), stereotyping (Reynolds et al. 2000), the workplace (Ashforth 1989), social control (Fiske, Morling, and Stevens 1996), and neighborhood disorder (Geis and Ross 1998). Powerlessness is usually discussed as a one dimensional construct conceptualized as a generalized expectation that outcomes of situations are determined by forces external to oneself (Geis and Ross 1998). But there is some evidence that powerless people may feel vulnerable in different ways (Fiske et al. 1996). For example, people may feel powerless when another party can control outcomes they value; and people may feel powerless about self-evaluation due to negative feedback from others who are more powerful (Fiske, et al 1996). So when consumers' receive little or no compensation or empathy from a company after a service failure, they might complain. If that complaint is ignored or the service provider belittles the consumer during the complaint process, the consumer may feel powerless,

during that episode, due to the negative feedback received from the service provider.

Powerlessness is believed to be a powerful factor in human relationships for a number of reasons: it may hinder a person's ability to learn from previous mistakes (Abramson, Seligman, and Teasdale 1978); it may enhance a powerless person's vigilance for future wrongdoings, whether perceived or real (Rotenberg et al. 2001); and it may also lead to retaliatory behavior (Petrik, Olson, and Subotnik 1994). Enhanced vigilance for future wrongdoings can be dangerous for a company because consumers may take offense from the company's service personnel even when offense is not at all intended.

METHODOLOGY

Since the goal of this research project is to analyze complaints posted on a website, the qualitative analytical method of choice, content analysis, is perfectly suited for the task (Harrison-Walker 2001). "Content analysis is a research method used to quantify and analyze the words, concepts, and relationships within text" (McAlister and Erffmeyer 2003, 345). Since the nature of this research is exploratory, the goal is to categorize how people felt powerless as well as to find some antecedents and consequences of consumer powerlessness as revealed in the complaint letters.

Sample

Permission was granted by the webmaster of Untied.com to analyze the site and publish any findings resulting from the analysis. Six months of complaints (March 2006 through August 2006) were *independently* analyzed by each of the authors. The authors compared their results to ensure that the examples of powerlessness were consistent in the analyses. If a complaint on the website did not fit *both* of the two general powerlessness criteria-- the

non-ability to control one's outcome and the description of a self effacing experience, then that complaint was not recorded.

Content Analysis Criteria

To guide the content analysis process, it was necessary to create guidelines to maintain consistency regarding the interpretation of the complaints. As the purpose of this research is to explore the nature of powerlessness, and to identify some antecedents and consequences, criteria were created to systematize the analytical process as suggested by Krippendorff (2004). Indeed, it is important that criteria be specific enough that other reviewers can look at the same data and come up with the same or least very, very similar results (Kassarjian 1977).

Four criteria were utilized to identify complaints exhibiting evidence of powerlessness. These criteria are:

(1) a specific service failure was identified in the letter;

(2) the author of the complaint wrote that an attempt was made by her or him to remedy or improve the situation involving the service failure;

(3) The customer's attempt to remedy or improve the situation was rejected or actively ignored by the service provider; and

(4) The customer indicated future action regarding the company, such as switching, writing negatives letters to newspapers, or spreading negative word-of-mouth.

For example, many complaints would describe a service failure, and the complainant would describe her/his displeasure towards the airline, but one or more of the four criteria were missing. In other words, the complainant did not explain any attempt to remedy the situation, or did not specifically describe a situation in which the airline refused or actively ignored their request, or did not describe future intentions. It was necessary to diligently use these criteria throughout the analysis process so the authors could maintain consistency in the data collection process. As a result of establishing and using these criteria, *6.4% (108) of the total (1,685) complaints from the six month period analyzed on the website were chosen for analysis.* Both authors agreed with 98% of the fruit from this labor. Further discussion ensued between the authors for the few instances of disagreement, and these instances were eventually dropped.

Descriptions of subordination and complaints that explain how customers attempted to correct the situation and were rejected in their efforts were used to quantify powerlessness occurrences. 47% of the sample reported feelings of subordination, whereas 53% reported that after complaining, nothing was done by the service representatives to correct the situation, but feelings of subordination were not reported.

EXPRESSIONS OF POWERLESSNESS

As we've stated, powerlessness is an individual's belief that he or she cannot bring about desirable consequences through his or her own actions (Rotenberg, et al. 2001). Powerless people are described as living at the whim of the more powerful, unable to influence the more powerful in order to obtain their desired goal (Overbeck, Tiedens, and Brion 2006).

It may seem extreme to describe customers as powerless when they are not able to obtain desired recovery from a firm, but the mere fact that their obtaining a desired goal is contingent on the mercies of the

company, describes the essence of pow-erlessness. For this reason, it was deemed important to only include complaints describing consumers' attempts at obtaining their goal, only to be refused by representatives working for the airline. For example, one customer wrote the following:

> *"My luggage went to Denver and I was without it for two days after my arrival. I had to go out to buy some clothes until my luggage arrived."*

A person could feel powerless because they are missing their clothes, thus causing them to buy new clothes. But there is no stated indication of the steps the customer took in trying to find the lost luggage. Additionally, there is no stated complaint of the airline not helping him at his desired level, so this quote would not be included in the analysis as an example of a customer in a powerless situation.

Feelings of Subordination

Some customers' complaints went beyond simple description of the situation, as they described themselves feeling as subordinates to the service representatives working for the airline. Research in the powerlessness domain associates powerless people with occupying subordinate positions (Bandura, Ross, and Ross 1963; Depret and Fiske 1999). For example, some powerless populations are referred to as "childlike," in the sense that they are inferior and incompetent and need the protection and care of the analogous parents, or the more powerful parties (Kallen 2004). Furthermore, powerless people describe themselves and their situations using negative metaphors and similes that revolve around animals, natural processes, and confinement (McCorkle and Gayle 2003). By using metaphors and similes, powerless people create tangible and

unambiguous images for ambiguous and intangible situations.

Similes of Complete Subordination

People use similes to suggest comparisons between two objects that are usually dissimilar to each other (Boozer, Wyld, and Grant 1990). Similes are culturally based and for a simile to be effective, both the communicator and 'listener' must be familiar with the comparison involved with the simile (Stern 2000). For example, saying "Juliet is like the sun" requires enough knowledge about cultural meanings surrounding the word "sun," to understand that this is a complement to Juliet. Additionally, for a simile to be effective, the listener must be able to pick out the proper components of the object used in a simile comparison (the sun), successfully compare those components to the original object of the simile (Juliet), and then make a proper conclusion (Guttenplan 2005). By doing so the 'listener' would conclude that Juliet is a welcome sight who reduces the darkness of the soul.

Similes are similar to metaphors in the sense that one object is used as a base for comparison for another, dissimilar object (Stern 2000). The authors of this article assume that the effect of similes is similar to the effect of metaphors. This is important because the marketing literature explores the usefulness of metaphors (Zaltman 2003), but there is nothing in the marketing literature that explores the usefulness of similes. People tend to use metaphors as a bridge from the unfamiliar to the familiar, thus helping people gain a fuller understanding of the speaker's experience (Goodwin 1996). An example of how metaphors are used in marketing is given in the short paragraph on the next page:

"The factory metaphor focuses attention on operations that can be performed by inter-changeable employees; customers are viewed as inputs, potential employees as obstacles to smooth production; and solutions are presented in terms of design change." (Goodwin 1996, pg. 13)

In a similar vein, similes are used to help the listeners gain a better understanding of the speaker's experience. For example, one consumer used the simile, "I got the dinner being thrown to my Table like I was a dog," to describe a bad experience in which he felt that the flight attendant was purposely treating him poorly throughout the flight. Readers of the complaint may not fully understand the feelings that this particular consumer was experiencing at the time of this incident. But readers who own dogs understand that the dog dish is usually placed somewhere in the corner of a kitchen and food is "thrown into the dish." The dog receives a different treatment than guests, who are allowed to sit at the Table, and enjoy the company of the host. So a reader may conclude that not only did the consumer not feel welcomed by the host service provider, but the consumer also felt like he or she should eat his or her dinner in the corner and be careful to not disturb the host service provider. Table 1 shows examples of similes that emerged from the data analyses, each of which provide a picture of how the consumer felt during each service failure.

TABLE 1

Similes of Complete Subordination

"We were yelled at on a microphone at a podium *like misbehaving children*."
"I'm tired of being treated *like a stupid animal* by a dumb telephone answer machine."
"We were treated *like 3rd class citizens* because we were traveling with small children."
"I had to vent as it was killing me to let someone get away with treating me *like I was just one of a herd of cows*."
"I got the dinner being thrown to my Table *like I was a dog*."

ANTECEDENTS TO POWERLESSNESS

A recurring theme through all of the complaints was the inability to obtain service recovery *even after multiple tries*. In some cases, these multiple attempts at obtaining recovery resulted in threats by the service personnel. Due to the heterogeneous nature of services, failures will occur, and most customers seem to acknowledge this point. But if a service representative's recovery efforts fail to meet the customer's

expectations, feelings of dissatisfaction may become worse (Maxham and Netemeyer 2002). Unsatisfactory employee responses to service failures are noted by customers and can lead to switching behavior (Keaveney 1995).

Harrison-Walker (2001) previously analyzed Untied.com to determine the types of complaints people write after having a negative experience with United Airlines. The purpose of that research was to uncover the nature and variety of complaints on Untied.com. As noted earlier, however, the purpose of the current research is to explore the nature of powerlessness, including discovering any antecedents that would precede powerlessness.

TABLE 2

Antecedents to Powerlessness

Antecedent	Total Times Mentioned
Rude service representative	37
Flight delays	14
Policy misunderstandings	11
Lost luggage	8
Flight cancelled	6
Other passengers	5
Separated from traveling party	5
Missed flight	5
Lost seat on airplane	5
Mechanical problems	4
Multiple small problems add up	3
Ordered off plane	2
In-flight amenities	1
Flew to wrong destination	1
Unaccompanied minor	1
Total # of Complaints Analyzed	108

The complaint types that emerged from Harrison-Walker's research and this research are very similar, with employee rudeness found to be the largest complaint (Harrison-Walker) and the largest antecedent to powerlessness. The antecedents to powerlessness are displayed in Table 2.

CONSEQUENCES OF POWERLESSNESS

Customer consequences of power-lessness seem to be extreme once they are out of the situation. Dissatisfied customers not only switch, but these dissatisfied customers

switch *and swear to never return as long as they live.* In other words, grudge holding is strongly evidenced in such customers. People who feel powerless also tend to pay more attention to negative information and interpret that information as intentional behavior by the more powerful party (Depret and Fiske 1999). This phenomenon is known as heightened vigilance. Another consequence of powerlessness is fear. When people appraise negative events that are beyond their own control, the experienced emotion is generally sadness or fear (Timmers, Fischer, and Manstead 1998). Although sadness was not apparent in the descriptions of these complaints, fear as a consequence of feeling powerless was strongly addressed in some of them. Once a person leaves a powerless situation and returns to a more comfortable environment, they might takes steps to retaliate against the company by engaging in activities such as complaining on Internet sites, writing negative letters to the editor, spreading negative word-of-mouth, or even initiating a lawsuit. Some customers will entertain thoughts of retaliation, but may never actually carry out their wishes. Table 3 illustrates the relationship between the consequences of powerlessness and the type of powerlessness expressed by each complainant in the Untied.com database.

TABLE 3

Consequences of Powerlessness by Descriptions of Powerlessness:
Number of Times Mentioned

Powerlessness Descriptors	Consequences of Powerlessness				
	Vigilance	Grudge-holding	Retaliation	Fear	Total
Subordination	6	19	12	14	51
Situation not Corrected	14	24	7	12	57
Total	20	43	19	26	108

Heightened Vigilance

Vigilance is defined as "the increased intake and exhaustive processing of threatening information" (Hock, Krohne, and Kaiser 1996, 1052). People tend to rely on vigilance as a coping behavior when events have more negative than positive implications for them (Pratto and John 1991). In a marketing context, consumers would become more vigilant towards negatively perceived stimuli, such as rude service personnel and unattractive servicescapes, when experiencing a service failure. Vigilance becomes even more complicated when the source and outcome of negative stimuli is ambiguous (Hock et al. 1996). For example, passengers flying on an airline may perceive more negative events than if they were in a surface level service encounter, due to the uncertainty that accompanies airline flights.

Feelings of powerlessness also contribute to vigilance due to peoples' beliefs that they have very few resources to cope with the negative event (Rotenberg et al. 2001). Fiske et al. (1996) took vigilance a step further and showed that powerless people tend to show heightened vigilance towards

more powerful others, even when a negative event is not imminent. In other words, people who find themselves in a powerless situation, will purposely search for negative events, and when found, will attribute those events as intentional by the more powerful party (Overbeck, et al. 2006). Each example in Table 4 below shows examples of people who felt that the service failure was purposely conducted by airline personnel. Of course we will never know if these stories are completely accurate or not, as we do not have the airline personnel's perspective. But the important point is these consumers felt they were singled out for persecution. Also, it may be true that the service representatives described in these complaints purposely did go out of their way to harass customers. Either way, the customers' perceptions were highly attuned to negative overtures from the customer service representatives.

TABLE 4

Heightened Vigilance

"She [the flight attendant] left the [food] cart, but returned later and without warning she pivoted the cart rapidly and very forcefully into my leg. The pain of this was excruciating. I said, 'What is up with this, you running this cart into me?' *She replied, proudly and smugly*, 'I forgot and walked off.'"   **Note** The consumer received an injury to his leg that limited the use of it.
"The agent at the international check-in was rude and I feel misrouted my luggage *intentionally*."
"He [a desk service representative] actually picked up the phone and called security. We never saw the security, but the scene was *designed to humiliate me* in front of the kids.
"You put us in these seats in row 15 at the emergency exits. I think that was done out of anger for us too. The employee's way of *getting back at us* a little too." *Note* The writer mentioned that he had back and leg problems and consequently could not open an emergency door.
"I am not being vindictive when I say, 'I think she [flight attendant] *had it in for me*.'"

Fear

Powerlessness is characterized by events that are beyond an individual's control. If an event occurs that is out of an individual's control or beyond his or her coping resources the emotion displayed is likely to be sadness, anxiety or fear (Timmers, Fischer, and Manstead 1998). The expression of fear is inferred as a powerless emotion because powerless emotions imply internal blame, vulnerability, and one's inability to cope with negative events (Fischer et al. 2004).

Experiencing anxiety or fear is not implying that a person lacks the internal ability to cope with negative events, but the outcomes of the negative events are beyond the person's control. Examples of service encounters that might cause a customer to experience fear are service personnel whom falsely accuse customers of misdeeds, yell at customers, or discriminate against customers (Chung-Herrera, Goldschmidt, and Hoffman 2004). Some customers do not complain while the service failure is occurring because they fear that complaining will lead to punishment (Sbaraini and Carpenter 1996), such as retaliation and victimization by the service provider.

As Table 5 reveals, there are various reasons that customers felt fear. Causes of fear included mechanical failure, unruly passengers, unruly flight attendants, spending the night alone in the airport, and threats of arrest. In each of these instances, the customers did not complain too long, for fear of reprisal. But they did say that they planned to take action as soon as they were out of the powerless situation.

TABLE 5

Fear

"We had some serious mechanical problems in the air!!! We couldn't rise to cruising altitude and we were too heavy to land. We had to circle around Chicago and then land. *I was so scared*."
"At this time the plane was already loaded and the supervisor and the airline 'thug' took us aside and told us if we complained about anything, she would have us arrested immediately. So of course we didn't say anything to anyone. *We were both extremely frightened*."
"A man kept hitting the back of my seat with extreme force every time he got up to go to the back of the plane. He was a large man and I was rather afraid of him."
"_____ is a *psycho flight attendant*. Look out for her! She accused me of hitting her, which is an absolute lie! She had me arrested! Of course the case was dismissed because it wasn't true."
"There are no rooms available [at the hotel]. At this point *I am tired, frustrated and scared* that I have to be there [the airport] all alone all night."

Grudge-Holding

Grudge-holding is defined as the condition when people maintain a victim role and perpetuate negative emotions associated with rehearsing the hurtful offense (Witvliet, Ludwig, and Vander Laan 2001). Nursing a grudge is associated with a commitment to remain angry about a particular offense (Witvliet et al. 2001). A benefit of holding a grudge towards a perpetrator of a wrongdoing is that it provides the victim a moral high ground by virtue of having been wronged (Exline and Baumeister 2000). In order to adjust to feelings of powerlessness, people label themselves as victims, thus justifying "ongoing feelings of anger and righteous indignation—emotions that can make them more powerful" (Exline and Baumeister 2000, p. 147).

Grudge-holding is also evident in the marketing context, such as when a customer

blames a service failure on a marketer and vows to never return to that marketer (Hunt, Hunt, and Hunt 1988). Grudges in the marketplace can form for several different reasons, such as the product may be poor quality, repairs are done incorrectly, and the service is poor or slow. Although some people may hold grudges due to a core product failure, Hunt et al. (1988) found that a majority of consumers hold grudges because

of the way they were treated by marketing personnel. This finding underscores the importance of recognizing and effectively working with the interpersonal interaction that occurs between the service provider and the consumer (Iacobucci and Ostrom 1996).

Table 6 shows the comments made by respondents who said they will never fly with this airline again.

TABLE 6

Grudge-Holding

"I am very upset with the amount of time you have taken from me and *I have no intentions* of ever using your airline again."
"I will fly in a bed of nails before getting into a _____ flight."
"_____ is an incompetent carrier with little regard for customer service. From delayed schedules, changed flight times, delayed luggage, and rude employees, *I will never use* _____ again."
"We are extremely disappointed in this whole situation and *will never even try to use* _____ again for family or animals."
"What a bunch of idiots. My wife and I have put up with lost baggage, cancelled flights without notification, rude customer service. *We're done with this incompetent, uncaring airline*. My wife and I were both Premier flyers with _____."

Retaliation

In marketing, retaliation has been defined as a consumer's action to intentionally hurt a store or business (Hunt 1991). Retaliation is defined as aggressive behavior by a person with the intent of getting even with the offending party (Huefner and Hunt 2000). Retaliation is closely tied to attributions of intent. For example, if a "victim" believes that another party "hurt" him or her on purpose and could have controlled that "hurt," then the victim is more likely to retaliate. Also, people will retaliate when his or her trust has been violated or if their social identity is threatened or harmed (Bies and Tripp 1996).

In regards to retaliation, one of the advantages of the powerful is the ability to deal with offenses more openly than the less powerful (Baumgartner 1984). Frijda (1994) noted that for the most part, people tend to retaliate if they feel they have the power to do so, and refrain from retaliation if they feel their actions would not bring any extra benefit to them. The effect of power asymmetry on retaliation can be explained by the fact that a high status offender can more negatively affect the victim's welfare than can a lower or equal status offender (Aquino et. al. 2001). When a company wrongs a customer that feels less powerful, that customer still has the potential to exact revenge, sometimes through covert retaliation. Covert retaliation

is defined as "secret, aggressive action by an aggrieved party to inconvenience an offender" (Morrill and Thomas 1992, p. 415). Covert retaliation by a victim results in the offender remaining completely unaware that revenge has been taken or restitution exacted (Baumgartner 1984).

The desire for vengeance, but not the actual carry-through is referred to as retaliation-desire or revenge-fantasy (Bies and Tripp 1996). Bougie, Peters, and Zeelenberg (2003) used content analysis to explore the feelings, thoughts, and action tendencies of customers after a negative service incident. They found that desires for revenge and tendencies toward aggressive actions were consequences of service failure. Retaliation desire is a safe route for the less powerful as they react to harm by resorting to revenge fantasy (Bies and Tripp 1996). For example,

a customer may wish that the offending company will experience bankruptcy or become entangled in a messy scandal.

Revenge-fantasies, or retaliation-desires, are not just intrapsychic phenomena, but shared with coworkers and friends as well (Bies and Tripp 1996), thus adding texture to negative word-of-mouth behavior. A consumer may cope with feelings of powerlessness by sharing or even harboring a desire to retaliate. Examples of the three different levels of retaliation uncovered in the Untied.com database are provided in Table 6. The first three examples deal with actual retaliation measures, the fourth example is covert retaliation, and the fifth quote is retaliation-desire, in the sense that this person would like to see the airline shut down, but can do nothing about it.

TABLE 7

Retaliation

"I intend to use all of professional connections, all of my life's savings and all personal sweat I can muster to sue this company because of the intentional acts of your employee."
"I will do everything necessary to contact media among others who may be interested in the wonderful treatment received by your company." *Note* The word "wonderful" is used in a sarcastic manner as the complaint described a situation that was anything but wonderful.
"If you don't want children on your airline you should put that on your website. I will be posting it on my website and I am also forwarding a copy of this email to the FAA, and to every family, child, and parenting magazine I can think of."
"No one at the airline will probably read these letters but it feels good to vent!"
"Really, this airline can't maintain its fleet; so it must be ordered to stop all flights. Please, just stop pussy footing around with these people. They must stop now."

Relationship between Antecedents, Powerlessness and its Consequences

Since this research is exploratory, no hypotheses were tested, and it is difficult to derive associations between the antecedents to, and the consequences of, powerlessness.

But some trends were found in the results which shed some light on how the antecedents to powerlessness might relate to the consequences of powerlessness. Table 8 highlights the associations between the antecedents, powerlessness, and consequences.

TABLE 8

**Associations between the Antecedents To and Consequences Of Powerlessness:
A Summary of Tally Counts**

| Antecedents | Descriptions of Powerlessness | | | Consequences of Powerlessness | | | | |
	Sub-ordination	No Correction	Total	Vig-ilance	Grudge-holding	Retal-iation	Fear	Total
Rude service representative	24	13	37	7	13	5	12	37
Flight delays	7	7	14	2	8	2	2	14
Policy misunderstandings	5	6	11	0	7	3	1	11
Lost luggage	2	6	8	3	3	2	0	8
Flight cancelled	2	4	6	1	4	0	1	6
Other passengers	3	2	5	1	2	0	2	5
Separated from the traveling party	1	4	5	0	0	2	3	5
Missed flight	2	3	5	0	4	0	1	5
Lost seat on airplane	2	3	5	2	0	2	1	5
Mechanical problems	0	4	4	1	0	1	2	4
Multiple small problems add up	1	2	3	1	1	1	0	3
Ordered off the plane	2	0	2	1	0	1	0	2
In-flight amenities	0	1	1	1	0	0	0	1
Flew to wrong destination	0	1	1	0	1	0	0	1
Unaccompanied minor	0	1	1	0	0	0	1	1
	51	57	108	20	43	19	26	108

CONCLUSION

The purpose of this article was to explore different ways in which customers express feelings of powerlessness. Since flying on an airplane involves so many variables, such as airport security personnel, other customers, procedures, and customer service representatives, the potential for a service failure is high. Additionally, airline travel is replete with ambiguous variables, such as flight safety issues, unpredictable customer service, weather related delays, and the disposition of other customers. Powerlessness is heightened in ambiguous situations, and even without a service failure, managers should recognize these dilemmas and be prepared to calm and empower customers.

The impact of service personnel on consumers' overall satisfaction with their experience is already well described in the marketing literature, but the integrated results of the current inquiry reveal that not only was rude service personnel the most widely cited reason for feeling powerlessness, but it also held the largest association with grudge-holding and fear. Future research should not only test vigilance, grudge-holding, retaliation, and fear as consequences of powerlessness, but also as alternative consequences to service failure. Perhaps rude service representatives add a new dimension of fear to customers who are already feeling as if they have little control over their experiences.

Disgruntled consumers describing their feelings of subordination also embedded such feelings in their remarks about rude customer service representatives. Even if customers are not feeling powerless when they begin their quest to change a negative service encounter, they may end up feeling powerless after interfacing with rude service personnel. The impact of rude service personnel should not be underestimated by

service providers and needs to be studied more systematically by marketing scholars.

Grudge-holding was the largest reported consequence of powerlessness, which means there were a large percentage of powerless customers who stated that they will never fly United airlines again in the future. It may be extremely difficult if not impossible to regain positive relationships with these consumers, but it is important to understand what circumstances led to grudge-holding and the manner in which managers plan for and try to correct those situations deserves special attention.

It is the authors' belief that the concept of powerlessness should find a more prominent place in the marketing literature because of its prevalence in the service sector (e.g., hospitals, utilities, airlines). Due to the situational nature of powerlessness, it is felt by people who have both high and low self efficacy, and frustrates a wide range of customers. It is also clear that other research designs besides the content analysis of complaints is necessary to test any hypotheses regarding powerlessness, its antecedents and consequences. For example, experimental designs could be useful in testing the impact of each of the antecedents mentioned in this article on powerlessness.

As we have discovered, disgruntled customers who feel powerless tend to resort to hyperbole when they relate their stories. These customers state that they will *never* return, *all* the representatives were incompetent or rude, and the *whole flight* was miserable. This is due, at least in part, to the fact that powerless customers are highly vigilant to negative incidences, and every incident has the potential of being interpreted in a negative manner. As a result, one negative incident could transfer to the whole entire service experience (i.e., a negative halo effect is likely). Even innocent actions by service personnel can be interpreted as malicious intentions by a customer experiencing heightened vigilance.

The consequences of powerlessness have the potential of greatly impacting service encounters, and it is important to include powerlessness as a viable theory in the service failure/recovery literature.

LIMITATIONS

Perhaps the biggest limitation of this research stems from the inability to talk to the customers who wrote their complaints on the website. The content analysis can capture a small picture of how they felt, but it is lacking in the depth that is obtained when face-to-face interviews are conducted with customers. Also, some of the complaints might be exaggerated and we are not sure if the service failures happened to the degree claimed by each of the disgruntled customers. Additionally, we do not have the "other side of the story" that would have to be given by the relevant service personnel of United Airlines. It is known that customers can ad do sometimes inflict dissatisfaction upon themselves by their own actions, and this problem is not ascertainable by solely examining the Untied.com website.

Additionally, only one database created by disgruntled customers of United Airlines was used as the unit of analysis, thus reducing the potential of generalizing this research to other complaint situations. To generalize the results, other complaint databases, including Internet based and corporate based databases should be analyzed to determine if the powerlessness themes are consistent between all of the databases. Also, other forms of research, such as a survey or experimental design would help further the field's knowledge regarding powerlessness in service failure situations.

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CONSUMER OFFENSE TOWARDS THE ADVERTISING OF SOME GENDER-RELATED PRODUCTS

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ABSTRACT

Causing people to take offense can occur when a marketer undertakes a controversial advertising campaign. What can make this a particularly important issue is when companies make what for many individuals is a controversial product, like condoms, erectile dysfunction drugs, feminine hygiene products and certain kinds of underwear. Such companies manufacture legitimate products for their target customers, and they need to be able to communicate an effective message to their customers without causing offense that can lead to dissatisfaction, negative publicity, the rejection of the message, boycotts, other forms of complaining behavior, or other unpleasant outcomes.

This article presents the results of a survey of 265 university students to examine whether they perceive particular gender-related products as offensive, what execution techniques, if any, lead them to find advertisements offensive, in general, and to calculate correlations to find out any potential association between specific gender-related products and specific offensive advertising execution techniques. The inquiry uncovered a number of execution techniques that were perceived as offensive and there were several statistical differences in comparisons between gender and age.

INTRODUCTION

In recent years, a number of well-known manufacturer/marketers, such as Benetton and Calvin Klein, have undertaken controversial advertising campaigns that have been very successful; however, not all have proven to be effective. Indeed, some campaigns have backfired and have been damaging to the company and its brand image (Curtis 2002; Irvine 2000; Pope, Voges and Brown 2004).

A major reason for the intentional use of controversial themes and images is that they have the potential to creatively "cut through the clutter" to gain attention and brand awareness (Waller 1999). This has been a successful strategy for companies like French Connection UK, Wonderbra, Love Kylie, among others, and has gained a large amount of publicity with amazingly inexpensive albeit controversial campaigns; the same can be said for some non-profit organizations with public service announcements against smoking, use of illicit drugs, and drunk driving (Severn, Belch and Belch 1990; Waller 1999; Crosier and Erdogan 2001; Dahl, Frankenberger and Manchanda 2003; Miller 2003).

For marketers, the problem can be that a controversial advertising campaign can be very successful or very damaging, depending upon what ultimately happens in the marketplace. For example, the clothing company Benetton has long been criticized for its advertising which uses controversial images to deliver a message of "social concern" (Evans and Sumandeep 1993; Dahl, Frankenberger and Manchanda 2003; Chan et al. 2007), until the "death-row" campaign was felt to have gone too far (Curtis 2002). Similar problems were experienced by Calvin Klein, which had been criticized for running campaigns with explicit sexual images and had to publicly apologize after the outrage caused by a campaign that was alleged to have used images of child pornography (Anon 1995; Irvine 2000).

The result of a controversial advertising campaign can, therefore, be embarrassing, distasteful or even offensive to some part of the viewing audience. This dissatisfaction can lead to a number of consumer initiated actions, such as negative word-of-mouth, complaints to company hot-lines, complaints to advertising regulatory bodies, cutbacks/reductions in customary purchase levels of the products/brands advertised, product and even company boycotts (Crosier and Erdogan 2001; Waller 2005).

Marketers wanting to undertake a controversial campaign often tread a fine line between successfully communicating to the target market and seriously offending some individuals…members and non-members of the targeted group(s). Interestingly, even though some people can be offended by certain advertising campaigns, advertisers are apparently not shying away from but rather are using controversy in increasing numbers. In fact, it has been claimed that the use of provocative or controversial images in advertising has become increasingly common over the last twenty years (Severn, Belch and Belch 1990; Pope, Voges and Brown 2004). The issue for some advertisers, and especially for those with controversial products (for example, condoms, erectile dysfunction drugs, and feminine hygiene products), is to determine who may tend to be offended by their controversial campaign and the reasons for its being perceived as offensive. Some believe that marketers have a social responsibility not to intentionally offend people with their advertising themes and images, yet others believe that in a free market society, companies that market legal products should be able to communicate any type of message to their target customers…as long as no laws are being broken.

It is against this backdrop that this article presents the results of a survey on the advertising of controversial products directed toward university students and endeavors to discover some of the potential underlying reasons for such students taking offense. More specifically, the objectives of this research are to:

(1) determine whether those students polled perceive the advertising of particul-ar gender-related products as offensive, and if there is a difference based on gender and age;

(2) determine the creative advertising execution tech-niques that are perceived to be offensive by university students, and if there is a difference based on gender and age; and

(3) calculate correlations to find out any potential ass-ociation between offens-iveness perceptions of specific gender-related products and potentially offensive execution techniques.

BACKGROUND

Definitions

Some marketers, by the nature of their product(s), may be perceived as controversial and any type of promotion may generate negative responses, as might be expected, for example, in the case of cigarettes, alcohol, condoms, erectile dysfunction drugs or feminine hygiene products (Schuster and Powell 1987; Wilson and West 1995; Waller 1999). Studies examining issues related to this area have described such products in a number of ways, including: "unmentionables" (Wilson

and West 1981; Alter 1982; Katsanis 1994; Wilson and West 1995; Spain 1997; Norrie 2005), "indecent products" (Shao 1993), "socially sensitive products" (Shao and Hill 1994a; Shao and Hill 1994b; Fahy, Smart, Pride and Ferrell 1995), "controversial products" (Rehman and Brooks 1987; Waller, Fam and Erdogan 2005), and "offensive products" (Prendergast, Ho and Phau 2002; Prendergast and Hwa 2003).

Wilson and West (1981, p. 92) define "unmentionables" as: "... products, services, or concepts that for reasons of delicacy, decency, morality, or even fear tend to elicit reactions of distaste, disgust, offence, or outrage when mentioned or when openly presented". This definition has since been supported by Triff, Benningfield and Murphy (1987), Fahy, Smart, Pride and Ferrell (1995), Waller (1999), Prendergast, Ho and Phau (2002) and Prendergast and Hwa (2003). Barnes and Dotson (1990) further discussed offensive advertising and identified two different dimensions: offensive products and offensive execution. Katsanis (1994) also added that "unmentionables" were "offensive, embarrassing, harmful, socially unacceptable or controversial to some significant segment of the population". *Therefore, controversial advertising is herein defined as: advertising that, either by type of product or execution, can elicit reactions of embarrassment, distaste, disgust, offense or outrage from one or more segments of the population.*

Theoretical Issues

While products like alcohol, condoms and feminine hygiene products are both legal and widely available, it may seem unusual that they could be perceived as controversial or even "unmentionable." The theoretical basis for understanding the potential offense caused by certain advertisements is grounded in an individual's morality and ethical judgment. In other words, the messages and themes conveyed in such product/service advertising must be weighed in the context of an individual's (or society's) moral philosophy or ethical decision-making framework (Arthur and Quester 2003; Dean 2005), and if advertising messages are contrary to her or his beliefs, then s/he will be offended.

Ethical judgment of advertising can be grouped based on the following theories: (1) idealism (or deontology) says actions are judged on the rightness or wrongness of the action itself; (2) pragmatism (teleology) says that an act is right if it results in the greatest good for all those affected; or (3) relativism says that no universal ethical rules exist, as decisions are a function of time, place, culture, etc. (Arthur and Quester 2003; Dean 2005). Yet, these are not mutually exclusive, as, when judging the ethical value of a potentially controversial advertisement an individual may take a number of elements from these philosophies into account, plus the influence of socio-demographic elements, like gender, age, culture and religion (Fam and Waller 2003; Fam, Waller and Erdogan 2004).

While from an individual's perspective, ethical judgment and moral philosophy is important for deciding whether her/his perception of an advertisement is offensive, from an organization's perspective, it would have to consider its stakeholders when planning to run a controversial campaign. In stakeholder theory, it is important for an organization to relate favorably with the community members, or stakeholders, with whom it does business (Freeman 1984). As part of the overall exchange relationship, a business should also be socially responsible in its business dealings, like eliminating or minimizing any harmful effects on society and maximizing its long-term effect on the community in which it does business (Waller 1999; Mohr, Webb and Harris, 2001; Dean 2004). Therefore, the need to maintain favorable relationships with the various stakeholder groups, such as

shareholders, general public, suppliers, employees and customers, is essential, since they form an integral component of the business loop (Murphy et al. 2005). A potentially offensive campaign may not only reflect poorly on the company, but also embarrass or offend important stakeholders.

Controversial Advertising

Barnes and Dotson (1990) discussed offensive television advertising and identified two different dimensions: offensive products and offensive execution. A number of studies have reinforced this idea, but most of these have concentrated on attitudes towards the advertising of potentially offensive or controversial products (Waller 1999; Prendergast, Ho and Phau 2002; Waller 2005). While it is important for marketers of controversial products to understand their potential to offend and determine possible ways of minimizing this, it has been noted in previous studies that often people are more offended by particular creative execution techniques than the advertising of certain controversial products (Waller 1999; Waller, Fam and Erdogan 2005).

Various types of products, both goods and services, have been suggested by past studies as being controversial when advertised, including cigarettes, alcohol, contraceptives, underwear and feminine hygiene products. Wilson and West (1981), in their study of "unmentionables," included "products" such as personal hygiene and birth control. Feminine hygiene products were the main focus for Rehman and Brooks (1987), but they also included undergarments, alcohol, pregnancy tests, contraceptives, medications, and VD services, as examples of controversial products. When asked about the acceptability of various products being advertised on television, only two products were seen as unacceptable by a sample of college students: contraceptives for men and contraceptives for women. Feminine

hygiene products have also been mentioned in industry articles as having advertisements that are in "poor taste", "irritating" and "most hated" (Alter 1982; Aaker and Bruzzone 1985; Hume 1988; Rickard 1994).

Shao (1993) and Shao and Hill (1994a) analyzed advertising agency attitudes regarding various issues that can be controversial for the agency that handles the account. The products/services discussed in these studies were cigarettes, alcohol, condoms, feminine hygiene products, female undergarments, male undergarments, sexual diseases (e.g., STDs, AIDS), and pharmaceutical goods. Fahy, Smart, Pride and Ferrell (1995) grouped products into three main categories: alcoholic beverages, products directed at children, and health/sex-related products, while Barnes and Dotson's (1990) study included a number of gender-related products, such as condoms, female hygiene products, female undergarments, and male undergarments. Phau and Prendergast (2001) found that products like cigarettes, alcohol, condoms, female contraceptives and feminine hygiene products were perceived as controversial products that could offend when being advertised, and included measurements in their study of sexual connotations, subject too personal, evoking unnecessary fear, cultural sensitivity, indecent language, sexist images and nudity.

Waller (1999) presented a list of 15 controversial products that aimed to range from extremely offensive to not very offensive: Alcohol, Cigarettes, Condoms, Female Contraceptives, Feminine Hygiene Products, Female Underwear, Funeral Services, Gambling, Male Underwear, Pharmaceuticals, Political Parties, Racially Extremist Groups, Religious Denominations, Sexual Diseases (AIDS, STD Prevention), and Weight Loss Programs. He also included six potential reasons for taking offense: Indecent Language, Nudity, Sexist, Racist, Subject Too Personal and Anti-social Behavior. Fam, Waller and Erdogan (2004), replicating Waller (1999)

across four countries, used factor analysis to uncover four groups of controversial product categories: Gender/Sex Related Products (e.g., condoms, female contraceptives, male/female underwear, and feminine hygiene products); Social/Political Groups (e.g., political parties, religious denominations, funeral services, racially extreme groups, and guns and armaments); Addictive Products (e.g., alcohol, cigarettes, and gambling); and Health and Care Products (e.g., charities, sexual diseases (AIDS, STD prevention), and weight loss programs).

As mentioned above, the creative execution used in an advertisement, even for a product that is not controversial by nature, can make the advertisement controversial (Barnes and Dotson 1990). For example, complaints against a Windsor Smith shoes billboard was upheld by the ASB for a sexual image that was not considered decent for the general public (ASB 2000; Creer 2000). Normally an advertisement for shoes would not be perceived as controversial, but the execution, in which a woman trying on shoes was sitting in an overtly sexual pose, makes it a controversial advertisement. Some execution techniques perceived as potentially offensive include: Anti-Social Behavior, Indecent Language, Nudity, Racist, Sexist, and Subject Too Personal (Waller, Fam and Erdogan 2005).

Who Is Offended?

Fahy, Smart, Pride and Ferrell (1995) compared the attitudes of people according to sex, age, income, region, education and race, and found that women, particularly aged 50 and over, had much higher disapproval levels for such controversial commercials. Waller (1999) also compared gender and found females were significantly more offended than males, and were offended by the execution rather than the so-called controversial products themselves.

Also, studies have shown that younger people have a greater acceptance of offensive advertising (Barnes and Dotson, 1990, Grazer and Keesling 1995, Waller 1999), with the predictable result of advertisers more often using sexual or violent images to attract younger people (Bushman and Bonacci, 2002; Reichert 2003). Further, it is claimed that there is a congruity issue with controversial images. As an example, if the advertised product is sexual in nature or used for sexual attraction, the controversial advertisement is deemed as less offensive and is more effective when a sexual theme/executional strategy is implemented (Boddewyn and Kunz, 1991; Grazer and Keesling, 1995; Pope, Voges and Brown 2004).

The products to be used as reference points for the university students participating in this study are gender-related products: Condoms, Male Underwear, Feminine Hygiene Products, and Female Underwear. These were chosen as it was felt that these products would generate variance of perceptions of "offensiveness" among this population of respondents, particularly between gender and age groups, than some other controversial products/services, like charities, or political advertising. Based on previous studies (Waller 1999; Waller, Fam and Erdogan 2005) and including those suggested by the Advertising Standards Bureau of Australia, eleven different items were presented to the respondents to give them choices in determining specific execution techniques as reasons for taking offense. These were: Anti-Social Behavior, Concern for Children, Hard Sell, Health and Safety Issues, Indecent Language, Nudity, Racist Image, Sexist Image, Stereotyping of People, Subject Too Personal, and Violence (although after undertaking a Factor Analysis, the item Subject Too Personal did not load well onto any of the Factors, and was dropped from further analysis).

METHODOLOGY

To ascertain the degree to which the subjects took offense at the advertising of controversial products, a questionnaire was developed and distributed to a large convenience sample of students at a large urban university in Australia. The rationale for using university students as subjects relies heavily on the fact that this has been a research method practiced overseas for many years, mainly due to easy accessibility to the researcher and homogeneity as a group (Calder, Phillips and Tybout 1981). Also, as many scholars have stated over the years, as long as the stimulus material used is relevant to college students and the context of the research project is also relevant to them, there is no threat to internal validity of any results uncovered, ceteris paribus. Finally, student samples have already been used in controversial advertising studies by Rehman and Brooks (1987), Tinkham and Weaver-Lariscy (1994), Waller (1999), and Fam, Waller and Erdogan (2004).

A total of 265 university students studying Business were surveyed (120 male and 145 female). The average age of the total sample was 22.34 with ages ranging from 18 to 53 years old. Age has been suggested as an important variable in determining whether or not people take offense to advertising messages, and there is some evidence that older people tend toward being more offended by controversial advertisements (Fahy, Smart, Pride and Ferrell 1995). To determine if there were any differences between the older and younger university students in this research, the respondents were categorized and grouped into two age groups: 21 or less and 22 and older. In Australia, people who are 22 years and older can claim "mature age student" status if they would like to enroll for a degree, and, generally, if a student enrolls directly from High School at 18 and studies for a three-year degree, students would be graduating at the age of 21. Therefore, if university students in

Australia are older than 21, they have probably worked, taken a "gap" year or traveled at some stage, giving them some real-world experience apart from full-time study. Therefore, when looking at age differences of university students in this study, a comparison based on those aged 21 or less and 22 and older makes sense.

The questionnaire took between approximately 10 and 15 minutes to complete and was administered in a classroom environment. There were two main sections of the questionnaire. One consisted of the list of products/services referred to earlier as those deemed likely to be controversial to the typical university student. The other section consisted of the list of themes/executional styles referred to earlier as potential causes of taking offense. In both sections, respondents filled out five-point, bi-polar evaluation scales. In each instance, the respondents were asked to indicate the degree to which the item on the list was felt to be offensive to them in an advertising context. In each case, 1 meant "Not At All" offensive and 5 meant "Extremely" offensive.

RESULTS

Gender-Related Products

The 265 respondents were presented with a list of products for which they indicated their general level of personal offense. As can be discerned from perusing Table 1, below, none of the products were perceived to be especially offensive (overall mean offensiveness perceptions did not even approach the mid-point [3] of the five-point scale used), which may be due to the sample being mostly younger university students going to school in a cosmopolitan westernized city; and this outcome also conforms to Waller's (1999) results from an earlier study.

Of the four gender-related products, condoms were perceived to be most offensive when advertised, followed by Feminine Hygiene Products, Men's Underwear and Women's Underwear (Table 1). However, comparing genders using ANOVA, the females in the study were more offended by Condoms and Women's Underwear advertisements than the males at the .05 level of significance.

Advertisements for Feminine Hygiene Products were perceived to be more offensive to males and people 22 years old and older at the .10 level. Feminine Hygiene Products was also the only product category to reveal significant differences for both the gender and age comparisons. These results answer research objective # 1.

TABLE 1

MEAN OFFENSIVENESS PERCEPTIONS OF ADVERTISEMENTS FOR GENDER-RELATED PRODUCTS

PRODUCT	TOTAL	Males	Females	21 or less	22+
Condoms	**2.56**	**2.36**	**2.73 ****	**2.62**	**2.47**
	(1.25)	(1.19)	(1.27)	(1.30)	(1.15)
Feminine Hygiene Products	**2.39**	**2.53**	**2.27 ***	**2.27**	**2.56 ***
	(1.23)	(1.24)	(1.21)	(1.22)	(1.25)
Men's Underwear	**1.98**	**2.05**	**1.91**	**1.88**	**2.07**
	(1.08)	(1.13)	(1.03)	(1.06)	(1.20)
Women's Underwear	**1.91**	**1.75**	**2.04 ****	**1.83**	**1.98**
	(1.12)	(1.01)	(1.20)	(1.08)	(1.16)

Notes:
Mean Scores are in **boldface**; Standard Deviations are in parentheses.
 * =$p < .10$
** =$p < .05$

Execution Technique Factors

The respondents were presented with a list of advertising execution techniques, which have been offered as potential reasons for taking offense at mass media advertising, and for which they indicated their general level of personal offense. The total sample indicated offense to the majority of reasons (as revealed in Table 2, mean offensiveness scores were greater than 3) except Nudity, Health & Safety Issues, and Anti-social Behavior. Racist Images was generally perceived as the most

offensive (Table 2). A Principal Components Factor Analysis resulted in four factors: Discriminatory (Stereotyping of People, Sexist Image, Racist Image); Traditional (Indecent Language, Nudity, Anti-social Behavior, Violence); Personal/Family Impact (Health & Safety Issues; Concern for Children); and Hard Sell (Hard Sell). Of the four factors, three of them (Discriminatory, Traditional, and Personal/Family Impact) have reasonably strong reliability, with Cronbach's alpha greater than 0.70. The Hard Sell factor was composed of a single item.

TABLE 2

EXECUTION FACTORS

	Individual Execution Techniques	**Mean (St Dev)**	**I**	**II**	**III**	**IV**
Discriminatory Factor Mean = 3.70 Cronbach's Alpha = .774 % of variance = 21.809 Cumulative % = 21.809	Stereotyping of People	3.38 (1.11)	.817			
	Sexist Image	3.60 (1.28)	.791			
	Racist Image	4.12 (1.07)	.742			
Traditional Factor Mean = 3.09 Cronbach's Alpha = .725 % of variance = 20.135 Cumulative % = 41.944	Indecent Language	3.05 (1.23)		.794		
	Nudity	2.92 (1.28)		.784		
	Anti-social Behavior	2.84 (1.20)		.595		
	Violence	3.55 (1.28)		.538		
Personal/Family Impact Factor Mean = 3.00 Cronbach's Alpha = .731 % of variance = 14.614 Cumulative % = 56.558	Health & Safety Issues	2.87 (1.34)			.889	
	Concern for Children	3.12 (1.39)			.862	
Hard Sell Factor Mean = 3.18 % of variance = 11.033 Cumulative % = 67.591	Hard Sell	3.18 (1.18)				.846

Reasons for Offensiveness

A few executional techniques were claimed to be not especially offensive (mean score under 3) by the various student groups, with Health & Safety Issues being the only theme being considered not offensive in all groups. Comparing genders by using ANOVAs, females were significantly more offended than males for Sexist Image, Violence, Stereotyping of People, Indecent Language, and Nudity. In particular, the female students indicated being offended by advertisements with Indecent Language, Subject Too Personal, and Nudity executional strategies, while the males did not find these approaches offensive. This can be due to the fact that women are often the objects of sexism, stereotyping and nudity, and are less inclined to performing acts of violence and using indecent language. Looking at age, the older student group was significantly more offended by advertisements with Violence, Hard Sell, Concern for Children, and Anti-social Behavior. This outcome makes sense given that older students tend to be more conservative and more concerned with issues like child welfare and anti-violence. These results answer objective 2.

TABLE 3

**PERCEIVED OFFENSIVENESS OF
ADVERTISING EXECUTION TECHNIQUES**

	TOTAL	**Males**	**Females**	**21 or less**	**22+**
Discriminatory Factor					
Stereotyping of People	**3.38** (1.11)	**3.18** **(1.21)**	**3.56**** **(.99)**	**3.36** (1.11)	**3.42** (1.13)
Sexist Image	**3.60** (1.28)	**3.18** **(1.38)**	**3.95**** **(1.07)**	**3.68** (1.31)	**3.50** (1.24)
Racist Image	**4.12** (1.07)	**4.06** (1.06)	**4.17** (1.08)	**4.10** (1.08)	**4.16** (1.05)
Traditional Factor					
Indecent Language	**3.05** (1.23)	**2.71** **(1.23)**	**3.33**** **(1.16)**	**2.94** (1.24)	**3.18** (1.21)
Nudity	**2.92** (1.28)	**2.50** **(1.31)**	**3.26**** **(1.15)**	**2.95** (1.25)	**2.84** (1.34)
Anti-social Behavior	**2.84** (1.20)	**2.78** (1.17)	**2.90** (1.23)	**2.61** **(1.20)**	**3.20**** **(1.14)**
Violence	**3.55** (1.28)	**3.14** **(1.36)**	**3.90**** **(1.11)**	**3.36** (1.32)	**3.87**** **(1.16)**
Personal/Family Impact					
Health & Safety Issues	**2.87** (1.34)	**2.75** (1.32)	**2.98** (1.36)	**2.86** (1.30)	**2.87** (1.40)
Concern for Children	**3.12** (1.39)	**3.02** (1.40)	**3.20** (1.38)	**2.99** **(1.33)**	**3.31*** **(1.47)**
Hard Sell					
Hard Sell	**3.18** (1.18)	**3.24** (1.28)	**3.14** (1.09)	**2.95** **(1.16)**	**3.53**** **(1.12)**

Note: mean offensiveness scores are in **boldface**; standard deviations are in parentheses.
* p < .10
**p < .05

**Correlating Products and
Reasons for Taking Offense**

To answer research objective 3, a correlation analysis of the perceived offensiveness ratings between the four product categories and each of the various creative execution techniques was conducted using Pearson's Correlation Coefficient formula (Table 4). Significant relationships (defined here as r's greater than + or - 0.30) were found between Condoms and Indecent Language, and Condoms and Nudity; as well as Women's Underwear and Nudity. Other significant associations (p < .01) were found between Condoms and Sexist Image; Feminine Hygiene Products and Anti-Social Behavior, Feminine Hygiene Products and Hard Sell; Men's Underwear and Anti-social Behavior, Men's Underwear and Nudity; Women's Underwear and Indecent Language, and Women's Underwear and Sexist Image. These results answer objective 3.

TABLE 4

**CORRELATION OF OFFENSIVENESS PERCEPTIONS FOR
PRODUCT CATEGORIES AND EXECUTION TECHNIQUES**

PRODUCT Execution Techniques	Condoms	Feminine Hygiene Products	Men's Underwear	Women's Underwear
Discriminatory Factor				
Stereotyping of People	**.153***	**.059**	**.086**	**.108**
	(.014)	(.350)	(.171)	(.085)
Sexist Image	**.240****	**.087**	**.010**	**.171****
	(.000)	(.164)	(.875)	(.006)
Racist Image	**.174***	**.019**	**.026**	**.098**
	(.005)	(.767)	(.673)	(.115)
Traditional Factor				
Indecent Language	**.394****	**.090**	**.157***	**.269****
	(.000)	(.149)	(.012)	(.000)
Nudity	**.444****	**.045**	**.233****	**.417****
	(.000)	(.471)	(.000)	**(.000)**
Anti-social Behavior	**.144***	**.168****	**.207****	**.104**
	(.021)	(.007)	(.001)	(.095)
Violence	**.243***	**.100**	**.129**	**.110**
	(.000)	(.109)	(.038)	(.077)
Personal/Family Impact				
Health & Safety Issues	**.138***	**.146***	**.105**	**.123**
	(.028)	(.019)	(.095)	(.050)
Concern for Children	**.154***	**.090**	**.041**	**.020**
	(.014)	(.149)	(.509)	(.745)
Hard Sell				
Hard Sell	**.090**	**.190****	**.095**	**.140***
	(.155)	(.002)	(.135)	(.027)

Note: Pearsonian Correlation Coefficients are in **boldface**; 2-tailed significance levels are in ( ).
*   **p < .05**
** **p < .01**

CONCLUSION

This study presented the results of a survey of 265 university students to determine whether they perceive particular gender-related products as offensive, what execution techniques lead them to take offense, and to calculate correlations to discover any potential association between offensiveness perceptions toward particular gender-related products and specific execution techniques. Overall, it appears that while those sampled indicated that they did not take offense when any of the four controversial product categories were

advertised, they did find a number of execution techniques for advertisements as being offensive. These university students perceived the creative executions as more of an indication of why an advertisement is personally offensive than the controversial products per se, a finding that replicates results from earlier research conducted by Waller (1999). Also, there were significant differences in the offensiveness perceptions with gender being more of a determinant of offensiveness than age, as females were more offended compared to the males, specifically with regard to perceptions towards advertisements for Condoms and Women's Underwear, as well as advertisements that have Sexist Images, Violence, Stereotyping, Indecent Language, and Nudity.

To establish any potential association between specific gender-related products and offensive execution techniques, a correlation analysis of the results between the four controversial products and reasons for the offense was conducted. A number of statistically significant associations were uncovered. In particular, significant perceived offensiveness relationships were found between Condoms and Indecent Language, Condoms and Nudity, and Condoms and Subject Too Personal. A significant association was also uncovered between offensiveness perceptions of the product category Women's Underwear and the executional technique of using Nudity. These results cannot speak to cause and effect questions, but they are suggestive nevertheless.

For those marketers involved with controversial products/services or controversial campaigns directed toward university students, it appears that they should be aware of the potential to offend. Although some campaigns aim to be controversial, care should be made to ensure that they are not racist, sexist, or have violent images, particularly when targeting the female university student market. Offending the members of such a target group can result in negative effects, like a drop in sales, an increase in complaints, negative word-of-mouth, or, at an extreme level, a boycotting of the product. Any of the aforementioned can reflect poorly on the brand, the company and even the agency behind the campaign. Those companies with controversial products should then be aware of what issues are the ones that offend their customers, and be socially responsible enough to refrain from being openly offensive. For example, condom manufacturers choosing to target university students might consider refraining from advertisements that bluntly use indecent language, nudity, or sexist images, if they intend to advertise without causing too much offense. However, it is still up to the advertiser to decide on the right communication strategy for their controversial product.

Limitations

Further research should be undertaken into attitudes towards controversial products and offensive advertising. While this study uncovered some interesting findings, it is very limited in that the study was undertaken with a university student sample, sampling was not random, it only examined the offensiveness perceptions of the advertising of four gender-related product categories (none which proved to be perceived as particularly controversial by the student respondents), and, due to research design limitations, it could not discover why the respondents found certain executions to be offensive. Also, offensive advertising can depend on the context, and so may vary depending on the product, brand, target audience, timing and media.

Future studies could also endeavor to measure levels of offensiveness towards specific advertisements, comparing offensiveness with variables in addition to gender and age, such as religion, education, personality, race/ethnicity, and type of mass media, etc., and a cross-cultural comparison could be made to determine whether views

hold across different countries/cultures. It is important for advertisers to develop an understanding of the relationship between their communicated advertising messages and their targeted customers, and the community in general. Advertisers should also take on some social responsibility for the messages being presented, as the last thing an advertiser should want to do is to offend its customers and cause a negative reaction in the wider marketplace.

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CONSUMER COMPLAINING BEHAVIOR
IN DEVELOPING COUNTRIES:
THE CASE OF BRAZIL

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ABSTRACT

Understanding why dissatisfied consumers complain the way they do is important from theoretical, managerial, and public policy perspectives. To a great extent, research into consumer complaining behavior (CCB) has been carried out primarily in developed countries; consequently, it has had a strong U.S. and European orientation. In order to broaden all perspectives, a conceptual model which integrates different streams of CCB is herein developed and used as the reference point for an empirical study of a segment of young adult Brazilian consumers.

The conceptual framework spawned 16 testable research hypotheses which were addressed by operationalizing a simple one-factor (two levels) between-subjects experimental design. A total of 480 graduate students enrolled at 2 major universities in Brazil were exposed to a written scenario describing a restaurant experience. Findings revealed that the level of consumer dissatisfaction, attitude towards complaining, self-confidence, and perceived likelihood of success influence complaint intentions, as well as word-of-mouth and switching intentions, but in different ways. Analysis also revealed that consumer self-confidence was the main driver of intention to complain, while dissatisfaction intensity proved to be the most relevant antecedent for both negative word-of-mouth and switching intentions. Finally, attitude toward complaining was shown to moderate the relationship between dissatisfaction intensity and the intent to complain.

INTRODUCTION

Scholars as well as practitioners have begun to recognize that the study of consumer responses to their marketplace dissatisfactions has significant implications for such key phenomena as repurchase intentions and brand loyalty (Day 1984), market feedback mechanisms and new product development (Fornell and Wernerfelt 1987) and consumer welfare (Andreasen 1984). Firms can heighten their customer retention rate, protect against diffusion of negative word-of-mouth, and minimize other problems by effectively managing post-purchase consumer dissatisfaction (Tax, Brown, and Chandrashekaran 1998). Moreover, complaining sometimes *increases* long-term satisfaction by virtue of the relief brought about by the mere venting of the reason(s) for dissatisfaction (Nyer 2000).

From the point of view of most business enterprises, it is unfortunate that most dissatisfied consumers exhibit *indirect behaviors* (such as negative word-of-mouth or simple exit behaviors) in the face of dissatisfaction, rather than complaining directly to the offending firm. Empirical studies report that at least two thirds fail to inform firms of their dissatisfaction (e.g., Richins 1983; Andreasen 1984).

Consumer reactions to dissatisfaction have been found to consist of a variety of responses that they adopt in order to deal with a particular dissatisfying situation, including complaining to the seller, communicating negative word-of-mouth to friends and associates, complaining to the manufacturer,

switching suppliers and taking legal action (Singh 1990; Voorhees and Brady 2005).

Despite the potentially high strategic importance of fully understanding and predicting consumer reactions to dissatisfaction, our current knowledge is limited. Upon perusal of the non-proprietary Marketing literature on consumer responses to dissatisfaction, it appears that the focus has been placed primarily on the *identification of various determinants of consumer complaining behavior* (hereafter referred as to CCB). This is not wrong, per se, but we are of the opinion that several important gaps in our knowledge continue to exist. Specifically, we find the following gaps:

(1) most literature focuses only on identifying determinants, not comparing their impacts;

(2) the literature is fragmented, most studies consider only two or three determinants and, sometimes, fail to consider major ones;

(3) the role of possibly influential individual difference variables such as personality has rarely been a central issue;

(4) most research has tended to utilize simplistic response styles; and

(5) most studies focus only on those clients that register their dissatisfaction, complaining directly to a firm, and do not consider those who spread negative word-of-mouth or silently switch suppliers.

Such gaps undermine the goals of systematic and cumulative research into this important area.

The study to be described in this article aims to establish the impact of several *perceptions* (i.e., attitude towards complaining, perceived likelihood of a successful complaint), several *personal factors* (i.e., alienation and self-confidence) and several *levels of dissatisfaction* on CCB. In what follows, the terms "complaint behavior" or "complaint responses" are used to imply all plausible consumer reactions to dissatisfaction, while the terms "complaint actions" or "complaint intentions" are intended to connote complaining behavior directed to the seller or manufacturer.

Research into CCB has, with few exceptions, been carried out in developed countries; consequently, it has had a strong US and European orientation (Liu and McClure 2001; Blodgett, Hill, and Bakir 2006). This fact raises questions as to the transportability of its findings to developing country markets. Large numbers of corporations have or are currently in the process of preparing to enter the markets of developing countries such as Brazil. Indeed, Brazil has received increasing amounts of foreign investment, especially from the U.S., in recent years. Can CCB researchers confidently advise firms newly entering Brazil on what might drive dissatisfied Brazilian customers to express their complaint, to switch companies or to spread negative word-of-mouth? More generally, are dissatisfied customers in developing countries more or less likely to engage in complaining, switching, negative word-of-mouth behaviors, or to seek legal action against the offending firm? Answers to such questions as these are more important today than ever before.

To date, however, non-proprietary, published CCB research, especially empirical studies outside the U.S. and European settings, has been limited with the exception of a recent focus on highlighting Asian cultures (Chiu, Tsang, and Yang 1988; Huang 1994; Watkins and Liu 1996; Liu, Watkins, and Yi 1997; Kim, Kim, Im, and Shin 2003; Chelminski 2003). With the exceptions of Hernandez, Strahle, Garcia and Sorensen (1991), comparing voiced complaint

intentions between US and Puerto Rican consumers, and Hernandez and Fugate (2004), analyzing dissatisfied retail consumers in Mexico, a thorough literature search revealed no study focusing on Central or South American CCB. Therefore, it is of practical as well as theoretical importance to analyze CCB within a developing country of South American culture, and Brazil has been chosen for this purpose.

LITERATURE REVIEW AND HYPOTHESES

This section summarizes germane literature and develops a set of research hypotheses that describe how personality, perceptual, and attitudinal variables influence complaint intentions.

Consumer Complaining Behavior

Dissatisfied consumers engage in several different behaviors, such as negative word-of-mouth, exit, complaining to the firm, appealing to a third party, or even repeat purchasing as usual. Hirschman's work (1970) established the "Exit, Voice and Loyalty" model, where Exit means that a consumer voluntarily and actively intends to terminate an exchange relationship by switching patronage to another retailer; Voice suggests an attempt to change rather than escape from a state of affairs; and Loyalty occurs when consumers neither exit nor voice but instead "suffer in silence confident that things will soon get better" (Hirschman 1970, p. 38). Later, Day and Landon (1977) suggested that this conceptualization was simplistic and listed nine broad categories for alternative responses to unsatisfactory experiences, including complaining to friends and relatives (negative word-of-mouth) and seeking redress from third parties. They included these defining categories in a two-dimensional taxonomy of responses consisting of public (e.g., voicing complaints

directly) and private (e.g., word of mouth) dimensions. Taking it one step further, Singh (1988) published an article showing that complaint responses can be appropriately conceptualized as consisting of three distinct dimensions: voice responses, including actions directed toward the seller; private responses, that is, actions involving stopping patronage and negative word-of-mouth communication about the offending seller; and third party responses, including actions directed toward external agencies. This three-tier structure captures well the various responses to dissatisfaction, and it is supported by empirical data and externally validated by discriminant evidence (e.g., Singh 1990; Singh and Pandya 1991; Liu et al. 1997).

However, since the current Brazilian legal system established to deal with consumer complaining actions are recognized as ineffective and much too slow, Brazilian consumers do not often consider the possibility of bringing their complaints before third parties (courts). Based on the literature mentioned above (Singh 1988; Day and Landon 1977) and on qualitative research data (in-depth interviews) secured prior to conducting the study to be summarized in this article, three possible Brazilian consumer complaining responses will be considered: complaint intentions (toward the company), negative word-of mouth, and switching intentions.

It is important to highlight that the literature on CCB suggests that consumers often utilize a wide variety of responses that can be successfully categorized into the preceding three dimensions (negative word-of-mouth, switch company or complaint toward the seller) (Singh 1988). For this reason, it is desirable to explicitly recognize and consider such responses. As Singh and Widing (1991, p. 39) argued "these dimensions are not posited as mutually exclusive responses. Instead, the framework

accepts that consumers may often engage in multiple responses."

Our study primarily focused on explaining what drives a consumer's behavior immediately following an unsatisfactory consumer experience. According to Blodgett and Granbois (1992), a dissatisfied consumer who voices his/her complaint initiates a dynamic process, or a multi-stage event, in which success or failure in obtaining perceived justice early-on determines whether and what kind of complaining behavior occurs over time. These authors focused their attention on the later stages, after a dissatisfied customer voiced the complaint directly toward the seller. They found that perceived justice resulting from early-stage voicing significantly predicted the negative word-of-mouth and repurchase intention. However, as Boote (1998, p. 146) argued, in that model "voice comes first, and all other CCB types are dependent on perceptions of justice relating to it." So, as Huppertz (2003, p. 133) stated, it is "necessary to examine all forms of CCB responses in the first-stage [right after a dissatisfaction episode] as well as in latter-stage complaining [after the consumer's complaint or firm's complaint handling]" and analyze what drives the consumer during the first-stage (i.e., right after an unsatisfactory experience) to complain toward the seller, switch company, spread negative word-of-mouth or to do nothing after an unsatisfactory buying or consuming event. We concur.

Antecedents of Consumer Complaining Behavior

The idea of linking consumer responses to the intensity of dissatisfaction is not new. The first model proposing such a relationship was put forward by Landon (1977). More recent research agreed with Landon's contentions (Maute and Forrester 1993). Using severity of the perceived problem as a surrogate for intensity of dissatisfaction, these scholars found a direct relationship between intensity and complaining behavior. Translating this into our study, we similarly expect that as Brazilian consumers experience higher levels of dissatisfaction, the result will be a higher probability to engage in complaint behavior. More specifically, we propose the following set of research hypotheses:

> H1: *The higher the level of dissatisfaction, the higher the impact on intent to complain.*
>
> H2: *The higher the level of dissatisfaction, the higher the impact on spreading negative word-of-mouth.*
>
> H3: *The higher the level of dissatisfaction, the higher the impact on intent-to-switch.*

In contrast, proponents of what might be characterized as a process approach see perceived dissatisfaction as a necessary, but not sufficient condition for explaining or predicting consumer complaint responses. Here, perceived dissatisfaction is hypothesized to be an emotional state that motivates consumers to undergo a process (Day 1984). This process results in specific complaint responses which are proposed to depend not so much on how strongly emotions are felt but more on consumer perceptions and attitudes (Singh and Widing 1991). In partial support of this point of view, Bearden (1983) found that only 15% of complaint reports could be explained by the intensity level of dissatisfaction.

Additional factors are likely to influence such a complex behavior. In general, while scholars have found weak relationships between demographic variables and complaint responses (Gronhaug and Zaltman 1981), they have at the same time found evidence indicating the strong influence

of personal variables such as attitude towards complaining, consumer alienation from the marketplace, perceived likelihood of a successful complaint, and consumer self-confidence.

Zeroing in on attitude towards the act of complaining, we know that it has been conceptualized as an overall affective reaction towards the "goodness" or "badness" of complaining to sellers (Singh and Widing 1991). The attitude construct is not specific to a particular seller or complaint episode; it results from general cognitions or beliefs that guide behavior (Richins 1983). Two dimensions form this concept; the first corresponds to personal norms concerning complaining, while the second factor reflects the social dimension of this construct. If Brazilian consumers are anything like consumers in the U.S. or Europe, we would expect Brazilian consumers who have a more favorable attitude towards complaining to be more likely to express their complaint to the firm (Day and Landon 1977; Voorhees and Brady 2005). Therefore, we posit the following research hypothesis:

> H4: *The more positive the attitude towards the act of complaining, the higher the intentions to complain.*

It is well documented that the likelihood of successful complaining positively influences complaint intention (Richins 1983; Singh 1990). When consumers believe that their complaints will be accepted by the firm and effectively managed, they are more likely to express their feelings to the firm and not spread negative word-of-mouth or switch suppliers (Anderson and Sullivan 1993). To the extent that Brazilian consumers are no different in this respect, we offer the following set of research hypotheses:

> H5: *The higher the perceived likelihood of successful complaining, the more positive the impact on complaint action intentions.*

> H6: *The higher the perceived likelihood of successful complaining, the more negative the impact on unfavorable word-of-mouth intentions.*

> H7: *The higher the perceived likelihood of successful complaining, the more negative the impact on switching intentions.*

'Consumer alienation' is a consumer's global negative affect toward the dissatisfying firm's industry (Singh 1989) and is reflected by a negative feeling for the firm, its products/services, and even its competitors (Westbrook 1987). When consumers feel alienated they are more likely to develop feelings of helplessness and powerlessness (Allison 1978). Scholars in the U.S. and Europe have found that alienated consumers tend to exhibit negative attitudes towards complaining and, compared to those who do not feel alienated, have lower levels of perceived likelihood of successful complaints. To the extent that Brazilian consumers are similar in these respects, we posit the following research hypotheses:

> H8: *The more the consumer feels alienated, the more negative the impact on her/his attitude towards the act of complaining when dissatisfied.*

> H9: *The more the consumer feels alienated, the more negative the impact on her/his perceptions of the likelihood of successful complaining.*

Prior complaint experience has been conceptualized as a consumer's past complaining experiences in the face of unsatisfactory events (Sing 1989; Singh and

Wilkes 1996). The extent (frequent or infrequent) of past complaining experiences can reinforce a consumer's attitudinal and behavioral disposition in future situations (Singh and Wilkes 1996). Prior complaint experience may influence attitude towards complaining. Such processes are consistent with the behaviorist (e.g., Sing 1989; Singh and Wilkes 1996) and/or situationist (e.g., Harris and Mowen 2001) theories that explain how past behaviors and exposure to situations shape and reinforce an individual's behavioral dispositions in future situations. Moreover, prior experiences affect an individual's cognitions about, for instance, how a manufacturer or retailer would probably respond to voiced complaints and the associated costs and/or benefits to the consumer of taking the time and effort to complain. As has been found, as consumers learn about the mechanisms, options, and positive outcomes of their prior complaint experiences, they develop more positive attitudes towards complaining. In addition, those consumers who have prior complaint experience are better able the next time around to determine how a firm might respond to voiced complaints. Thus, the perceived likelihood of successful complaints will be greater, the greater the experience of complaining is. Consequently, we posit the following research hypotheses:

> H10: *The greater the number of previous consumer complaint experiences, the greater the impact on her/his attitude towards the act of complaining in the future.*

> H11: *The greater the number of previous consumer complaint experiences, the greater the impact on her/his perceived likelihood of successful complaining in the future.*

According to scholars who have focused on personality factors, the consumer's intrinsic nature influences his/her complaining behaviors (Landon 1977). In general, consumers who complain after dissatisfaction tend to be more assertive (Bearden and Mason 1984) and self-confident (Gronhaug and Zaltman 1981). Although the results addressing these aspects have been encouraging, their impacts on complaint responses are not well documented or fully explored. Bearden, Hardesty and Rose (2001, p.122) argue that "consumer self-confidence is the extent to which an individual feels capable and assured with respect to his or her marketplace decisions and behaviors" and reflects subjective evaluations of one's ability to generate positive experiences as a consumer in the marketplace (Adelman 1987). To the extent that Brazilian consumers can be expected to mirror these descriptions, we should find that self-confidence will positively influence the consumer's complaint intentions. Accordingly, the following research hypothesis is posited:

> H12: *Higher levels of consumer self-confidence will more positively impact that consumer's complaint action intentions*

The apparent absence of prior research on the relationship between consumer self-confidence and intentions to employ negative word-of-mouth communication and/or to switch companies, gives us the opportunity to use logic and common sense in order to arrive at the following: since self-confidence is related to the propensity to act, it can be inferred that a likely action might be to communicate with friends and relatives about the problem or to abandon the current supplier and switch to a new one. Based on this line of reasoning, the following research hypotheses are posited:

H13: *The higher the level of the consumer's self-confidence, the higher the likelihood that dissatisfied consumers will resort to employing negative word-of-mouth communication.*

H14: *The higher the level of the consumer's self-confidence, the more likely that the consumer will intend to switch doing business in the future to a different vendor.*

Based on attitude theory (Ajzen and Fishbein 1977), it can be inferred that the consumer's intrinsic attitudes towards the act of complaining will moderate the effects that a dissatisfying situation triggers, such as an encounter-specific dissatisfaction's impact on intent to complain. It is likely that consumers with a high predisposition toward complaining (i.e., a highly positive attitude toward voicing complaints) will be more likely to complain regardless of intensity level of dissatisfaction they experience, so, such customers would probably complain even when hardly dissatisfied at all, causing the direct effect of dissatisfaction level on complaint intention to be weaker. Alternatively, future complaint intentions for a customer with a lower general attitude towards complaining would be driven more by dissatisfaction level, and therefore the direct effect of dissatisfaction level should be delegated a stronger role. Based on this line of reasoning, we offer the following research hypothesis:

H15: *General attitude towards complaining moderates the relationship between the intensity of dissatisfaction and the consumer's intention to complain.*

Although this last research hypothesis is logical and based on some solid theoretical background (Ajzen and Fishbein 1977), two empirical and relevant studies (Singh and Pandya 1991; Singh and Wilkes 1996) found that the opposite occurred. According to Singh and Wilkes (1996), the predictive and explanatory power of the attitude towards complaining changes with different levels of dissatisfaction. Using a critical incident approach, the authors found that the relationship between dissatisfaction level and voice varied substantially across the high and low dissatisfaction groups and, so, they provided a theoretical rationale and empirical evidence for a moderating role of dissatisfaction intensity. The reasoning here is that, being highly dissatisfied the customer will probably complain even having a negative attitude towards complaining. And only when the dissatisfaction level is low, does the impact of attitude towards complaining get stronger. The studies of Singh and Pandya (1991) and Singh and Wilkes (1996) were intended to provide impetus to future research and offered a foundation for further theorizing. Based on this reasoning, we offer an alternative to the previous research hypothesis, as follows:

H16: *The level of consumer dissatisfaction moderates the relationship between attitude towards complaining & intent to complain.*

Figure 1, below, presents a summarizing model that is based on the previous literature review, discussion and development of research hypotheses.

FIGURE 1

Framework for Understanding Impacts on Complaint Responses
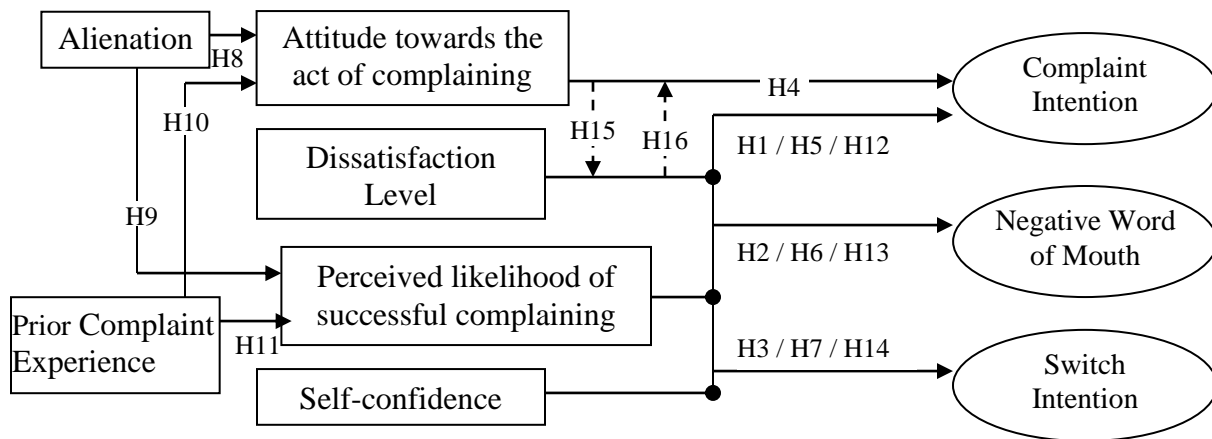
RESEARCH METHOD

The investigation was carried out in two stages. In an initial, exploratory phase, in- depth interviews were conducted with 20 older university students (pursuing graduate degrees) to probe their beliefs about variables included in the research hypotheses. This was a convenience sample of consumers who were screened and discovered to have real-life failure and/or complaint experiences with restaurants. An attempt was made, through these in-depth interviews, to answer questions such as: What action(s) do restaurant customers perform in response to an unsatisfactory ex-perience? Are the three dimensions of consumer reactions to dissatisfaction (i.e., complaint toward the company, negative word-of-mouth and switching company intentions) applied, or perceived? When dealing with service failures regarding a restaurant experience, do personality variables influence CCB, as foreseen in the theory? Do variables at the

macro level (attitude toward complaining, and alienation) impact intention to complain? If so, what form does this influence take? The answers to these questions greatly helped us to better understand CCB in this context, and increased our confidence in developing the questionnaire for the second stage.

Based on this work, a questionnaire was developed, carefully pretested, and administered in the final phase of the study. To empirically test the model (to entertain each of the sixteen research hypotheses), a quasi-experimental design was applied.

Service failures in a restaurant setting were manipulated at two levels of severity (low and high) via two different scenario descriptions (see Appendix A). After reading the randomly assigned scenario, each participant was immediately asked to rate, on a five-point Likert-type scale, her/his level of dissatisfaction toward that situation to which they were randomly assigned. In other words, each subject could respond based only on one situation. Past experimental studies (Levesque

and McDougall 2000; Wirtz and Mattila 2004) were consulted to assure the development of a parsimonious yet powerful design.

Following the reading and reacting to the assigned scenario, the questionnaire was then administered to the total of 480 graduate students from two universities in the south of Brazil whom served as subjects in this study.

An ANOVA test was conducted to check the manipulation of service failure levels described by the scenarios. As expected, there was a significant difference on dissatisfaction levels (F = 162.543; p < 0,000), an indication that the high severity situation produced a higher dissatisfaction than the low severity situation. Looking at the effect of our dissatisfaction manipulation on perceived level of dissatisfaction scale, β = .64, revealed our manipulation was a success. That is, the observed difference on the dependent variable was more likely to be caused by the intended between-groups differences rather than unintended differences. Prior to the data analysis, cases with missing values and outliers were deleted.

The measurement scales (see Appendix B) were taken from diverse studies. For example, complaint intentions were adapted from Day, Grabicke, Schaetzle and Staubach (1981) and Singh (1989); dissatisfaction intensity was operationalized by asking respondents how they felt after experiencing the situation described by the scenario; attitude towards complaining (8 items) was drawn from Singh's work (1990); alienation (5 items) from Allison (1978); perceived likelihood of a successful complaint (3 items) from Day et al. (1981) and Singh (1990); prior complaint experiences (2 items) from Singh (1989); and self-confidence (11 items) from Bearden et al. (2001).

According to the recommendation of Bagozzi (1977), Structural Equation Modeling in experimental studies is better applied when dependent and independent variables are interval scaled, or, in the case of

any treatment variables operationalized in the experiment, at least manipulated at three levels. Accordingly, an interval scaled measure was used for the manipulation check of dissatisfaction level. Furthermore, all constructs in the questionnaire were measured using a five-point Likert-type scale.

Since the measurement scales originated from North-American studies, they were translated into Portuguese using the back translation technique. After constructing the questionnaire in Portuguese, it was submitted to Brazilian university marketing professors who evaluated everything for meaning, clarity, and consistency with the original English language scale items.

It's important to positively reinforce the benefits of using intentions data. Measuring intention to behave on an interval scale enabled us to capture intensity differences of behavioral intention. If we had used responses based on real past behavior only a dichotomous scale (action / no action) would have been applied.

RESULTS

Survey results are summarized as follows: first, a general profile of the sample will be presented. Next, the measurement model will be examined through Confirmatory Factor Analysis (CFA). The examination of the structural model will only be performed after the establishment of the validity and reliability of the measures used. Finally, the hypotheses positing moderating influences will be investigated.

Sample Profile

Following data collection, a total of 480 questionnaires were obtained, 240 for each scenario (low and high severity). The mean age of the respondents was 24 years-old (s.d. =6.93), and 60% of them were male. A plurality (46%) indicated a current monthly family income higher than two thousand

dollars, 31.5% indicated having a current monthly family income of from one to two thousand dollars and 22.5% of the survey participants indicated having a family income of less than one thousand dollars per month.

The majority of the interviewees are in the habit of eating in restaurants more than three times a month (56.5%), 23.4% eat in restaurants between once and three times a month and 20% less than once a month. This result supports our belief that the situation suggested in each of the two scenarios is known to be realistic, thus enabling the respondents to truly imagine themselves in it. More than half (almost 60 %) of the respondents had some truly unsatisfactory experience with some restaurant in the 12 months prior to the data collection. Of those that had one or more problems, 28.4% had complained but only complained, 17% complained, did not return, and used negative word of mouth, and 48% did not directly complain but did not return and did use negative word of mouth. These data show that a large proportion of the interviewees adopt more than one action in relation to an unsatisfactory situation, which reflects agreement with the findings of Day and Landon (1977) and Singh (1990). In short, the Brazilian consumers participating in this study exhibit post-dissatisfaction behavior that varies in multiple ways.

Measurement Model

Following the recommendations of numerous scholars (Anderson and Gerbing 1988; Bagozzi 1994; Hair, Tatham, Anderson, and Black 1998), the validity of the measurement model was assessed and established by the fact that: (a) the measurement model was fairly well fitted to data, that is, within the established satisfactory adjustment levels; (b) the factor loadings of the indicators in the corresponding factors were high and significant; (c) different indicators of the

same underlying construct produced levels of reliability over 0.70 and variance extracted over 0.50; and (d) the correlation analysis between the constructs indicated discriminant validity.

For the measurement model, in line with the work of Anderson and Gerbing (1988), all observed variables were forced to load on their respective latent variables and were not allowed to cross-load. Several fit indices were evaluated to assess the fit of the measurement model to the data. Each index was adopted based on recommendations from the psychometric literature that supported their consistency and ability to assess unique aspects of model fit. When these indices are used in conjunction to evaluate model fit, values that approach .90 for the CFI, the NFI and the NNFI and values less than or equal to .08 for the RMSEA are indicative of a good fit of the model to the data (Hair et al. 1998).

Results of the confirmatory factor analysis also indicated that the measurement model fit the data well (χ^2 = 264.31, df = 137; CFI = .96; NFI and NNFI = .95; RMSEA = .06). The chi-square statistic was significant ($p < .001$), but this was expected because the chi-square statistic is sensitive to large sample sizes ($n > 200$; Hair et al. 1998). All measures included in the analysis were found to be reliable, with construct reliability estimates that ranged from .72 to .91. In addition, convergent validity was supported as all items loaded strongly and significantly on their respective factors, and the average variance extracted (AVE) for each latent variable exceeded .50 (Fornell and Larcker 1981). The correlations among all constructs are all well below the .90 threshold, suggesting that all constructs are distinct from each other. Furthermore, the average variance extracted for each latent factor exceeded the respective squared correlation between factors, providing evidence of discriminant validity (Fornell and Larcker 1981). Results of the confirm-atory factor analysis, including average variances

extracted, composite reliabilities coefficients and correlations among the latent factors are provided in Table 1. Standardized measurement and Cronbach alpha coefficients are provided in appendix B.

TABLE 1

Descriptive Statistics, Correlations, and Average Variance Extracted (AVE)

Constructs	Mean (St.Dev.)	Reli-ability										
1. Dissatisfaction Intensity	4.0 (1.1)	.a.	**.0**									
2. Complaint Intention	3.3 (1.4)	.88	.50**	**.76**								
3. Negative WOM	3.9 (1.2)	.81	.64**	.46**	**.75**							
4. Switch Intention	3.6 (1.3)	.72	.51**	.41**	.52**	**.54**						
5. ATC – Personal Norms	3.7 (1.1)	.91	.14*	.35**	.13*	.15*	**.74**					
6. ATC – Social Benefits	3.9 (1.1)	.75	.11	.38**	.11*	.12	.68**	**.69**				
7. Alienation	2.58 (0.7)	.85	.24**	.19**	.27**	.14*	.16*	.15*	**.61**			
8. PLSC	2.92 (0.9)	.81	.22*	28**	.25**	.16*	.31**	.32**	.29**	**.55**		
9. Prior Complaint Experience	2.59 (0.9)	.79	.12	26**	.20**	.21**	.28**	.25**	.32**	.25**	**.53**	
10. Self-Confidence	3.42 (0.5)	.88	.25**	.31**	.28**	.29**	.34**	.33**	.08	.12	.38**	**.67**

Notes: **denotes significant correlations at $p < .01$, *at $p < .05$ level. The diagonal elements (in bold) represent the AVE. ATC = Attitude toward Complaining; and PLSC = Perceived Likelihood of a Successful Complaint.

Finally, we confirm discriminant validity by comparing nested models for each pair of latent constructs in which we either allow the correlation between two constructs to be free or restrict the correlation to 1. Collectively, these models represent 45 individual tests of discriminant validity. Discriminant validity is supported; the $\chi2$ statistic is significantly lower ($p < .05$) in the unconstrained model than in the constrained model for virtually all constructs. Of the 45 tests, only 1 suggested that two of our constructs were not distinct; namely the facets of attitude toward complaining (Personal Norms and Social Benefits). These facets were then considered to be dimensions of a higher order factor (i.e., attitude toward complaining). On the basis of these tests, we conclude that our measures are valid and operationalize nine distinct constructs.

Tests of Hypotheses

After the examination of the measures used, we focused on the theoretical structure by examining the proposed relationships between the constructs. Since dissatisfaction intensity was measured with only one item, the measured variable itself was used as the construct and allowed to co-vary with the latent variables in the structural model. The investigation of the set of research hypotheses

is made primarily through the goodness-of-fit indices of the hybrid model, which include both a structural and a measurement component (Kline 1998), and the significance and magnitude of estimated regression coefficients. Moreover, the coefficient of determination was established for each structural equation, which represents the proportion of variance of the dependent variable explained by the independent variables.

The findings of the structural model analysis, based on the 480 observations, are found in Table 2. The chi-square value is significant. However, knowing that this test is very sensitive to normality deviations and to samples higher than 200, the analysis of the chi-square value must be done along with other adjustment criteria (Hair et al. 1998). Dividing the chi-square value by the degrees of freedom produces a satisfactory value – 2.01, less than the maximum recommended (5). Goodness-of-fit indexes CFI, NFI, NNFI, all over 0.90, are considered sufficiently satisfactory and the RMSEA of 0.06 is also acceptable.

These results provide support for most of the nomological relationships specified in the model. These relations reflect the impact of: 1) self-confidence on complaint, word-of-mouth and switching- company intentions; 2) dissatisfaction level on complaint, word-of-mouth and switching- company intentions; 3) perceived likelihood of successful complaint on complaint, word-of-mouth and switching-company intentions; 4) attitude towards complaining on complaint intentions; 5) alienation on attitude towards complaining; and 6) alienation on perceived likelihood of successful complaining.

The impact of dissatisfaction level on switching (0.72) and negative word-of-mouth (0.65) intentions are highly significant. The perceived likelihood of success and the consumer self-confidence had a weaker, though, significant, impact on switching intentions (-0.19 and 0.12, respectively) and on negative word-of-mouth communication (-0.12 and 0.18). Note that the perceived likelihood of success has a negative impact on both responses, as predicted.

TABLE 2

Coefficients for the Nomological Relationships in the Model.

Model Relationships	Standardized Regression Coefficient [a][b]	Hypotheses
Dependent Variable: **Complaint Intention**	$R^2 = 0.48$	
Dissatisfaction Level	**0.29** (3.22)	H_1
Attitude towards complaining	0.19 (2.18)[c]	H_4
Perceived Likelihood of Success	**0.27** (3.04)	H_5
Self-confidence	**0.38** (5.96)	H_{12}
Dependent Variable: **Switching Intentions**	$R^2 = 0.79$	
Dissatisfaction Level	**0.72** (9.84)	H_3
Perceived Likelihood of Success	-0.19 (2.25)[c]	H_7
Self-confidence	0.12 (2.01)[c]	H_{14}
Dependent Variable: **Negative Word-of-Mouth**	$R^2 = 0.75$	
Dissatisfaction Level	**0.65** (6.21)	H_2
Perceived Likelihood of Success	-0.12 (2.05)[c]	H_6
Self-confidence	**0.18** (2.41)	H_{13}
Dependent Variable: **Attitude towards complaining**	$R^2 = 0.28$	
Alienation	**-0.21** (3.09)	H_8
Prior Complaining Experience	0.03 (1.07)	H_{10}
Dependent Variable: **Perceived Likelihood of Success**	$R^2 = 0.08$	
Alienation	-0.16 (2.26)[c]	H_9
Prior Complaining Experience	0.08 (1.45)	H_{11}
Goodness-of-fit statistics:		
$\chi 2$ (Chi-square)	354.654 (p<0.001)	
DF (Degrees of freedom)	176	
CFI (Comparative Fit Index)	0.95	
NFI (Normed Fit Index)	0.91	
NNFI (NonNormed Fit Index)	0.93	
RMR (Root Mean Sq. Residual)	0.06	
RMSEA (Root Mean Sq. Error of Approx.)	0.05	

[a] **The estimates presented are from the IRLS (iteratively reweighted generalized least squares) using EQS**.
[b] **T-values in parenthesis. Based on one-tailed test: t-values > 1.65 = p < 0.05; and t-values > 2.33 = p < 0.01.**
[c] **Coefficient significant at 0.05-level. Coefficients significant at 0.01 are** in bold**.**

With regard to the impact on complaint intentions, the results indicate significant impact of the following antecedents: dissatisfaction level (0.28), probability of success (0.25), attitude towards complaining (0.17), and consumer self-confidence (0.36). Although not as large as the negative word-of-mouth and the switching intentions coefficient, the R^2 of 0.44 reflects a reasonable strong collective effect of these variables on 'complaining direct-to-the-firm intentions.'

The results also support research hypotheses H_8 and H_9, in which the impact of alienation on the attitude towards complaining and on the perceived likelihood of success are established. However, although statistically significant, the power of alienation to predict the perceived likelihood of success is very low ($R^2 = 0.08$). Finally, prior complaint experiences did not exert any influence on attitude towards complaining (0.03), thus not supporting H_{10}.

The moderating hypotheses (H_{15}, H_{16}) highlight possible differences in the strength of nomological relationships established between dissatisfaction intensity and complaint intention (H_{15}), due to the level of attitude towards complaining, and between attitude towards complaining and complaint intention (H_{16}), due to the intensity level of dissatisfaction. In order to test the first moderating role, we divided the sample into three sub-groups based on the level of attitude towards complaining. Then, those who indicated that their attitude was low (163) and high (186) were restrained. Those who indicated medium level of attitude were excluded to more accurately reflect the nature of the moderation, which could be blurred if intermediate values were included. The moderation hypothesis was tested by using the Multi-Group Structural Equation Analysis. This approach allows the theoretical model for each group to be

simultaneously estimated; in other words, simultaneously for both those that exhibited low and for those that exhibited high attitude towards complaining. The estimated coefficients reflect relationships among underlying theoretical constructs and are adjusted for measurement error. Thus, it is possible to test whether the estimated coefficients vary for both groups (Singh, Verbeke, and Rhoads 1996). All parameters were initially restricted as invariant for both groups. Subsequently, based on the Lagrange-multiplier test (Byrne 1994), parameters with significant indicators "are released." These restrictions were not intended to respecify the model to improve goodness of fit. Rather, they were intended to isolate differences in modeled relationships across the groups, providing a systematic basis for evaluating the fit of the hypothesized model to data.

The results summarized in Table 3 indicate different relationships between dissatisfaction level and complaint intention in the two groups of consumers. While for consumers with negative attitude towards complaining, the impact of dissatisfaction level is 0.15, for consumers with positive attitude it is 0.41. This result corroborates the idea that attitude moderates the effects of situation-triggers, such as dissatisfaction intensity. Thus, the attitude towards complaining is an important element for the translation of dissatisfaction level to complaint intention. The dissatisfied consumers with negative attitudes toward complaining are less driven by dissatisfaction level. It means that those customers will probably not complain even when highly dissatisfied. On the other hand, the consumers with positive attitude toward complaint are "freer" to act according their levels of dissatisfaction. Thus, when very dis-satisfied they probably complain, while when slightly dissatisfied they probably do not.

TABLE 3

**Estimated Coefficients for Theoretical Relationships
for Consumers with Contrasting Attitudes toward Complaining [a]**

Dependent Variable : Complaint Intention	Positive Attitude	Negative Attitude
R^2	0.62	0.31
Level of Dissatisfaction	0.41 (6.07)	0.15 (2.13)

[a] **The estimates presented are from IRLS (iteratively reweighted generalized least squares) using EQS.**

In order to test H_{16}, the same procedure was used, but in this case the sample was divided into three sub-groups based on the level of dissatisfaction. Those who obtained low (178) or high (196) dissatisfaction scores were restrained, so the effect of attitude towards complaining on complaint intention in those two different groups could be better captured and compared. The results indicated no improvement to the model by adding the moderator impact, leading us to say that H_{16} is not supported in contraindication of the findings of Singh and Pandya (1991) and Singh and Wilkes (1996). One explanation for this contraindication is that the previous authors dealt with complaint behaviors in response to actual experiences of consumer dissatisfaction instead of consumer's intentions or propensity to complain, as did the present study. Moreover, this difference may be explained to some degree by the origin of the current sample, a developing, South-American country.

GENERAL DISCUSSION

From the scholarly point of view, our research examined some relevant questions in the field of knowledge considered. Among them, the following four were deemed especially important: (1) the consideration of the consumers' reactions to dissatisfaction in terms of a series of *intentions*: complaint, word-of-mouth, and switching intentions; (2) examination of the relationship between intensity of dissatisfaction and post-dissatisfaction complaint behaviors; (3) assessment of the impact of *attitudinal* (attitude toward complaining), *perceptual* (dissatisfaction level and perceived likelihood of success) and *personality* (consumer self-confidence) variables on the post-dissatisfaction intentions; and (4) examining the applicability of North American/European measures in the Brazilian context.

With some exceptions, such as Day and Landon (1977), Folkes (1984) and Singh (1988), early research efforts on evaluating post-dissatisfaction complaining behavior did not deal with the multiplicity of possible consumers' responses. Richins (1983), for example, investigated word-of-mouth communication, Singh (1990) examined complaining directly to the firm, and Gilly and Gelb (1982) emphasized the switching-company intention. More recent research (Boote 1998; Halstead 2002) suggests that complaining behavior may be sequential in

nature and certain complaint actions are taken only after other complaint responses have been exhausted. These more recent studies examined the myriad of actions a U.S. consumer might take in response to an unsatisfactory experience. Consequently, a study that investigates the variety of consumer complaining behaviors in a developing country such as Brazil, integrates extant CCB research streams and examines CCB in a different culture is not merely interesting, but necessary to advance the field of knowledge.

Our research focused on the impact of attitudinal, perceptual and personality variables on complaint behavior among Brazilian consumers (graduate degree-seeking students attending two different universities in southern Brazil). The majority of the antecedents' impacts was expressive and predicted a good part of the variance of the dependent variables, as the research hypotheses posited. The hypothesized relationships were empirically tested, and the results confirmed that complaint reactions are influenced by dissatisfaction level, consumer self-confidence and perceived likelihood of success, but in different intensities.

It is important to mention once again that our study revealed that dissatisfaction level significantly and substantially enhanced negative word-of-mouth and switching intentions, but its effect on intent to complain directly to the firm is not in the same intensity. This finding meshes with some authors' ideas (Bearden 1983; Day 1984; Singh and Widing 1991) that the relationship between dissatisfaction level and voice is tenable, but not encouraging from the point of view of the firm.

Indeed, in the current study the intent to complain directly to the firm was strongly influenced by consumer self-confidence. Perceived likelihood of success also played a relevant role in predicting complaint intentions directed toward the firm. Also of note is the fact that the R^2 indicated that the four antecedent variables were found to explain almost half (48%) of the total variance in complaining directly to the firm intentions. Although that is a considerable amount of variance explained, it obviously suggests the existence of other factors that could help to predict complaint intentions, such as attribution of failure, company/consumer relationship (degree of loyalty felt by the consumer to the company) and other emotions felt by the dissatisfied customer.

Another interesting result pertained to the impact of personal antecedents (alienation and prior complaining experience) on attitude towards complaining and also on perceived likelihood of success. In agreement with some of Kim et al.'s (2003) findings, alienation significantly and negatively influenced attitude towards complaining and perceived likelihood of success. Kim et al. (2003) also found significant influence of prior complaining experience on attitude towards complaining and on perceived likelihood of success. Neither of these last two findings was replicated in the present study. One explanation for this could be the fact that enterprises in Brazil do not behave homogeneously, that is, there is as yet no common pattern companies follow when endeavoring to handle consumer complaints. As a result, Brazilian consumers do not expect from a company a positive response just because they had a positive outcome after complaining to a different company at some other time.

Regarding complaining directly to the firm intentions, we identified a moderator (attitudinal) variable that strengthened the relationship between dissatisfaction level and complain direct to the firm intention, enhancing its prediction from 48% (overall sample) to 62% (sample with positive attitude towards complaining). This calls for two remarks. First, the higher the attitude towards complaining scores, the more likely the customers are to complain, even if they felt

only a little dissatisfied. Second, dissatisfactions are more likely to be transformed into complaining if customers have a positive attitude towards the act of complaining. This result supports a key argument made by Ajzen and Fishbein (1977) that attitude moderates the relationship between cognitive appraisals and coping behaviors.

MANAGERIAL IMPLICATIONS

Several findings from this study appear to be especially relevant to marketing practitioners. It appears that effective focus on maintaining long-term relationships and avoiding negative word-of-mouth communication depends on enhancing post-purchase systems. Otherwise, dissatisfied customers will defect and spread negative word-of-mouth about the company. Moreover, the company should not try to hide failures and wait for the customer to register complaints, because customers who perceive the likelihood of complaint success as low and are not self-confident probably will not complain but will remain dissatisfied.

The presence of a linear, but weak, relationship between dissatisfaction level and voice poses several implications and challenges for practitioners, since dissatisfaction can be managed only if consumers voice their complaints. The implication to be drawn from this study is that customer's complaint intention is likely to be dependent of several factors (e.g. personality, attitudinal variables) which can convert dissatisfaction level to voice intention. The knowledge of such factors is important for successful dissatisfaction management.

Another managerial implication is that firms should realize that a consumer's perception of likelihood of complaint success and favorable attitude towards complaining can heighten voice intention. Both aspects can be enhanced by educating consumers about the options and the mechanisms of

complaining. Companies could also simplify the exchange and refund procedures, show to consumers they are willing to admit failures, provide employees education regarding quick and efficient complaint handling, motivate them to facilitate customers' expressions of complaint and teach them to increase their willingness to listen to customers. That the "customer is king" is fairly well established in the U.S. and in Europe, it is not so much in developing countries such as Brazil. Finally, the high impact of consumer self-confidence on complaint intention shows that the company, when handling complaints, is dealing with self-confident consumers. Customer-contact employees should be trained to pay attention when dealing with this type of consumer.

Limitations

While this study considers several important factors, one of its weaknesses is that it fails to take into consideration consumer emotions as a determinant of complaining behavior. Previous research has also considered the impact of attributions on complaining behavior (e.g., consumer holding the service provider responsible for the failure or when the problem is seen as being stable or controllable), but some authors indicate that attributions are antecedents of dissatisfaction level (Bougie, Pieters, and Zeelenberg 2003) or perceived likelihood of successful complaining (Blodgett and Anderson 2000), rather than immediate antecedents of complaining behavior. Future research should focus on the place of attributions and emotions in order to expand the theoretical model of CCB. A further limitation is the sampling of only one service category (restaurants) and the use of graduate-degree seeking university students as participants. Future research is needed to validate our findings across a wider sample base. Consumer complaining behavior in other developing countries besides Brazil should

also be explored. Future research may also utilize different methodological approaches. Despite meticulous care in designing and pre-testing the service failure scenarios, all of the subtleties of a real-world complaint experience may not have been captured by this methodology.

Finally, dissatisfaction intensity was measured using a single item scale. Single items provide less reliable measures than multiple-item scales (happily, though, the high *standardized regression coefficient* and

the expected signs on significant coefficients indicate support for the validity of our approach in this particular inquiry. Moreover, since the dissatisfaction level was directly derived from the scenario description, we had more control over measurement and sampling error.). However, future experimental and non-experimental research (e.g., one-shot cross-sectional surveys and longitudinal studies) should measure dissatisfaction level using a multiple-item scale that generates high Cronbach reliability scores.
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APPENDIX A

SCENARIO DESCRIPTIONS

Below is a situation that you might experience concerning a restaurant dinner.
Please assume that the situation has just happened to you.
We would like to know how you would react to it.

[Note: What follows is the High Severity Failure Scenario.]

You and another person go to a restaurant for dinner to celebrate a special occasion. You reserved a table with an excellent location, however, when arriving at the restaurant, you were informed that the restaurant was crowded and the table was already occupied. After five minutes, you were moved to another table. You are seated. The waiter comes to take your order. You place your order and the waiter informs you that the dish you requested is unavailable. You choose another option and the waiter arrogantly informs you that it is also unavailable. You finally choose a third and available alternative. After one hour, the waiter brings your order.

[Note: What follows is the Low Severity Failure Scenario.]

You and another person go to a restaurant for dinner to celebrate a special occasion. You are seated at your table. The waiter comes to take your order. You place your order and the waiter informs you that the requested dish is unavailable. You choose another and available option. After forty minutes, the waiter brings your order.

APPENDIX B

OPERATIONAL MEASURES USED FOR STUDY CONSTRUCTS

Notes:
[1] Measured using a five-point Semantic Differential Scale
[2] Reverse Coded Items.
[3] Measured using a five-point Likert scale anchored by
Strongly Disagree / Strongly Agree.

	Coefficient Alpha	Factor Loadings
Dissatisfaction Intensity[1]		
1. How did you feel after experiencing the situation described above?		
Complaint Intention – Complaint Directed Toward the Seller[1]	.91	
How likely is it that you would:		
1. definitely complain to the restaurant manager?		.78
2. call the waiter immediately and ask him to take care of the problem?		.89
Complaint Intention – Negative WOM Communication[1]	.94	
How likely is it that you would:		
3. speak to your friends and relatives about your bad experience?		.91
4. convince your friend and relatives not to go on that restaurant?		.95
Complaint Intention – Switching Company[1]	.74	
How likely is it that you would:		
5. forget the unsatisfactory experience and do nothing.[2]		.88
6. decide not to go to that restaurant again.		.94
Attitude towards Complaining – Personal Norms[3]	.88	
1. People should not complain because firms sometimes sell unsatisfactory products or services.[2]		.69
2. It bothers me quite a bit if I do not complain about an unsatisfactory product or service.		.89
3. It sometimes feels good to get my dissatisfaction and frustration with a product or service off my chest by complaining.		.75
4. It is my duty to complain about unsatisfactory products or services.		.78
5. I don't like people who complain to stores, because usually their complaints are unreasonable.[2]		.72

Attitude towards Complaining – Social Benefits[3] .72

6. By making complaints about unsatisfactory products or services, in the long run their quality will improve   .91

7. By complaining about defective products or services, I may prevent other consumers from experiencing the same problem.   .85

8. People have a responsibility to tell stores when a product or service they purchase is defective.   .56

	Coefficient Alpha	Factor Loadings
Consumer Alienation[3]	.85	
1. Most companies care nothing at all about the consumer.		.75
2. Shopping is usually an unpleasant experience.		.70
3. Business firms stand behind their products and guarantees.[2]		.55
4. The consumer is usually the least important consideration to most companies		.80
5. As soon as they make a sale, most businesses forget about the buyer.		.51
Perceived Likelihood of Successful Complaint[3]	.74	
1. If you complain about your dissatisfaction to the retailer, the retailer will take appropriate action (e.g. exchange, refund, apology, reward).		.67
2. If you complain about your dissatisfaction to the retailer, the retailer will take appropriate action and will give better service in the future.		.76
3. If you complain about your dissatisfaction to the retailer, the retailer will give better service in the future and this will also benefit other consumers.		.73
Prior Complaint Experience	.67	
1. How many times have you complained about your dissatisfaction to a retailer within the last six months?		.83
2. Overall, how satisfied were you with the way the complaint(s) was (were handled)?[1]		.89
Self-Confidence[1]	.83	
1. I know where to find the information I need prior to making a purchase		.93
2. I know where to look to find the product information I need.		.89
3. I am confident in my ability to recognize a brand worth considering.		.91
4. I trust my own judgment when deciding which brands to consider.		.94

5. I often wonder if I've made the right purchase selection.   .87

6. My friends are impressed with my ability to make satisfying purchase.   .90

7. I impress people with the purchase I make.   .87

8. I can tell when an offer has strings attached.   .87

9. I can see through sales gimmicks used to get consumers to buy.   .90

11. I don't like to tell a salesperson something is wrong in the store.   .88

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SATISFACTION, LOYALTY, AND REPURCHASE:
A STUDY OF NORWEGIAN CUSTOMERS OF
FURNITURE AND GROCERY STORES

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ABSTRACT

This article develops and tests a model to explain the variation in repurchase behavior between customers shopping for grocery products and furniture. The analysis and results of the research is based on interview data collected from 400 adult consumers in four different stores in Kristiansand, Norway.

Among other findings, the effect of service quality on satisfaction is discovered to be more profound in the furniture branch than in the grocery branch of the four stores selected. This is seen as an indicator of the elevated importance of service in the furniture branch. On the other hand, loyalty seems to be more important in affecting repurchase decisions in the grocery branch. This might be a result of consumer shopping frequency plus heavier competition in the grocery branch, and it is posited that this is linked to the theory of cognitive dissonance.

Based on the results of this inquiry, managers in the grocery sector should focus on marketing the retail chain in order to create satisfied customers and by that ensure higher levels of repurchase behavior and an increase in loyal customers.

The use of structural equation modelling (SEM) techniques is deemed to be necessary to properly examine the linkages between related concepts such as service quality, satisfaction, repurchase and loyalty. Since the overall explained variance in repurchase was relatively low, it opens up the real possibility that there are other explanatory factors that need to be examined.

LITERATURE REVIEW

Repurchase

According to Hirschman's theory (1970), the likelihood of a consumer repurchase decision is heavily influenced by exit costs. More recently, scholars have successfully argued that exit costs or switching costs should be classified into different groups. For example, Burnham, Frels and Mahajan (2003) contend that there are three major types of switching costs: *Procedural* (primarily involving the loss of time and effort); *Financial* (involving the loss of financially quantifiable resources); and *Relational* (involving psychological or emotional discomfort).

Very recent research conducted by Jones, Reynolds, Mothersbaugh and Beatty (2007) also reveals that the social switching costs may bolster affective commitment as well as actual frequency of repurchase behavior.

In a recent study that focused on e-commerce transactions, both switching costs and social variables such as community building on the Internet were discovered to have strong effects on repurchase (Hsien-Tung and Heng-Chiang 2007).

The Concept of Loyalty

Over the years, numerous scholars have considered loyalty and repurchase to be virtually identical in their conceptual make-up (Carman 1970; Griffin 1975; Wind 1978;

Grønhaug and Gilly 1991) and, along with many others, have indicated that customer loyalty can be increased by establishing barriers intended to make it more difficult for the customer to switch to another store (or brand), and in this way, increase the frequency of repurchasing as well as the volume of that which is repurchased (Aaker 1991; Selnes and Reve 1994; Andreassen and Bredal 1996). However, there are other scholars who disagree with these opinions. Indeed, there is an increasing number who believe that those who equate repurchase and customer loyalty -- that loyalty is considered a cost when the customer exits (goes to another store, or switches brands) because loyalty "commits" the customer to the store (or manufacturer)-- are missing the point. The criticism against this appears in articles published by such scholars as Bloemer and Kasper (1995) who distinguish between true loyalty based on conscious decisions and false loyalty based on unconscious repurchase. Fornell writes that while barrier strategies will increase the exit costs, they do not improve loyalty, even though they lead to repurchase. Barriers simply make the first new sale more difficult (Fornell 1992).

Barriers may increase with increasing repurchase. For example, so-called loyalty programs of many credit card companies provide airline points for every dollar spent each month, and the number of earned 'bonus points' increases with increased purchases When bonus status is high, consumers may perceive it as a barrier to switching.

Loyal customers exhibit a high degree of repurchase behavior, but not only that, they also have positive attitudes towards the supplier (or brand) and may use their positive attitude in favorable mentioning of the supplier (or brand). A customer, who feels trapped in a business relationship, may not necessarily have positive attitudes towards the supplier even though he/she will repurchase. A research project focusing solely on repurchase would also have a problem with

estimating the effect of customer loyalty on repurchase if repurchase is a part of the loyalty concept.

Diffuse Concepts

The loyalty phenomenon is characterized by diffuse and vaguely delimited contents of meaning (Jacoby and Chestnut 1978; Peter and Olson 1993; Dekimpe and Steenkamp 1997). Hirschman's loyalty concept is equated with "non-exit" and hence it is too simple (Huefner and Hunt 1994). In addition to being a fuzzy concept, several researchers have equated loyalty with repurchase (Wind 1978; Carman 1970; Grønhaug and Gilly 1991; Griffin 1975). It is indicated that customer loyalty and repurchase may be increased by establishing barriers that will make it more difficult for the customer to go to another store, and consequently repurchase increases (Aaker 1991; Selnes and Reve 1994; Andreassen and Bredal 1996).

Loyalty as an Integrated Conceptual Framework

A fruitful approach to the loyalty concept is to link the concept to the two notions of attitude strength and attitude differentiation and then divide the concept into four varieties of loyalty: Loyalty, latent loyalty, spurious loyalty and no loyalty (Dick and Basu 1994). These scholars also argue for incorporating the notion of relative attitudes into the concept of loyalty to increase its predictive ability (Dick and Basu 1994, p.111).

Loyalty as a Development Pattern in Phases

Oliver (1997) presents customer loyalty in the form of four Loyalty Phases, viewed as steps on a loyalty ladder:

Step 1 *Cognitive loyalty* - The customer has favorable knowledge of the supplier, but a better offer will result in exit to a competitor. The loyalty is only based on cognition.

Step 2 *Affective loyalty* is an emotional attitude based on loyalty.

Step 3 *Conative loyalty* is intentional loyalty that includes a deeply felt obligation to buy.

Step 4 *Action loyalty* involves a determination to defy any obstacles in order to buy (Oliver 1997, p.392-393).

We will come back to the loyalty ladder concept later in the article.

Perspective of the Theory of Planned Behavior

The concepts of satisfaction, repurchase, and loyalty might be profitably viewed from the perspective of the theory of planned behavior, where the consumer's satisfaction might conclude in a desire and then influence the loyalty with its intentions and finally result in repurchase behavior (Perugini and Bagozzi 2001). Such an explanatory model could also be supplemented with other factors linked to circumstances and self- based events (Perugini and Bagozzi 2001). Moreover, this kind of perspective will demand the use of structural equation modelling (SEM) techniques, which we will come back to later in this article (Chin 1998).

Customer Satisfaction

A great deal of research has focused on customer satisfaction and reveals a clear connection between satisfaction and loyalty (Oliver 1980; Churchill and Surprenant 1982; Bearden and Teel 1983; LaBarbera and Mazursky 1983; Oliver and Swan 1989; Bolton and Drew 1991; Yi 1991; Fornell 1992; Anderson and Sullivan, 1993; Boulding et. al. 1993; Oliver et. al.1997; Anderson et. al. 1997; Andreassen and Lanseng 1997; Oliver 1997; Auh and Shih 2005). However, there is no apparent simple connection between satisfaction and loyalty. Even satisfied customers can switch to another store because there is no one-to-one connection between satisfaction and loyalty.

The relationship between satisfaction and loyalty is influenced by such consumer characteristics as age and income (Homburg and Giering 2001). Bloemer and Kasper (1995), and Bloemer and Ruyter (1998) differentiate between two types of satisfaction: manifest and latent satisfaction. Manifest satisfaction conveys the image of a customer who has made a deliberate choice and has reached the conclusion that he/she is satisfied with the offer, and latent satisfaction pertains to a customer who has not consciously compared the offer to that of other suppliers. These scholars maintain that an increase in manifest satisfaction has a greater impact on customer loyalty than an increase in latent satisfaction.

Loyal customers are not necessarily satisfied, but satisfied customers tend to be loyal (Andreassen 1993; Johansen and Norum 1992). It could be the case that loyal customers who are not satisfied are not switching because the costs of going to another store are too high. Generally, though, customer loyalty seems to be connected to very satisfied customers: "A Xerox study shows that very satisfied customers are six times more loyal than satisfied customers. 14% of the customers that were only just-satisfied said that they would definitely make business with Xerox in the future" as related in the article by Johansen and Norum (1992). [For further details, please see Oliver 1980;

Churchill and Surprenant 1982; Bearden and Teel 1983; LaBarbera and Mazursky 1983; Oliver and Swan 1989; Bolton and Drew 1991; Yi 1991; Fornell 1992; Anderson and Sullivan 1993; Boulding et. al. 1993; Oliver et. al.1997; Anderson et. al. 1997; Andreassen and Lanseng 1997; and Oliver 1997.]

Griffin (1995) found that a great number of satisfied customers do not hesitate to switch to another supplier if they believe that they will get a better deal somewhere else. Svanholmer (1995) found that an average of 60-80% of the customers that a business loses, are actually satisfied with the business and its products.

"Customer delight" is considered to be a higher form of customer satisfaction. Customer satisfaction is not enough in the competition that exists today. A customer can be dissatisfied if the offer is merely a basic offer (Oliver 1989; Oliver, Rust, and Varki 1997). Delight is a function of a surprise offer/experience that surpasses the consumer's expectations (Oliver et. al. 1997). Both the perception of the happiness in the exchange with the store and any non-satisfied expectations influence customer loyalty (Andreassen 1997). Factors such as order/cleanliness, service, selection, low prices and location have an impact on the degree of customer satisfaction (Aaker 1991).

In the brief literature review just completed, we have endeavored to show how essential the concept of customer satisfaction is in scholarly discourse on customer loyalty. Nevertheless, there is no apparent simple connection between satisfaction and loyalty.

Effect of Profiling

The customer's image of the store seems to have an indirect effect on customer loyalty through customer satisfaction (Bloemer and de Ruyter 1998). Andreassen and Langseng (1997) also found that the company's image had an impact on customer loyalty.

Studies that investigate the customer's risk at the purchase are lacking even though Oliver (1997) finds effects of capital goods on complaining propensity, and Grønhaug (1977) finds effects of buyer's risk. The emphasis has been on the relation between satisfaction and loyalty (e.g. Oliver 1980; Churchill and Surprenant 1982; Bearden and Teel 1983; LaBarbera and Mazursky 1983; Oliver and Swan 1989; Bolton and Drew 1991; Yi 1991; Fornell 1992; Anderson and Sullivan 1993; Boulding et. alt. 1993; Oliver et. al.1997; Anderson et. al.1997; Andreassen and Lanseng 1997; Oliver 1997; Bloemer and de Ruyter 1998).

METHOD

Research Questions

The fundamental question asked in this research project is:

Are there any differences in the factors influencing the size of the repurchase between grocery and furniture store customers?

Selecting Research Units

Four stores in the southern part of Norway, two grocery stores and two furniture stores, were the focus for analysis. From each store 100 customers were randomly selected, thus yielding a total sample size of 400. As for the grocery stores, personal interviews were conducted outside the stores on a Saturday and a Tuesday in October 1998. The random selection of grocery customers was based on convenience (the customers happening to come out of the store on the days which happened to be selected). As for the furniture stores, the interviews were originally planned to take place inside the store. However, due to an inadequate number of customers, a random selection of customers

from the store's customer files was the approach ultimately decided upon, and these interviews were conducted by telephone. The Saturday customers in the files were separated out from the rest.

The use of these two different interviewing methods might influence the results, but when we compare the two collections of samples (the 200 grocery respondents and the 200 furniture respondents), we do not find any clear difference between them. (The age difference between the two samples was 2 years; the education difference was 0.84 year; other differences are explainable by the difference between the two types of stores.)

The four shops were different in two ways. They belonged to different business categories (grocery and furniture) and had different exposure-levels to competition (tough and not so tough). Consequently, we selected one grocery store and one furniture store in an area with tough competition, and one grocery and one furniture store in an area that was less exposed to competition. All four stores participated in a customer loyalty scheme offering the Domino customer discount card and they were all chain stores.

Measurement Models

A reflective measurement model is characterized by indicators with a common "origin" (cause) and assumptions concerning a mutual correlation (Troye 1994). The assumptions in connection with the reflexive measurement model are the basis for the use of construction and consistency testing of indexes through factor and reliability analysis (Troye 1994, p.75). The indicators in a formative model do not necessarily have to be correlated, they have no common origin or cause, but a common effect (Troye 1994, p.77). Several of our evaluation factors are correlated. This encourages us to work out indexes that are based partly on formative

methods and partly on reflective measurement methods in order to simplify the data matrix.

Measuring Central Variables

Loyalty

As a starting point, we used a loyalty concept based on attitude and behavior. The loyalty measurement was based on two different indicators as follows:

One measure was a self assessment of general loyalty to the furniture (grocery) store, in a question on a scale from 0 (extremely low) to 10 (extremely high).

The other measure was a self assessment of how much shopping for furniture (groceries) is done in this particular store over the course of a typical year (a percentage was estimated).

A reflective index (Troye 1994) was produced on the basis of the sum of the two indicators ([a+ b]/10). In a reliability analysis, Cronbach Alpha achieved 0.6528 (Hair et. al.1998). This does not indicate a satisfactorily high enough reliability.

Then we established an index variable based on loyalty as an attitude; and as an indicator of an emotional variable: to what extent the respondents would recommend the shop to others if they were asked for advice on where to shop for furniture (groceries). We see this as an indicator of Affective Loyalty as defined by Oliver (1997). These two indicators yielded a Cronbach Alpha of 0.70 which achieves a satisfactory level of reliability. The affective loyalty variable has values ranging from 0 to 20.

Satisfaction

Satisfaction was measured as follows: self assessment of the satisfaction with the store in question was measured according to a scale from 0 to 10 (call this *a*); and (*b*) self assessment of the perceived balance between

the costs of shopping in the store both in terms of money and time, and what the customer felt he/she ended up getting for their investment, measured on a bi-polar evaluation scale ranging from 0 to 10.

The sum of *a* and *b* constitutes our index variable for satisfaction, a reflective index measurement (Troye 1994). Cronbach Alpha between the two indicators was 0.861, which indicated very high reliability. The satisfaction index ranges from 0 to 20.

Exit Costs

The exit costs were measured as follows: self assessment of perceived costs of switching to another supplier measured according to a scale from 0 to 10.

Service Quality

Zeithaml et. al. (1990) presented five dimensions in their Service Quality Concept. We found indications to include three of these dimensions in our study, as follows:

- Reliability (ability to perform the promised service)
- Responsiveness (willingness to help customers and provide prompt service)
- Assurance (Knowledge courtesy of employees and their ability to convey trust and confidence)

As an indicator for Reliability we used respondent evaluations of the shop in terms of how polite they found the employees in the shop to be, on a scale from 0 to 10.

As an indicator for Responsiveness we used respondent evaluations of the shop regarding the perceived willingness of shop employees to serve them, on a scale from 0 to 10.

As an indicator of Assurance we used respondent evaluations of the shop in terms of the level of relevant knowledge the employees were believed to possess, on a scale from 0 to 10.

In order to produce the index variable for service quality, a Principle-Components factor analysis of these three indicators was first run. The component matrix yielded one component and the indicators had a high degree of correlation with the one factor (over 0.8). In short, the three indicators are all in compliance with a common factor that we are going to call *service quality*.

Subsequently a reliability analysis was performed to see if these three variables could be joined together into a single index variable. Cronbach's Alpha turned out to be 0.84, which indicates high reliability. Consequently this index variable is selected to be the service quality variable and it has values ranging from 0 to 30.

Repurchase

Respondents were asked to estimate the portion of shopping they did over time in the specific shop (% from 0 to 100).

Image of Chain

In order to tap image impressions, respondents were asked how positive their overall impression of this shopping chain was (on a scale from 0 to 10).

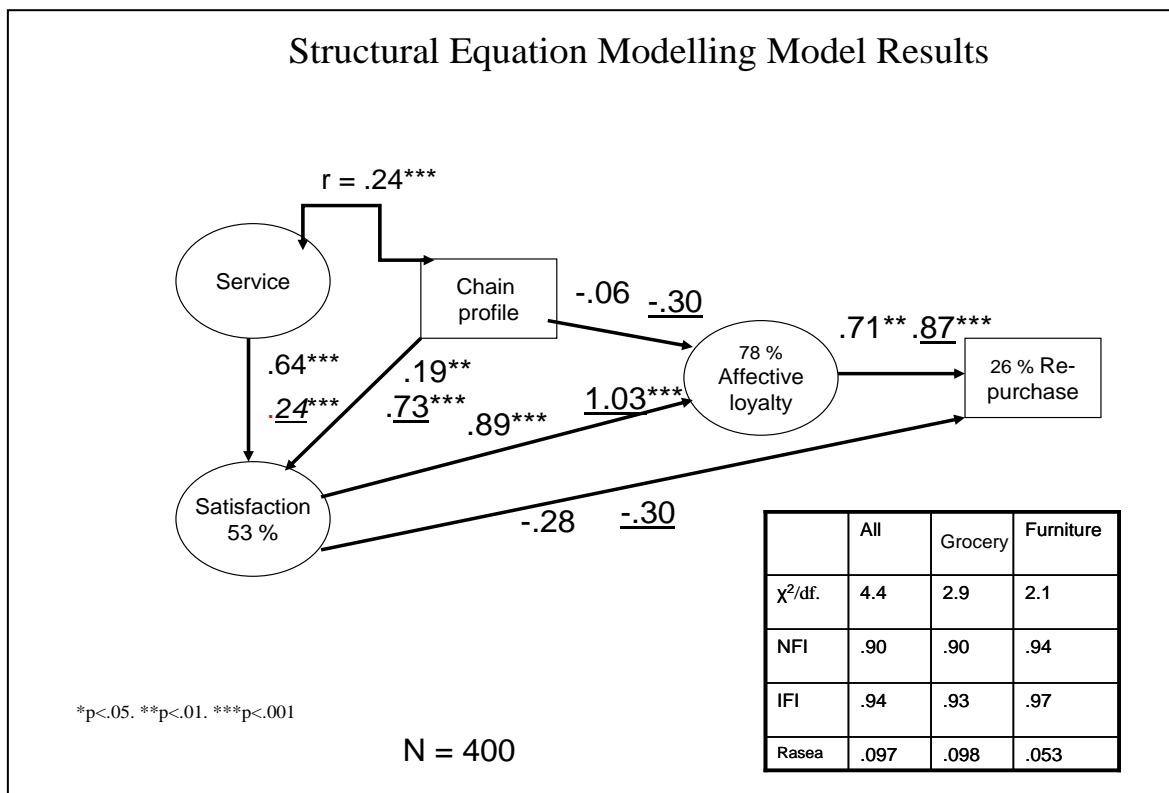**FURNITURE AND GROCERY
BUSINESSES: SIMILARITIES AND
DIFFERENCES**

The two businesses are different when it comes to buying frequency and risk because the average expenditure in a furniture store is believed to be greater than in a grocery store. We aim to examine empirical similarities and differences.

FIGURE 1

Structural Equation Modelling Results

**[Underlined figures indicate results for the grocery branch
and not underlined figures indicate results from the furniture branch.]**

Structural Equation Modelling Model Results

	All	Grocery	Furniture
χ^2/df.	4.4	2.9	2.1
NFI	.90	.90	.94
IFI	.94	.93	.97
Rasea	.097	.098	.053

*p<.05. **p<.01. ***p<.001

N = 400

Again: Grocery factors underlined and furniture factors not underlined.

The Fitness of the Model

A number of fit indices have been examined, as follows:

CMIN/df
Here, the two branch models are better than the model with all respondents.

NFI Normed fit index
Here, a perfect model has to be close to 1 in value. All tree models are satisfactory on this fit index.

IFI Incremental fit index.
Here, an index close to 1 is a good fit. All three models have a good fit.

Rasea.
How well does a model fits its population? Here, a good fitting model demands a value < 0.10 with 95 % confidence. The furniture model is best; however, the other two are satisfactory. We assume in the model that the service variable may be correlated with chain profiling (and it is since r =. 24 ***).

Analysis

Are there any differences in the factors influencing repurchase between grocery and furniture store customers? To address this, we examine explained variance, as follows:

The Structural Equation Model explains 26 % of the variance in repurchase, 53 % of the variance in satisfaction, and 78 % of the variance in Affective loyalty. The relatively low explained variance for repurchase opens up the plausibility of there being other explanatory factors such as routinized behavior.

The Effect of Service Quality

The effect of service quality on satisfaction appears to be much stronger in the furniture stores than in the grocery shops (.64 against. 24). Customers appear to be more dependent on service from the staff in a furniture store than in a self service-oriented grocery store. Since service seems to be more important in furniture shops, it is not surprising that the association between service quality and satisfaction is stronger. Service has an indirect effect on repurchase through satisfaction and affective loyalty. In the grocery branch the indirect effect of service on repurchase is: .24 * 1.03 *.87 = .22. A standardized regression coefficient of 1.03 seems odd, but it is feasible. This coefficient means that if the variable satisfaction increases by 1 standard deviation, the affective loyalty variable increases by 1.03 standard deviations.

In the furniture branch the indirect effect of service on repurchase is: .64 *.89 *.71 = .40. Service seems clearly more important for repurchase in the furniture branch than in the grocery branch. Again, customers are more dependent on service in the furniture shop than in a self service-oriented grocery store.

The Effect of Satisfaction

Over the years, researchers have found a consistently strong relationship between customer satisfaction and loyalty. Figure 1 shows this same strong effect in both branches, as expected.

The indirect effect of satisfaction on repurchase through affective loyalty in the grocery branch is: 1.03 * .87 = .9. In the furniture branch this indirect effect is: .89 *.71 = .6.

One possible explanation for the difference here could be that customers in the grocery branch have a greater freedom of choice, and this greater freedom makes feelings linked to loyalty more important for repurchase than for furniture customers who do not often go to a furniture shop and have less freedom of choice, so loyalty is not so important for repurchase. The correlation between loyalty and repurchase is higher among the grocery customers (r = .53***, N = 185) than the furniture customers (r = 0.44***, N =174). There is also a difference in the expected direction when it comes to intentions to continue as a customer in the shop. In the grocery sample collection this was 0.9 while it was 0.8 in the furniture sample collection. However, the difference here is not significant.

Moreover, we observed a direct effect of satisfaction on repurchase which is negative and not significant in both groups. The main effect of satisfaction is indirect through loyalty, but not all the satisfied customers are loyal. These satisfied, but not loyal, customers might have a less stable shopping pattern.

To explore this further, we classified the customers with loyalty lower than the median and with satisfaction higher than the median, and found that 25 % of the respondents fall into this group. In an analysis of how this group scored on shopping frequency in a specific shop, they scored significant lower than the rest of the respondents (3.7, N = 92) against 6.4, N = 294), p< 0.001).

This pattern repeated itself when examining the repurchase scores. Our focused group had a significantly lower degree of repurchase (35 %, N = 87) against 47 %, N = 286), p = 0.004). The satisfied but not loyal customers seem to have a less stable shopping pattern and have refrained from letting the satisfaction be converted into a high degree of affective loyalty.

The Effect of Affective Loyalty

The link between loyalty and repurchase is strong and has been described several times in the literature. In the current study, the link is stronger in the grocery branch (.87) than the furniture branch (.71). Loyalty seems to be somewhat more important for repurchase when the shopping pattern is frequent as it is in grocery stores.

The Effect of Chain Profile

The effect of chain profile (or the customer's image of the store based on its chain connection) should be positive. In the current study, Figure 1 reveals two effects of chain profile -- one indirect through satisfaction and loyalty and another indirect of chain profile through loyalty. These effects are summarized as follows:

> For Grocery respondents:
> Indirect through satisfaction
> and loyalty: .73 * 1.03 * .87 = .65

> For Furniture respondents:
> Indirect through satisfaction
> and loyalty: .19 * .89 * .71 = .12

Another possible indirect effect through loyalty does not materialize since the effect on loyalty from chain profile is not statistically significant.

Chain profile perceptions have a positive effect on repurchase in both branches, but the effect is significantly stronger in the grocery branch. These findings support the following explanation of the differences between grocery shopping and furniture shopping: shopping in the grocery sector is more regular and based on attitudes toward the shop. These attitudes are influenced by chain profile to a stronger degree than in the furniture shops. Being less dependent on human service, the grocery

store customers more easily form attitudes on the basis of external marketing efforts from the retail chains.

Festinger (1957) is known for his theory of cognitive dissonance, which suggests that inconsistency among beliefs will cause an uncomfortable psychological tension state, leading people to change their beliefs to fit their behavior instead of changing their behavior to fit their beliefs. This mechanism of cognitive dissonance could explain why attitudes are more important in a routinized and regular shopping pattern as we might observe in the grocery sector.

Exit Costs and Repurchase

A model was entertained with exit costs influenced by loyalty and influencing the repurchase, but the exit costs had no significant effect on repurchase. There was a strong effect of loyalty on exit costs per se (the standardized β was .40***), but there was no significant effect of exit costs on repurchase (the standardized β was .07, p= .26).

The exit costs concept operationalized in this study was based on subjective self report data whereby respondents were asked how easy it would be to change to another shop and we believe the respondents have included all factors that might influence their perceived switching costs. The exit costs were small with an average of 2.3 on a scale from 0 to 10 (N = 331). Of the costs linked to switching (procedural, financial and relational) we believe our self reported data on exit costs are closest to relational costs (Burnham et. al. 2003).

According to Hirschman's theory (1970), exit costs should clearly influence repurchase. Other scholars have also pointed out that switching costs are linked to economic, emotional discomfort, and social variables.

CONCLUSIONS

What were the main differences in the factors influencing repurchase in the grocery stores compared to the furniture stores? The furniture branch is a service branch, a branch dependent on relations between the staff and the customers to a higher degree than a grocery shop. Accordingly, the service quality has stronger effects on satisfaction in the furniture branch than the grocery branch. This study revealed that the effect of service quality on repurchase is clearly stronger in the furniture branch compared to the grocery branch.

Repurchase in the grocery stores is more dependent on the customers' satisfaction and loyalty. The repeatable shopping pattern in the grocery branch seems to produce attitudes linked to satisfaction and loyalty. This study revealed that the effects of satisfaction are stronger in the grocery branch than the furniture branch and the effects of loyalty on repurchase are also strongest in the grocery branch.

The positive effects of chain image seem to follow a similar pattern. The grocery store customers seem to build up stronger attitudes based on repeatable shopping patterns, and these attitudes are influenced by image-enhancing marketing strategies and tactics from the retail chains.

The grocery store customer exhibits a frequent, rather stable, shopping pattern, and consumer beliefs and attitudes are influenced by this behavior. This influence translates into making affective loyalty more important in the grocery branch than the furniture branch.

Managerial Implications

In general, to ensure repurchase it is important to have satisfied customers. This is not a new revelation, but the way to get

satisfied customers is different in the two businesses examined in this study. In the furniture business high levels of service quality is extremely important to create satisfied customers. In the grocery business service quality is important albeit to a lesser degree, but image-enhancing marketing strategies and tactics undertaken by the retail chain is an important tool for creating higher repurchase.

Research Implications

The use of structural equation modeling (SEM) techniques seems to be necessary in the study of related concepts such as service quality, satisfaction, loyalty and repurchase. When studying customer loyalty and repurchase we believed that it is important to vary the business sectors in the study. In the grocery business, with high degree of repetitive shopping, the theory of cognitive dissonance seems to be fruitful in order to understand the building of customer attitudes. Other perspectives are necessary in order to better understand the variance in repurchase which had only 26 % explained variance in this study.

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