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# Competitive and Procedural Determinants of Delight and Disappointment in Consumer Complaint Outcomes

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*This article examines the impact of competition and complaint handling procedures on the creation of outstanding complaint resolutions. Using a survey of consumer self-reports of delightful and disappointing complaint experiences, competition is found to have a direct but nonlinear relationship with delight in consumer complaint resolutions. Moreover, the relative impact of consumer loyalty as well as various aspects of complaint handling procedures on the creation of delightful or disappointing resolutions to consumer complaints is examined. Consumer delight and disappointment with complaint outcomes are found to be primarily influenced by compensatory aspects of complaint resolutions.*

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For decades, practitioners and academics have recognized the strategic benefits of soliciting and resolving consumer complaints (e.g., Best and Andreasen 1977; Fornell and Wernerfelt 1987). However, at a time when one in every five consumers is considered dissatisfied with products or services received (Society of Consumer Affairs Professionals [SOCAP] 1996; Technical Assistance Research Programs Institute [TARP] 1986), not all businesses display equal interest in responding to consumer complaints. Although certain organizations seem to bend over backward in soliciting and solving consumer prob-

lems, others intentionally and systematically ignore and mishandle them (Fornell and Westbrook 1984; Ross and Gardner 1985). As a result, consumer experiences with complaint outcomes may range from delightful ones, characterized by outstandingly high levels of satisfaction, to experiences characterized by extreme levels of dissatisfaction and disappointment. This article extends the current literature by examining selected business characteristics that foster outstanding responses to consumer complaints. Moreover, the relative impact of complaint handling responses that may lead to complaint outcomes characterized by extreme levels of consumer satisfaction or dissatisfaction is also studied.

The benefits of studying outstanding consumer complaint handling practices can be found in recent critiques of alternative quality improvement initiatives that have had little tangible impact on corporate profits (e.g., Aaker and Jacobson 1994; Boshoff 1999; Kordupleski, Rust, and Zahorik 1993; Rust, Zahorik, and Keiningham 1995), evidence of a downward trend in consumer satisfaction across many industries (e.g., Everitt-Bryant, Fornell, and Cha 1998; "Now Are You Satisfied?" 1998), and empirical findings on the behavioral differences between satisfied and dissatisfied consumers (e.g., Droge and Halstead 1991; Johnston 1995a). Responsive handling of consumer complaints may not only facilitate effective resolution of consumer problems, but it also can provide opportunities

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for product improvement, protecting market share, and boosting consumer loyalty levels (Halstead and Page 1992; Mitchell 1993; Reichheld and Sasser 1990).

Examining consumer experiences characterized by exceptional levels of satisfaction or dissatisfaction—referred to as delight and disappointment, respectively—is especially important because these extreme experiences can have profound effects on subsequent consumer judgments and behavior, including purchase, word of mouth, and defection (Oliver, Rust, and Varki 1997; Singh 1990; Taylor 1997). A study of these experiences can provide insights that may not necessarily be obtainable simply by examining consumers that experience average levels of satisfaction with the firm's actions (Hurley and Estelami 1998; Peterson and Wilson 1992). Such a study would also help identify industries that are fertile grounds for poor responses to consumer complaints and can define best practices by uncovering the relative importance of various measures a business can take to remedy consumer problems. Using a survey of complaint reports, the effects of business characteristics such as competitive intensity and consumer loyalty, as well as business behaviors that help produce delightful and disappointing complaint experiences, are examined. The article concludes with a discussion of the findings and implications for future research.

### **DELIGHT AND DISAPPOINTMENT IN CONSUMER COMPLAINT OUTCOMES**

Consumers enter the complaint process with some expectations of outcomes that might emerge (Oliver 1997; Singh and Widing 1991). These expectations might be with respect to factors such as the level of compensation granted, employee behavior, and the speed with which the complaint will be processed (e.g., Goodwin and Ross 1989; Smith and Bolton 1998; Tax, Brown, and Chandrashekar 1998). Research indicates that such expectations form the basis for consumer judgments about the quality of the response made by the business and that there is a "zone of indifference" surrounding these consumer expectations (Johnston 1995b; Liljander and Strandvik 1993). As a result, business actions that fall within the limits of this zone may be assimilated as acceptable and will most likely result in mere satisfaction (Peters, Koelmeijer, and Roest 1995; Singh and Widing 1991; Woodruff, Cadotte, and Jenkins 1983), whereas business responses that significantly deviate from consumer expectations may result in consumer delight or disappointment.

Delightful and disappointing consumer complaint episodes may have potentially strong effects on consumer judgments and subsequent purchase behavior. As Peterson and Wilson (1992) point out, a close examination of consumers who have experienced extreme levels of satis-

faction provides a managerial perspective that may not be obtainable by studying consumers experiencing average levels of satisfaction. Studies have shown that in judging the quality of services and products, consumers are more sensitive to extreme outcomes than they are to average outcomes (Anderson and Sullivan 1993; Taylor 1997). Extreme consumer experiences are likely to significantly influence consumer judgments, memory, and future behavioral intentions (Oliva, Oliver, and MacMillan 1992). Extremely positive outcomes are likely to result in strong purchase intentions and heightened arousal and are typically followed by increased loyalty levels (Bitner, Booms, and Tetreault 1990; Bolton 1998; Oliver, Rust, and Varki 1997; TARP 1986).

Although the study of outstandingly positive responses to consumer complaints may help identify best practices in responding to complaints, examining outstandingly negative responses may identify ways to prevent catastrophic responses to consumer needs. Extremely negative outcomes may result in consumer disappointment, negative word-of-mouth, and switching behavior (Coyne 1989). Unacceptable business response to consumer complaints may further encourage certain customer segments to initiate legal redress processes (Singh 1988), and responding to such redress actions may prove to be considerably costly and result in deterioration of the firm's brand image (Cohen 1984; DeRuyter and Brack 1993).

Elaborate stories of unusual measures taken by businesses to respond to consumer problems can be found in many services marketing texts. These include stories of a consumer getting a full refund for a pair of tires she returned to Nordstrom—although Nordstrom does not carry tires—and a late passenger who was offered a flight on a Southwest Airlines employee's personal aircraft (Heskett, Sasser, and Schlesinger 1997). Other examples include companies such as Xerox, which provides "total satisfaction guarantees" on its equipment backed by unconditional product replacements at the customer's request ("Why Your Copier Isn't Working" 1992), and Alamo Rent-A-Car, which encourages its employees to treat customers as their "best friends" (Santora 1991). The execution of such business practices clearly depends on a corporate commitment to quality improvement programs and the initiation of human resource policies that foster improved employee-customer interactions (Balkin, Dolan, and Forgues 1997). As a result, businesses that consider consumer complaints as a strategic opportunity and orient their employees to effectively respond to them typically exhibit significant improvements in financial and market performance (Harari 1997).

Sadly, despite the business advantages gained by active resolution of consumer complaints, surveys indicate that business responses to consumer complaints are often unsatisfactory, resulting in consumer disappointment, frus-

tration, and defection. For example, Best and Andreasen (1977), Grimm (1987), and the Office of Fair Trading (1990) estimate that on average, only about half of consumer complaints are satisfactorily resolved. Best and Andreasen's (1977) results also indicate a significant degree of variation in complaint resolution probabilities across industries. A natural question is: Why? Why is it that certain business responses to consumer complaints result in delightful resolutions while others might lead to disappointment.

## **DETERMINANTS OF DELIGHT AND DISAPPOINTMENT IN COMPLAINT OUTCOMES**

One possible response to the above question relates to the business incentives in resolving consumer complaints, driven by the competitive environment in which the business operates. The level and nature of competition in a market help determine the economic benefits the business can expect from resolving complaints. Although certain market conditions may foster more responsive handling of consumer complaints, others may give the business little incentive to positively respond to them. We will therefore examine the effects of two competitive factors. The first is the level of competitive intensity, as reflected by the number of competitors in the marketplace. The second is the level of consumer loyalty toward the firm, which may serve as a strategic asset for preventing competitors from penetrating one's customer base.

The extent to which a business provides delightful or disappointing experiences for its complaining consumers also may be significantly affected by the procedures undertaken in handling complaints. Although response characteristics such as promptness, providing the consumer with appropriate compensation, and employee politeness have been shown to improve consumers' perception of fairness in the complaint process (e.g., Goodwin and Ross 1989; Lewis 1983; Morris 1988; Smart and Martin 1992; Tax, Brown, and Chandrashekar 1998), existing research has not examined their relative importance in producing outstanding resolutions to consumer complaints. We will therefore empirically examine the hierarchy of complaint handling procedures affecting delight and disappointment in complaint resolutions. It is important to note, however, that in addition to the outlined factors, other determinants of outstanding complaint resolutions also can be conceptualized. For example, consumer reactions to complaint resolutions may vary from one consumer segment to the next (Singh 1988). Moreover, depending on the product category and the level of involvement associated with it, consumer evaluations of complaint resolutions may vary. However, the focus of our investigation is purely on the effects of specific competitive characteristics and

complaint resolution procedures on creating outstanding resolutions to consumer complaints.

## **COMPETITIVE DETERMINANTS**

### **Competitive Intensity**

In his classical work, Hirschman (1970) considers competition as a major driver of a firm's desire to provide quality products and services to its customers. In a monopoly, for example, little if any incentive for securing high levels of customer satisfaction exists. As the level of competition increases, so does the firm's desire to improve quality. This view largely has been supported by both analytical and survey research (e.g., Anderson 1994; Anderson and Sullivan 1993; Fornell and Robinson 1983). Moreover, the competitive intensity of the market often determines the costs of new customer acquisition. Highly competitive markets where many suppliers are aggressively competing for market share often exhibit high costs of consumer acquisition, as reflected in larger advertising, promotion, and sales force expenditures. In such markets, the costs associated with addressing a disgruntled customer's complaints may be considerably lower than the costs associated with having to replace that customer with a new one. Some estimates, for example, suggest that the ratio of the cost of acquiring a new customer to that of retaining an existing one is on average about 5 to 1 ("Getting Customers to Love You" 1989). The incentive to retain existing customers is further compounded by the fact that loyal customers require lower marketing expenditures, buy in larger quantities, and are less price sensitive than new customers (Rose 1990).

The above discussion is further validated by the works of Fornell and his colleagues. Fornell (1992) argues that increased competition in a market facilitates a better fit between the offerings of firms and the expectations of consumers. Considering that many markets have heterogeneous consumer preferences, competition provides a larger variety of choices, and, as a result, suppliers tend to be more customer oriented. In competitive markets, consumer expectations are more likely to be met than in monopolistic markets because of the greater number of choices available. In such markets, consumer satisfaction levels are expected to be higher than those of monopolistic markets, and firms have a greater motivation to be customer oriented. This view is further confirmed by Fornell and Robinson (1983) who demonstrate that lower levels of competition may provide sellers with little incentive to improve quality. Moreover, Fornell and Wernerfelt (1987) and Estelami (2000), using analytical models applied to complaint behavior, show that with an increased number of competitors, firms have a profit motivation to handle

consumer complaints effectively. These analytical results demonstrate that firms should generously compensate complaining consumers, in some cases with compensation levels many times over the unit profit margin. Anderson and Sullivan's (1993) empirical study using the Swedish consumer satisfaction barometer also suggests that with increased competition, consumers seek higher quality firms, and Gronhaug and Arndt (1980) show that a significantly higher percentage of consumer complaints are satisfactorily resolved in the private sector, which experiences higher levels of competition than the public sector in which monopolies often exist.

It is therefore reasonable to expect that with an increased number of competitors, business motivation to satisfactorily resolve consumer complaints increases. Hirschman (1970), however, notes that even with the presence of competition, the desire for providing adequate levels of quality may not necessarily be strong. In markets in which low or moderate levels of competition exist and defecting consumers can be easily replaced, little if any incentive exists to address consumer problems. This may foster an implicit collusion among the competitors in providing equally poor levels of quality to consumers. As a result, competition below a certain level may provide sellers with a "latitude for deterioration" in quality (p. 5). Competition will therefore not necessarily force improved responses to consumer complaints unless a certain threshold of market competitiveness has been reached. This assertion has been supported by Potter's (1991, 1994) studies of the evolution of competition in markets. Potter demonstrates that as competition increases and markets mature, firms find it beneficial to compete on quality. However, Potter also notes that this trend accelerates once competition, as reflected in the average market share, has fallen below threshold levels. Therefore, although the relationship between the number of competitors and the likelihood of receiving satisfactory complaint resolutions is expected to be positive, it may be nonlinear.

### Consumer Loyalty

From a firm profitability perspective, incentives to resolve consumer complaints may be further influenced by the behavioral tendency of the consumer to repurchase from the firm. High levels of consumer loyalty may act as a strategic force preventing competitors from penetrating one's market share. Moreover, loyal consumers have considerably lower marketing requirements and are on average as much as 16 times more profitable than new customers (Dawkins and Reichheld 1990; Reichheld and Sasser 1990). It can be argued that in the long run, poor responses to consumer complaints may erode consumer loyalty levels, and a rationally behaving firm may have no choice but to provide quality responses to consumer prob-

lems. However, it also can be argued that high levels of consumer loyalty may allow firms to ignore consumer complaints in the short run, as loyal consumers will by definition return for subsequent purchases. This increases the likelihood of poor responses to consumer complaints. Therefore, the directional impact of consumer loyalty on business incentives to provide quality resolutions to consumer complaints is not intuitively clear.

From a consumer perspective, the relationship between consumer loyalty and consumer perceptions of complaint resolutions is also unclear. Consumers who have had more purchase experiences with a business are likely to have more stable expectations. These expectations may serve as an assimilation mechanism (Anderson 1973; Hovland, Harvey, and Sherif 1957) whereby outcomes are intentionally interpreted by the consumer as acceptable (i.e., assimilated), and no explicit effort is made by the consumer to search for discrepancies between actual experiences and originally held expectations. Evidence for an assimilation effect can be found in the works of Anderson and Sullivan (1993) and Oliva, Oliver, and MacMillan (1992) who suggest that stability in consumer expectations may result in a reduced likelihood of consumers perceiving experienced outcomes as extremes. This would suggest that consumers who are repeat buyers of a business are less likely to perceive the business' response to their complaint as either delightful or disappointing.

However, empirical research indicates that loyal consumers may be positively biased in evaluating a firm's responses to their complaints. For example, Tax, Brown, and Chandrashekar (1998) found that consumer commitment and trust toward a service provider are less influenced by the mishandling of a complaint if the consumer has had a history of transactions with the firm. Moreover, loyal consumers are likely to have positive perceptions of the firm and its brand in the first place and may therefore naturally perceive the firm's complaint response actions more positively (Aaker 1991). This suggests that loyal consumers are more likely to positively evaluate a firm's response to their complaints than consumers who have had little if any purchase experience with the firm.

### PROCEDURAL DETERMINANTS

Although the characteristics of the competitive environment of a business may affect the quality of responses to consumer complaints, as outlined above, perceptions of complaint resolutions may also be affected by the procedures the business follows for handling complaints. Three aspects of complaint handling procedures have been widely noted in prior research (e.g., Goodwin and Ross 1989; Tax, Brown, and Chandrashekar 1998; Smith and Bolton 1998). These relate to the amount of compensation

given to the complainant, the behavior of employees handling the complaint, and the promptness of the response to the complaint. It is important to note that although other procedural measures may be theorized, past research has demonstrated that these three dimensions practically dominate the complaint handling process, and as a result, only their effects will be examined.

### Compensation

Consumer compensation relates to measures such as refunds, product replacements, repairs, and payment of additional expenses caused by the firm's failure (Kelley, Hoffman, and Davis 1993). Because the primary reason for a complaint is often a loss by the consumer, providing compensation is important in recovering the consumer's confidence in the firm. Examples include Xerox's total satisfaction guarantee, which offers its customers the ability to request a complete product replacement at the customer's written request ("Why Your Copier Isn't Working" 1992), and Lands End, which offers to replace any product ever purchased from it, regardless of how long ago the transaction took place (Heskett, Sasser, and Schlesinger 1997).

Because consumer complaints are often a result of the complainant's perception of loss, compensating complainants for their losses may be considered equitable and just. Equity theory (Walster, Bersheid, and Walster 1973) would suggest that consumer perceptions of fairness of transactions would be affected by the ratio of outcomes to inputs. Therefore, if a consumer senses that the business response to the complaint (output) has not matched the consumers' inputs (e.g., purchase costs, complaining effort, time, etc.), they are likely to negatively perceive the complaint resolution. Compensatory measures help improve the output-to-input ratio of the complaint and may therefore provide consumers with a more favorable perception of equity in their transaction with the business (Oliver and DeSarbo 1988). As a result, consumer compensation is likely to positively impact overall satisfaction as well as future purchase intentions. This view has been empirically validated through the works of Goodwin and Ross (1989) and Tax, Brown, and Chandrashekar (1998) who have shown that consumer perceptions of fairness in complaint outcomes are significantly affected by the presence and the magnitude of the compensation offered by the firm. Smart and Martin (1992), who examined manufacturers' responses to consumer correspondences, also found that consumer perceptions of these responses are most favorable when the business compensates the consumer with items such as refunds and coupons. It is therefore possible that the likelihood of consumer delight with complaint outcomes will increase as a result of compensatory measures taken by the firm.

### Employee Behavior

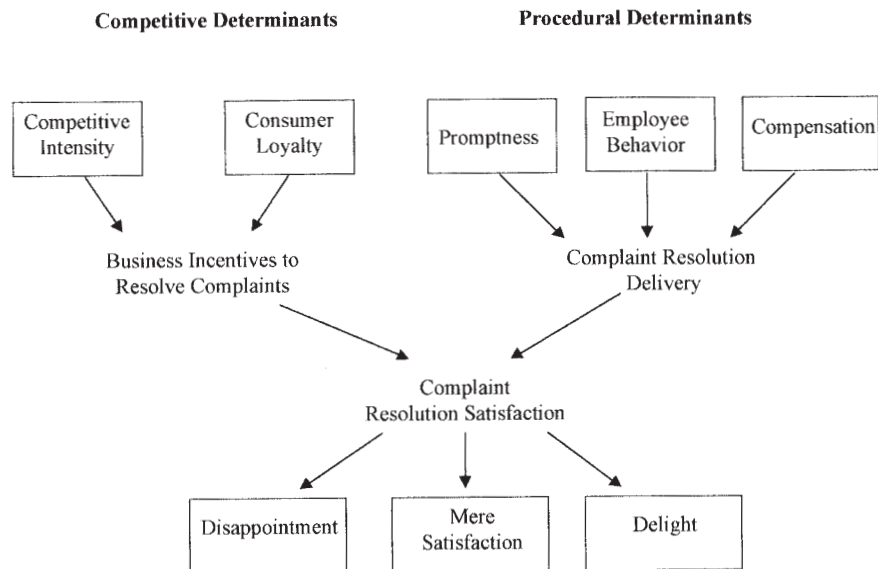
The importance of employee behavior in consumers' interactions with a firm has long been recognized in services marketing literature. Aspects such as the display of empathy, politeness, and an effort to listen to the customer have been cited as critical elements of the service encounter (e.g., Heskett, Sasser, and Schlesinger 1997; Parasuraman, Zeithaml, and Berry 1988). Because consumer complaints are often perceived by the consumer to be a result of some form of failure on behalf of the firm, complaining may become an emotional act, and the consumer may seek "psychological equity" through the complaint process (Tax, Brown, and Chandrashekar 1998; Walster, Bersheid, and Walster 1973). As a result, proper interaction between the employee and the consumer may be more critical in handling consumer complaints than it is in any other form of service encounter (Bitner, Booms, and Tetreault 1990). Positive consumer perceptions of employee behavior are therefore likely to contribute to the creation of delightful complaint outcomes and prevent disappointing ones.

### Promptness

Because consumer complaints may be a result of a perceived shortcoming of the firm, lack of a prompt response reinforces a negative consumer perception of the firm and may result in escalating dissatisfaction (Bitner, Booms, and Tetreault 1990; Mohr and Bitner 1995). Smart and Martin (1992) have found that the promptness of the firm's response to written consumer complaints significantly improves consumer evaluations of the resolution. Support for the positive effect of promptness on consumer reactions to complaint resolutions also can be found in the landmark TARP (1986) study, which shows a 20% gain in consumer loyalty levels as a result of prompt versus slow resolution of complaints. It is therefore possible that the speed of complaint handling will help result in more positive consumer assessments of complaint resolutions.

Figure 1 provides an overview of the constructs and relationships under study. The role of competitive intensity of the market and consumer loyalty as competitive factors contributing to a firm's desire to resolve consumer complaints will be examined. These factors are expected to have a positive impact on the likelihood of delightful resolutions to consumer complaints. Moreover, the role of three key procedural variables of promptness, employee behavior, and compensation on the creation of outstanding complaint resolution outcomes will be studied. It is important to note, however, that although all three procedural aspects of complaint handling are likely to positively affect consumer evaluations, it is unclear which one will have a

**FIGURE 1**  
**Theoretical Model Under Examination**



larger impact in creating delight or disappointment in consumer complaints. This issue will be empirically addressed through survey research, outlined below.

## METHODOLOGY

To examine the above relationships, complaint data were solicited through a survey of consumer's self-reports of their experiences in complaining to businesses. The use of such an approach is consistent with prior research in this area that has relied on consumer memories of critical service incidents in dealing with businesses (e.g., Bitner, Booms, and Tetreault 1990; Fornell and Didow 1980; Goodwin and Ross 1989; Keaveney 1995; Tax, Brown, and Chandrashekar 1998). Respondents were told that the sponsors of the study are interested in knowing about scenarios in which "a product or service failed to be as you had expected, and you took the effort of complaining to the business." In particular, respondents were asked to recall two complaint scenarios: one in which the business had done an "outstandingly good job" of resolving their complaint (delight) and one in which the business had done "an extremely bad job" of it (disappointment). To ensure that the reported incidents refer to extreme levels of complaint resolution satisfaction and dissatisfaction, a satisfaction scale, to be described shortly, was also used.

Similar to Goodwin and Ross (1989) and Tax, Brown, and Chandrashekar (1998), the questionnaire consisted

of two parts. The first was a series of open-ended questions probing the nature of the problem and the manner in which the complaint was handled. The second part consisted of structured questions that measured the procedural and competitive factors. The questionnaire was pretested on 63 graduate business students and refined prior to field administration.

## Open-Ended Questions

For each complaint scenario, respondents were first asked, "What was the reason for your complaint?" Their written response was used to categorize sources of consumer problems through subsequent content analysis. For the delightful complaint scenario, respondents were also asked, "What was so nice about the way the company responded to your complaint?" The purpose of this question was to identify facets of complaint handling that consumers would like to see in business responses to their complaints. To achieve the same objective for disappointing complaint scenarios, respondents were asked, "How would you like to have seen the company respond to your complaint?" These open-ended questions enable respondents to freely express complaint handling aspects that they find desirable, and the written responses were subsequently subjected to content analysis to categorize these desirable characteristics. To ensure that the scenarios corresponded to delight and disappointment, a 1-to-5 satisfaction scale was administered for each scenario, and only

responses corresponding to the extremes of this scale (i.e., 1 for *disappointment*, and 5 for *delight*) were used in subsequent content analyses.

### Structured Questions

In addition to the open-ended questions that facilitate an exploratory study of procedural determinants, respondents also were asked specific structured questions. This was done to validate the results of the open-ended questions and to provide more precise measures on the relative importance of various complaint handling procedures. The number of competitors was gauged by asking the respondents, "At the time of your purchase, how many other companies could you have considered?" in response to which the respondent reported a number. This measure determines the number of competitors in the consumer's consideration set and is appropriate because prior research has established it to be a reliable measure of competition at the individual consumer level (e.g., Alba and Chattopadhyay 1985; Brown and Wildt 1992). It is important to note that this measure serves as a proxy for competitive intensity and implicitly assumes a relatively homogenous competitive space. Local and regional fluctuations in market share and competition made standardized market share data (e.g., *Market Share Reporter* 1998) inapplicable to our analysis, and alternative proxies of competitive intensity such as marketing expenditures and consumer switching barriers were not consistently available for analysis.

Consumer loyalty was gauged through elicitation of past purchase behavior using a multiitem scale consisting of three single-item scales (coefficient alpha = 0.77). Two 5-point frequency-of-purchase scales were used to determine prior to the complaint incident how often purchases in that particular category were made from the focal business (Churchill 1996). A third question gauged the consumer's self-assessment of loyalty by asking, "Prior to my complaint, I frequently purchased from this company," with the response ranging from *strongly disagree* to *strongly agree* on a 5-point Likert-type scale. The loyalty scale used here varies from some of those used in prior research (e.g., Anderson and Sullivan 1993) in which attitudinal rather than behavioral measures are obtained, but it is deemed appropriate because it measures actual past purchase behavior.

In addition, a series of questions probed the procedural measures taken by the business in responding to the complaint. Multiitem scales were developed based on survey questions used in prior research (e.g., Bitner, Booms, and Tetreault 1990; Kelley, Hoffman, and Davis 1993; Tax, Brown, and Chandrashekar 1998), refined, and pre-tested on 63 graduate business students prior to administration. In all cases, responses were captured through a 5-point scale ranging from *strongly disagree* to *strongly*

*agree*. Compensation was measured through three questions: "I got what I deserved from the complaint," "The company compensated me for my problems," and "The company made adequate efforts to replace my losses" (coefficient alpha = 0.81). Employee behavior was measured through the following questions: "The employees who handled my complaint were polite," "The employees who handled my complaint seemed very much concerned about my problem," and "The employees who handled my complaint gave me individual attention" (coefficient alpha = 0.74). Promptness in complaint handling was gauged by the following: "The company responded quickly to my complaint," "The complaint handling process in this company is quick," and "The speed of the company's response to my complaint was very adequate" (coefficient alpha = 0.88). Each multiitem scale was computed by averaging the responses on the corresponding single-item scales. It is important to note that the averaging of the single-item scales was done for practical reasons and does not theoretically imply that the obtained measures are unidimensional in nature.

### Sample Selection

Data were collected through mall intercepts in two shopping malls in southern New York State. In return for their participation, the respondents were offered choices of souvenir key chains and the chance to win a lottery for small home electronics. A total of 307 adults completed the survey. However, of these, 28 had either never had any complaint experiences whatsoever or provided unusable responses. The resulting sample consisted of 279 adults, 57% of which were female. The mean age was 34 years, 64% were living with a spouse, 68% were White, and the median income was \$53,000. These sample characteristics suggest that although the respondents' incomes were slightly below the figures for the county where the study was conducted, the sample closely resembles the underlying population. County figures indicate a median age of 37 years, a median household income of \$59,000, and a population that is 71% White and 53% female (Bureau of the Census 1998).

Each respondent was asked to provide information on both delightful and disappointing complaint scenarios. However, in many cases, respondents may have been able to recall one scenario but not the other. Respondents were asked to only report incidents that they could clearly recall having happened to them personally. No effort was made to restrict the reported incidents to goods only or services only. The exploratory aspect of this study was intended to enable the examination of complaint outcomes regardless of the nature of the product, and as a result, complaint data on a variety of goods and services transactions were obtained. To ensure that the reported incidents refer to ex-



**TABLE 1**  
**Top 10 Complaint-Generating Categories**

<i>Goods</i>	<i>Percentage</i>	<i>Services</i>	<i>Percentage</i>
	<i>of Goods</i>		<i>of Services</i>
	<i>Complaints</i>		<i>Complaints</i>
Clothing	23.0	Restaurants	10.7
Home electronics	13.8	Airlines	10.7
Computer hardware	12.0	Credit cards	8.2
Exercise and sports equipment	7.8	Local phone service	7.1
Furniture	7.4	Long-distance phone service	5.1
Appliances	5.1	Hotels	5.1
Bags and luggage	4.6	Cellular phone service	4.6
Groceries	3.7	Internet services	4.1
Computer software	3.2	Auto repairs	3.6
Jewelry	2.3	Cable service	3.1

treme satisfaction levels with the complaint resolution, respondents were asked the following question for each complaint scenario: "The complaint has finally been resolved to my satisfaction," on a 5-point scale. Consistent with the operationalization of delight and disappointment in DeSarbo et al. (1994) and Rust, Zahorik, and Keiningham (1995), only responses with extreme satisfaction levels (i.e., 1s and 5s) were considered as delighted and disappointed. From the 253 respondents, a total of 389 usable complaint reports were obtained. A slight majority of the reported complaints (45.7%) were disappointing incidents, 43.4% were delightful incidents, and 10.8% were incidents with moderate levels of complaint satisfaction.

## RESULTS

The analysis of the data consists of two parts. The first is a content analysis of the open-ended complaint descriptions. The second concerns the estimation of the effects of competitive and procedural variables on the likelihood of delightful and disappointing complaint outcomes using logit analysis. Table 1 outlines the top 10 goods and services categories in terms of the frequency of complaints reported. Because it is possible to have service problems associated with a goods purchase (e.g., poor warranty service on a car) and visa versa, the categorization of the problem as goods or services was done independently by two judges, who examined the complaint report to identify whether the core product sold was a good or a service. Disagreements that occurred in about 7% of the cases were resolved by a third judge. For goods markets, clothing and electronics accounted for more than a third of the reported complaints. Clothing alone accounted for about a quarter of all complaints—an expected result because often taste changes and lack of fit initiate product returns in this cate-

gory. Top complaint categories in services include restaurants, airlines, credit cards, hotels, and automobile repairs. Service categories that are communications based such as long-distance and cellular phone service, Internet, and cable services account for about a fifth of all reported service complaints.

It is important to note that some of the top complaint-generating categories observed here (e.g., restaurants, hotels, airlines, auto repairs, clothing, furniture, electronics, groceries) also have been observed in prior studies (e.g., Best and Andreasen 1977; Goodwin and Ross 1989; Tax, Brown, and Chandrashekar 1998). To determine the nature of these complaints, two judges independently conducted content analysis of the respondents' written descriptions of why they had initiated a complaint. A two-step process recommended by Weber (1985) was used. First, coding categories were developed based on an initial sample of 130 complaint reports. The categories were independently developed by each judge, and differences in category definitions were resolved between the two judges through discussion and in some cases subsequent refinement of the categories. The entire set of complaint reports was then independently coded by the two judges into the identified categories, and disagreements were resolved by a third judge. Intrajudge agreement was 83%, indicating a high level of reliability for the identified categories. This approach is consistent with prior works in services marketing research in which content analysis of consumer self-reports has been conducted (e.g., Bitner, Booms, and Tetreault 1990; Keaveney 1995; Tax, Brown, and Chandrashekar 1998).

Table 2 outlines the results of this analysis for the top 10 sources of complaints in goods and services markets. The numbers reported are the percentages of respondents who expressed a particular type of problem for goods and for services. The quoted examples are from actual descriptions given by respondents. Because a respondent may express multiple problems, the percentages may add up to more than 100%. As indicated in the table, for goods markets, the primary source of complaints is defective products. This accounted for close to 70% of the reported goods complaints. Examples are scratched contact lenses, VCRs that chew tapes, and clothing that is damaged. Changing consumer tastes is the second largest category, accounting for about 7% of goods complaints. Products that do not fit or are incompatible with the consumers' current possessions, in combination, accounted for 9% of goods complaints. A smaller proportion of complaints deals with errors made in facilitating the transaction (e.g., shipping goods, billing). For services markets, about half of consumer complaints relate to service failures driven by fundamental defects in the delivery of the service. Examples are restaurants that serve poorly cooked meals, auto repairs that are not correctly performed, and discontinuous cellular

**TABLE 2**  
**Top 10 Reasons for Consumer Complaints**

<i>Goods</i>	<i>Percentage of Goods Complaints</i>	<i>Services</i>	<i>Percentage of Services Complaints</i>
Product defects (e.g., "The contact lens had a scratch")	68.7	Service failures (e.g., "Cellular phone service did not cover areas it was supposed to")	45.3
Consumer didn't like product anymore (e.g., "I no longer liked the coat")	7.4	Billing (e.g., "Reserved a hotel room, canceled it, then it showed up on my bill")	24.9
Product did not fit (e.g., "After taking the pants home, I realized they don't fit")	5.1	Scheduling (e.g., "We had to reschedule three different times for the technician to show up")	14.9
Product damaged in delivery (e.g., "CDs received in the mail had broken cases")	4.6	Slow service (e.g., "It took them an hour to deliver our lunch")	11.4
Product not compatible (e.g., "Software was incompatible with my computer")	4.1	Pricing (e.g., "Was told of a calling plan, but not the incremental charges")	9.5
Poor product design (e.g., "The necklace broke because of bad design")	1.8	Inappropriate employee behavior (e.g., "The salesperson was neither friendly nor helpful and was obviously giving me the wrong information")	8.0
Product was lost in shipping (e.g., "I never received the CDs I had ordered")	1.8	Poor repair work (e.g., "The computer technicians couldn't fix the laptop, I had to send it back 3 times!")	3.0
Product not delivered when promised (e.g., "Custom jewelry delivered two weeks after promised date")	1.4	Damaged product while in repair (e.g., "They broke an engine part while replacing the alternator in my car")	2.5
Billing errors (e.g., "They billed me for an order I never made")	1.4	Lost reservation (e.g., "They lost my food delivery order, so I was not delivered the food")	2.5
Wrong product sent (e.g., "I ordered one product from the catalog, and got another")	1.4	Consumer no longer needs service (e.g., "I wasn't using the cell phone anymore and wanted to cancel my plan")	2.0

phone service. Billing errors are the second largest category of complaints in services, accounting for a quarter of all service complaints. Service delivery issues such as the speed of service, inaccurate communication of price information, and inappropriate employee behavior were in total reported in approximately 30% of service complaints.

To examine cross-category variations in business responses to consumer complaints, a Complaint Resolution Index (CRI) was developed. CRI is simply the ratio of consumer complaints reported as delightfully resolved over all complaints reported within a category:

$$CRI = \frac{N_{Delight}}{N_{Delight} + N_{Disappointment} + N_{Moderate}},$$

where  $N_{Delight}$  refers to the number of complaints resolved to consumers' delight,  $N_{Disappointment}$  refers to the number of complaints leading to consumer disappointment, and

**TABLE 3**  
**Complaint Resolution Index (CRI)**  
**Across Categories**

<i>Goods</i>		<i>Services</i>	
<i>Category</i>	<i>CRI</i>	<i>Category</i>	<i>CRI</i>
Soft drinks	1.00	Theater/movies	0.75
Bags and luggage	0.80	Credit cards	0.56
Video/CDs	0.80	Hotels	0.50
Clothing and shoes	0.74	Insurance	0.50
Cosmetics	0.67	Shipping	0.50
Appliances	0.64	Flower delivery	0.50
Jewelry	0.60	Restaurants	0.48
Computer software	0.57	Cellular telephone	
Eyeware	0.50	service	0.33
		Long-distance telephone	
		service	0.30
Average for top 10 goods	0.63	Average for top 10 services	0.44
Average for all goods	0.56	Average for all services	0.30

**TABLE 4**  
**Desired Complaint Handling Procedures in Goods Markets**

<i>Delightful Resolutions</i>	<i>Disappointing Resolutions</i>
Replaced product (53%) (e.g., "Replaced tight pants")	Should replace product (32%) (e.g., "Retail clerk refused to give me an exchange")
Gave prompt response (44%) (e.g., "Quick turn-around on replacing")	Should give prompt response (24%) (e.g., "They told me to come back on a weekday when the manager is around")
No questions asked (30%) (e.g., "Replaced sandals without asking why, how, when")	Impolite/unprofessional employee behavior (19%) (e.g., "Should not act as if I am wasting their time")
Polite/professional employee behavior (21%) (e.g., "They were very attentive and made sure it was fixed and that I was satisfied")	Should do the repair (18%) (e.g., "Although it wasn't under warranty, they should have fixed it")
Gave free product or a discount (12%) (e.g., "Gave me free CDs")	Should accept responsibility for problem (15%) (e.g., "Don't make me prove the billing error is yours")
Gave a refund (11%) (e.g., "They took back the jeans and refunded my money")	Should give a refund (14%) (e.g., "Since the product broke so easily, they should have taken it back and given my money back")
Repaired product (10%) (e.g., "Fixed the A/C on the car")	Should give free product or a discount (11%) (e.g., "Give me a \$25 gift certificate")
Apologized (7%) (e.g., "They apologized and told me how to ask for a replacement")	Should provide adequate information (10%) (e.g., "They didn't give me enough information on how to make the cappuccino machine work")
Replaced without returning old product (4%) (e.g., "Replaced broken alarm clock without asking me to send back the old one")	Should deliver related service as promised (8%) (e.g., "Should have reshipped the furniture when they said they would")
No receipt needed (2%) (e.g., "Exchanged the jeans, although I had lost my receipt")	Should be easy to reach (6%) (e.g., "Get a 1-800 number!!")

$N_{Moderate}$  refers to the number of complaints with moderate levels of complaint satisfaction (i.e., complaint satisfaction rating of 2, 3, or 4). CRI ranges from a high of 1.0, in which 100% of reported complaints in a category are delightfully resolved, to a low of 0, in which none are delightfully resolved. The top 10 CRI categories for goods and services are listed in Table 3. As can be seen, for goods markets, categories such as soft drinks, bags and luggage, clothing, and videos/CDs exhibit high levels of consumer delight with the complaint process. On average, across all goods, the CRI is 0.56. In contrast, the average CRI for services is 0.30. The highest CRI categories in services include theater and movies, credit cards, hotels, and insurance. Categories such as cellular and long-distance telephone services exhibit considerably lower CRI values—in the sub 0.4 range—indicating a low likelihood of consumer delight with the complaint process. The observed CRI difference between goods and services is significant at the  $p < .001$  level ( $\chi^2 = 28.8$ ;  $\phi = -0.26$ ). It is important to note that this observation is consistent with observations made by Anderson (1994) and Fornell (1992) on the Swedish Customer Satisfaction Barometer, indicating that in general consumer satisfaction is lower with services than with goods.

To gain a better understanding of the sources of consumer delight with complaint outcomes, respondents reporting delightful resolutions had been asked to write down what they thought was desirable in business responses to their complaints. For disappointing complaints, they were asked to write down what they would have desired to see the business do in response to their complaints. These questions helped identify attractive characteristics of complaint management practices from the consumers' perspective. The content analysis procedure described earlier was used first to develop related categories and then to assign respondents' expressions into these categories. Categorization was done by two independent judges, and disagreements were resolved by a third judge. Intrajudge agreement was 81%. Tables 4 and 5 report the results of this analysis. Because a respondent may express a desire for several complaint handling procedures, the percentages may add up to more than 100%.

As can be seen from the tables, the compensatory dimension of business responses to complaints dominates delight and disappointment in both goods and services. The top reasons for delightful resolutions reported in both goods and services markets are compensatory in nature as they relate to "product replacements" for goods and "ser-

**TABLE 5**  
**Desired Complaint Handling Procedures in Service Markets**

<i>Delightful Resolutions</i>	<i>Disappointing Resolutions</i>
Gave free future service or discount (43%) (e.g., "They waived the annual fee for the credit card")	Should re-execute same service (31%) (e.g., "They should have given me a new meal free of charge")
Gave prompt response (41%) (e.g., "They immediately credited my account")	Should give prompt response (31%) (e.g., "They should have immediately fixed the billing problem rather than taking two months")
Re-executed the same service (30%) (e.g., "They served us a new meal")	Should give refund (15%) (e.g., "Should have allowed me to cancel the tickets with no penalties")
Fixed billing errors (23%) (e.g., "They got rid of the mysterious charges on my bill")	Should fix billing errors (15%) (e.g., "Credit my account correctly and at the right time")
Polite/professional employee behavior (22%) (e.g., "The customer service person was patient, she took care of me patiently and quickly")	Impolite/unprofessional employee behavior (11%) (e.g., "They told me its my word against their's")
Apologized (13%) (e.g., "They apologized immediately, and took action")	Should apologize (10%) (e.g., "They should have apologized for all the headaches they have caused me")
Gave refund (7%) (e.g., "The manager gave me a refund for the delivery charges")	Should be easy to reach (7%) (e.g., "Customer service should be 24 hours")
Honored promised price (5%) (e.g., "My calling plan was changed to the one they had sold me")	Should follow up (7%) (e.g., "Should have contacted me instead of me having to call them")
No questions asked (3%) (e.g., "They served us a new meal without any hassle or questions")	Should own/accept the problem (7%) (e.g., "Should have accepted responsibility for their billing problems")
Paid for caused expenses (2%) (e.g., "The airline reimbursed me for the car service")	Should pay for caused expenses (6%) (e.g., "Offer some compensation for lost time")

vice re-executions" for services. These same attributes are the top characteristics that disappointed complainants would like to see in business responses to their complaints. Speed of complaint handling is the second most important aspect, mentioned in both delightful and disappointing complaint outcomes across goods and services. More than 40% of delightfully resolved complaint incidents for goods mentioned a prompt response by the seller. Responses such as expression of empathy, "no questions asked," and politeness by the employees handling the complaint were also among the top mentioned categories. Although this hierarchy of responses can be noticed in both goods and services markets, to more closely examine the effects of the various procedural measures on producing outstanding complaint outcomes, the response categories were further aggregated to the three basic procedural dimensions (i.e., compensation, employee behavior, and promptness). The subjects' responses were mapped onto the three dimensions, as outlined in Table 6. As can be seen, compensatory aspects of complaint outcomes dominate the characteristics associated with resolutions in both goods and services. This is true of complaint resolutions characterized by both delight and disappointment. In both goods and services, about 80% of the resolutions had at

least one mention of compensatory measures taken by the business. Employee behavior and promptness in complaint handling are of secondary importance. About half of delightful resolutions featured mentions of promptness characteristics, and about a third mentioned employee behavior. Resolution characteristics desired by disappointed complainants seem to favor employee behavior more than promptness.

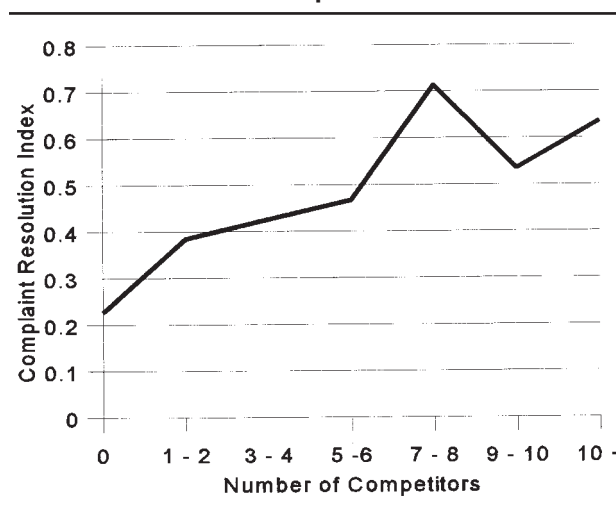
To examine the effects of competitive intensity on the likelihood of consumer delight in complaint outcomes, a graphic plot of the CRI versus the number of competitors in the market was made and is shown in Figure 2. As can be seen, there is a direct relationship between the number of competitors and the likelihood of experiencing delightful responses to one's complaints. When a firm exercises a localized monopoly and has no competitors, CRI is close to 0.2, indicating that most complaints are not delightfully resolved. However, as the number of competitors increases, so does CRI. In markets beyond seven competitors, CRI begins to level off, suggesting a nonlinear relationship between the two variables.

To statistically examine the above relationship, as well as the combined effect of competitive and procedural factors on the likelihood of consumer delight and disappoint-

**TABLE 6**  
**Frequency of Delightful and Disappointing Response Characteristics for Goods and Services**

<i>Complaint Handling Dimension</i>	<i>Resolution Characteristics Mentioned by Respondents</i>	<i>Percentage of Delightful Goods Resolutions Featuring the Characteristic</i>	<i>Percentage of Delightful Services Resolutions Featuring the Characteristic</i>	<i>Percentage of Disappointing Goods Resolutions Featuring the Characteristic</i>	<i>Percentage of Disappointing Services Resolutions Featuring the Characteristic</i>
Compensation	Replaced product, re-executed same service, gave free product or discount, gave free future service or discount, refunded, repaired, replaced product without returning the old one, paid for caused expenses, upgraded product/service, fixed billing error, repaired beyond warranty, honored promised price, honor promised service	86.9	88.5	73.4	79.0
Promptness	Responded promptly, was not difficulty to reach, no questions asked	68.9	42.6	35.4	31.6
Employee behavior	Polite employee, apologized, accepted responsibility, showed empathy and listened, followed up, provided adequate information	30.3	36.1	40.5	39.5

**FIGURE 2**  
**Complaint Resolution Index as a Function of the Number of Competitors in a Market**



ment with complaint resolutions, a binary logit model was applied to the data. The SAS procedure LOGIST was used to obtain maximum-likelihood estimates for the effects of the procedural and competitive variables on the creation of delight and disappointment. The procedure was run once with the incidence of delight as the dependent variable and once with the incidence of disappointment as the dependent variable. The results are shown in Tables 7 and 8.

Both models are statistically significant at the  $p < .001$  level ( $U^2_{Delight} = 0.65$ ;  $U^2_{Disappointment} = 0.31$ ), and the estimated parameters show signs consistent with expectations. To examine nonlinearities with respect to com-

petition, the square of the number of competitors also was used as an independent variable. As can be seen in Table 7, for the model with delight as the dependent variable, as expected, the coefficient for the number of competitors is positive and significant. This means that increasing the number of competitors generally has a positive effect on the likelihood of experiencing delightful responses when complaining to a business. Moreover, the coefficient for the square of the number of competitors is also significant, suggesting that the relationship between delightful complaint resolutions and competition is nonlinear. Moreover, the negative value of this coefficient indicates that there is a leveling off of delightful complaint resolution incidents at high levels of competition—an observation that is consistent with the CRI plot of Figure 2 presented earlier.

The coefficient for loyalty in this model also is significant and positive, indicating that consumer loyalty improves the likelihood of delightful perceptions of complaint outcomes. The remaining parameter estimates corresponding to the procedural aspects of complaint handling also are in the expected directions. The coefficient for promptness is significant and positive, indicating that promptness in complaint handling positively influences the likelihood of delightful resolutions to consumer complaints. Moreover, the coefficient for employee behavior also is significant and positively related to consumer delight. Its associated  $\chi^2$  value suggests that employee behavior has a profound effect on consumer perceptions of complaint resolutions—an observation also made by Tax, Brown, and Chandrashekar (1998) and Smith and Bolton (1998).

A similar pattern of coefficients can be found with respect to the likelihood of disappointment, in which com-

**TABLE 7**  
**Logit Parameter Estimates for the Determinants of Consumer Delight in Complaint Resolutions**

<i>Parameter</i>	<i>Parameter Estimate</i>	<i>Wald Chi-Square</i>	<i>Significance Level</i>
Intercept	-12.252 (1.913)	40.99	$p < .01$
Number of competitors	0.419 (0.134)	9.83	$p < .01$
Square of number of competitors	-0.013 (0.006)	4.33	$p < .04$
Consumer loyalty	0.548 (0.165)	11.07	$p < .01$
Compensation	1.197 (0.208)	33.16	$p < .01$
Promptness	0.405 (0.201)	4.07	$p < .05$
Employee behavior	1.534 (0.284)	29.25	$p < .01$

NOTE: Numbers in parentheses are standard errors.

pensation and employee behavior weigh heavily in determining complaint outcomes. Consistent with the results of Table 6, results reported in Table 7 indicate that employee behavior weighs heavily in consumer judgments of disappointing complaint outcomes, and promptness has less of an impact. This is somewhat expected, because consumer problems are often perceived by the consumer to be a result of a shortcoming on behalf of the firm, and complainants who are disappointed may be heavily critical of the firm and its employees in their desire to gain some form of psychological equity in the process (Tax, Brown, and Chandrashekar 1998; Walster, Bersheid, and Walster 1973). This observation is consistent with the work of Bitner, Booms, and Tetreault (1990), who suggest that in service failures, the nature of the interaction between employees and customers may play a critical role in the customer's assessment of the outcome. Moreover, the effect of competition is far less pronounced in the creation of disappointment than it is in the creation of delight. This suggests that competition may have an asymmetric effect on complaint resolutions. Although competition is likely to foster delightful complainant resolutions, it is less likely to prevent disappointing ones from taking place. The logit parameter estimates of the models support the theoretical discussion presented earlier and are consistent with the observations made through the content analyses of respondents' written descriptions.

## DISCUSSION

This work extends prior research on consumer complaint handling by examining business characteristics that foster responsive handling of consumer complaints. Moreover, the relative influence of predetermined measures that a business can take to produce outstanding complaint resolutions is studied. This line of inquiry is important because compared to the general emphasis placed by educators, researchers, and marketing practitioners on customer satis-

**TABLE 8**  
**Logit Parameter Estimates for the Determinants of Consumer Disappointment in Complaint Resolutions**

<i>Parameter</i>	<i>Parameter Estimate</i>	<i>Wald Chi-Square</i>	<i>Significance Level</i>
Intercept	3.513 (0.759)	21.42	$p < 0.01$
Number of competitors	-0.111 (0.073)	2.32	$p = 0.13$
Square of number of competitors	-0.004 (0.003)	1.64	$p = 0.19$
Consumer loyalty	-0.233 (0.115)	4.09	$p < 0.05$
Compensation	-0.439 (0.109)	15.95	$p < 0.01$
Promptness	0.206 (0.118)	3.08	$p = 0.08$
Employee behavior	-0.604 (0.141)	18.40	$p < 0.01$

NOTE: Numbers in parentheses are standard errors.

faction and service quality, a relatively smaller volume of literature has specifically focused on how firms can improve their responsiveness to consumer complaints. Consumer complaint handling is, however, a fundamental component of the marketing process, not only due to the frequent occurrence of consumer dissatisfaction incidents across markets but also due to the severe criticisms that have recently been aimed at other quality improvement initiatives that have shown limited tangible results (e.g., Aaker and Jacobson 1994; Kordupleski, Rust, and Zahorik 1993).

With respect to business characteristics that foster effective resolution of consumer complaints, results show that the perceived quality of complaint resolutions is a function of the competitive characteristics of the business, namely, the market's competitive intensity and consumer loyalty levels. Businesses that experience higher levels of competition are more likely to positively respond to consumer complaints, and a lack of competition seems to foster a passive approach to complaint handling. For example, moving from a monopoly to a typical competitive market in which seven to eight competitors participate almost doubles the likelihood of experiencing delightful responses to one's complaints.

The results of this study also provide estimates on the capability of various industries in effectively resolving consumer complaints. In general, it was found that service marketers do a poorer job of addressing consumer complaints than goods marketers. Service industries such as local and long-distance telephone service and cable are especially vulnerable because they received relatively poor consumer ratings in complaint resolutions. Although firms in such industries may currently exercise some level of monopoly power, market deregulation is likely to significantly change their competitive spectrum in the near future. Strategic measures focusing on improved complaint handling may be required to defend market share and to reduce defection rates—especially in light of inten-

sifying competition. In their current status, industries that experience limited competition due to regulations or high switching costs (e.g., local telephone service, cable service) or enjoy high market growth rates (e.g., cellular phone service, Internet services) seem to be fertile grounds for poor responses to consumer problems, evident by their low CRI scores. From a public policy perspective, this issue can clearly be perceived as a concern and brings about the fundamental question of whether consumer protection agencies should actively monitor complaint handling practices in specific markets.

The results of this study suggest that although competition creates immediate strategic challenges for a business, contrary to conventional thinking in microeconomics, it also may indirectly help the business by promoting improvements in complaint management practices. These improvements may consequently strengthen consumer loyalty and help improve the long-term strategic position of the firm. Our results also indicate that businesses that experience higher consumer loyalty levels are more likely to positively respond to consumer complaints. Although the causal direction of this relationship could not be tested with the existing data, it is quite possible that businesses that provide higher quality products and therefore experience higher loyalty levels also deliver the same level of quality in their handling of consumer complaints. Nonetheless, effective resolution of consumer complaints presents other immediate opportunities for improving the brand image, protecting market share, and enhancing new product development efforts (Halstead and Page 1992; Mitchell 1993; Reichheld and Sasser 1990).

The findings here also provide a framework for prioritizing business responses that may improve the quality of consumer experiences in complaint outcomes. Although the three predetermined procedural factors of promptness, compensation, and employee behavior contribute to the incidence of outstanding complaint experiences, their relative importance varies. The relationship is primarily dominated by compensatory measures taken to resolve complaints. Therefore, complaint handling policies aimed at delighting consumers and preventing disappointment should include practical elements such as product repairs, refunds, product replacements, and service re-executions, specifically intended to compensate complainants. This view is comforting in light of suggestions made by Fornell and Wernerfelt (1987) who analytically demonstrate that to optimize long-term profits, in many conditions firms should not only actively solicit consumer complaints but should also generously compensate them.

Businesses also may find it instrumental not only to benchmark their offensive marketing mix strategies (e.g., advertising, pricing) against the competition but also to gauge their defensive strategies by comparing their complaint handling practices with those of key competitors.

By comparing one's complaint handling capabilities against industry role models, actionable directions for improvement can be identified. Examples are Xerox, which provides its customers with unconditional product replacements at the customer's request; IBM, which holds its sales staff accountable for all consumer defections to competitors ("Why Your Copier Isn't Working" 1992); and Alamo Rent-A-Car, which encourages its employees to consider the customer as their best friend (Santora 1991). Such initiatives, however, require a long-term strategic perspective and a commitment to empowering employees to satisfactorily resolve consumer complaints (Balkin, Dolan, and Forgues 1997) and are unfortunately not equally practiced across the business community. TARP (1986) estimates that only about half of all consumer complaints are satisfactorily resolved. In the hotel industry, for example, consumers are very rarely financially compensated for their losses (Lewis 1983), and in many other types of businesses, systematic avoidance of consumer complaints seems to be the organizational norm (Fornell and Westbrook 1984). This, despite the fact that reorganizing customer service operations for improved complaint resolution capabilities has been demonstrated to yield exceptionally high returns on investment and to result in improved financial and market performance of the firm (Fornell and Wernerfelt 1987; Harari 1997; TARP 1986).

Several limitations of this study need to be acknowledged. The collected data have been based on consumers' self-reports rather than sources such as complaint incident records of customer service operations or complaint reports at the Better Business Bureau. Although the latter sources may provide more objective measures of the incidence of complaints, many of the variables of interest to this study could not have been systematically measured through those means. Moreover, the sample was recruited through mall intercepts that are limited in their geographic and demographic coverage. Although our sample closely approximated the population from which it was drawn, national samples using mail surveys (e.g., Best and Andreasen 1977; Singh 1988) may provide a more comprehensive perspective and can be used in future research. Future research also can expand on the study variables. Because the procedural determinants of complaint handling quality that were measured through multiitem scales were predetermined, future research can incorporate measures of additional variables that may influence consumer assessments of complaint responses. These could be variables such as consumer complaint styles (e.g., Singh 1988), personality profiles, and measures of the recency and importance of the complaint incident.

Future research also can focus on economic factors that may result in outstanding complaint outcomes. Factors such as complaint resolution costs, the presence of switch-

ing barriers, and the level of brand equity may influence the likelihood of delight and disappointment in consumer complaints. For example, it is possible that consumer perceptions of complaint resolutions offered by companies with a strong brand image would vary from those that have a poor reputation (Aaker 1991; Fornell 1992). In addition, the relative costs of resolving a consumer's complaint, compared to the expected long-term profit margins associated with that consumer, may make certain businesses less likely to handle complaints with the aim of satisfying, let alone delighting, disgruntled consumers. It is hoped that this article has shed more light on a relatively important marketing construct and has inspired additional research by examining business characteristics and business responses that are most likely to foster outstanding consumer experiences in complaint resolutions.

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