“Successful Relationship Marketing: Understanding the Importance of Complaints in a Consumer-Oriented Paradigm”

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Successful Relationship Marketing: Understanding the Importance of Complaints in a Consumer-Oriented Paradigm

Michael Volkov

Abstract: Based on the customer relationship paradigm that is being recognised in mainstream marketing theory and practice, firms are advised to establish, maintain and enhance their relationships with customers to enhance mutual benefits. To afford them a competitive advantage in the marketplace it is imperative that consumer-oriented firms utilise these relationships to elicit feedback from their customers in the form of complaints. This critical complaint process is discussed together with the presentation of a model to improve managerial and practitioner understanding of this key resource. As few studies have investigated this area from both a managerial and consumer perspective, several areas for further research have been identified.

Keywords: consumer complaints, relationship marketing, competitive advantage, model.

Introduction

Authors have noted that new approaches to marketing research have emerged due to the importance of customer relationship paradigms being recognised in mainstream marketing theory and practice (Gronroos, 1997; Sheth, Gardner and Garrett, 1998). Heskett (1987) discusses the need to understand customers in order to achieve results rather than looking towards issues such as transactions themselves or economies of scale. Marketing then needs to be investigated as an interactive process in a social setting rather than the long established transactional approach elicited by the 4P’s paradigm. Clearly, organisations need to ensure all staff are educated and trained in this process to ensure organisational success. The three objectives of this article are: first, to bring together established literature and research in the fields of relationship marketing, internal marketing and consumer complaint; second, to develop a schematic model as a means of representing the complexity of factors involved in researching such complex fields within the context of consumer behaviour and marketing; and, third, to formulate areas for possible research that address an important gap in knowledge.

Relationship Marketing

This concept of relationship marketing has been argued by many (Jackson, 1985; Gum- merson, 1987, 1991; Gronroos, 1989, 1990, 1997) and is defined for this research by Gronroos (1990, p. 138) as follows:

“...is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfilment of promises.”

Gronroos (1997) identifies that this formation of a relationship is established in two parts – the attraction (where a customer is attracted to the organisation) and the building (where the relationship with the customer is developed so that the goals of the relationship can be mutually achieved).

Internal Marketing

With this in mind, the strategic importance of intraorganisational collaboration is vital to the success of firms embarking on the process of relationship marketing. The customer interface of
these organisations is much broader involving a large number of staff involved in different functions (Gronroos, 1997). Internal marketing is needed to ensure the support of non-marketing people (Barnes, 1989; Gronroos, 1990, 1990a, 1997). The staff needs to be committed, prepared and motivated to perform, and it includes middle- and top-line managers, as well as supervisors of all levels together with front- and back-room staff (Gronroos, 1990a, 1997). This identifies a requisite of staff education and training. As compared to transaction marketing situations, a thorough and ongoing internal marketing program needs to be implemented, established, monitored and re-evaluated to make a relationship marketing paradigm successful. If internal marketing is neglected or ignored, external marketing will fail (Gronroos, 1997; Barnes, 2000).

**Success**

For a transaction marketing-based organisation, such as those involved in consumer packaged goods, monitoring market share is the one way that enables them to determine the success of their marketing strategy. However, organisations pursuing a relationship marketing strategy are likely to be in the service, industrial or consumer durables marketplace, have at least some interaction with every single customer. An organisation that employs a relationship marketing strategy can monitor customer satisfaction directly (Gronroos, 1990a, 1997). This requires the ability to collect customer feedback data that is obtained, probably daily, by a vast number of employees. In turn, this will allow management to develop a strategic advantage over competitors in dealing with people and thinking in terms of personality, reactions, ideas and opinions instead of the ubiquitous anonymous numbers (Gronroos, 1997). So what do customers do if they are not satisfied?

**Consumer Complaints**

Consumer complaint responses can be described as the set of all behavioural responses portrayed by consumers which involve the communication of negative perceptions relating to a consumption episode and triggered by dissatisfaction with that episode (Day, 1984; Singh and Howell, 1985; Rogers and Williams, 1990; Volkov, Harker, and Harker, 2002, 2002a). It can be argued that this implies that consumer complaint responses are influenced by a multitude of situational, product and personal variables and unrelated to, but triggered by, the intensity of the consumer’s dissatisfaction. This assertion is supported by empirical evidence (Nicosia and Mayer, 1976; Day, 1984; Tse, Nicosia, and Wilton, 1989; Vezina and Nicosia, 1990). Consumers, fundamentally, have three alternatives for action in the complaint situation (Hirschman, 1970; Singh, 1988, 1990; Andreasen and Manning, 1990). These are:

1. Exiting;
2. Direct voicing; or,
3. Amplified voicing.

**Exiting** involves the consumer establishing a personal boycott against the seller or manufacturer to avoid a repetition of the original transaction that led to the dissatisfaction. Exiting behaviour, when working well, obviates the need for public policy intervention. **Voicing** occurs when exiting is unlikely (for example, if the seller is a monopolistic public utility) or when exiting would not yield appropriately perceived restitution in the opinion of the individual consumer. **Direct voicing** represents the consumer complaining directly to the seller. **Amplified voicing** occurs when the consumer enlists the support of third parties such as newspaper journalists, consumer protection agencies or industry regulatory or self-regulatory bodies to act on her or his behalf.

There is no one accepted academic theory of dissatisfaction within consumer complaining behaviour (Yi, 1990; Woodruff et al., 1991; Erevelles & Leavitt, 1992; Boote, 1998). However, in this study we utilised equity theory to discuss consumer dissatisfaction within the setting of responses to advertising. The decision to base our assumption within the equity theory framework is based on the extensive review of literature and subsequent investigation of satisfaction/dissatisfaction by Fournier and Mick (1999). Their study indicates that the equity model of satisfaction is most appropriate here. Equity theory relates to perceived fairness of a particular
transaction (Boote, 1998). Tse (1990) outlines the three possible outcomes of a transaction utilising equity theory. These are:

1. Equity;
2. Positive Inequity; or,
3. Negative Inequity.

Equity is said to occur when the relative inputs and outputs from both parties to a transaction are perceived to be equal. Inequity then can be seen to have occurred when the inputs and outputs from both parties to a transaction are perceived to be unequal. Positive Inequity is said to exist when, from the consumer’s perception, she/he has gained more from the transaction in terms of either inputs or outputs, than the other party to the transaction. Negative Inequity is said to exist when the other party to the transaction is perceived to have gained more than the consumer through the transaction. Using equity theory, consumer dissatisfaction results from negative inequity – the consumer perceives that they have gained less than the other party from the transaction. Equity judgements are based on the consumer’s perceptions of fairness (Oliver and Swan, 1989; Fisher et al., 1999). These episodes of voicing brought about by a perceived negative inequity do, however, have various triggers that have been identified.

**Fairness**

Fairness has long been associated with a moderator of success when considering consumer complaint outcomes (Goodwin and Ross, 1990). Goodwin and Ross (1990) have identified three theories regarding fairness adapted from psychology literature that are pertinent to equity theory and therefore consumer complaints. Distributive fairness relates to the fact that any persons’ outcome or gain should be proportionate to her or his input, i.e. returns should be proportionate to input (Homans, 1961; Adams, 1963). Procedural fairness relates to the fact that people are sometimes equally concerned with both the process by which a decision was made and with the decision itself (Thibaut and Walker, 1975). Procedural fairness has three dimensions (Leventhal, 1976): the collection of information, the decision-maker’s use of the information and, the degree to which the individual whose fate is being decided believes she or he had some influence over the outcome. Interactional fairness relates to the fact that consumers may believe that a firm’s response to a complaint is unfair when it is accompanied by rudeness (Bies and Moag, 1986).

**Identified Triggers of Complaint Responses**

Past studies have examined characteristics of complainants that may influence complaining propensity such as:

**Demographic factors** linked to propensity to complain include age (Singh, 1990; Fails and Francis, 1996; Volkov, Harker and Harker, 2003), gender (Parker, Funkhouser, and Chatterjee, 1993; Volkov Harker and Harker, 2003), income (Fails and Francis, 1996; Crosier et al., 1999; Crosier and Erdogan, 2001; Volkov Harker and Harker, 2003), level of education (Kolodinsky and Aleong, 1990; Volkov Harker and Harker, 2003), place of residence (Crosier et al., 1999; Crosier and Erdogan, 2001) and lifecycle stage (Kolodinsky, 1993).

**Psychographic factors** that have been implicated in consumers’ propensity to complain include personal values (Rogers and Williams, 1990), personality factors (Fornell and Westbrook, 1979; Bolfing, 1989), attitudes towards complaining (Day, 1984; Bearden and Oliver, 1985; Singh, 1990; Volkov, Harker and Harker, 2002), attitudes regarding business and government (Jacoby and Jarrard, 1981; Moyer, 1984), personal confidence levels (Richins 1983) and attitude to past complaining situations (Singh and Wilkes, 1996; Volkov, Harker and Harker, 2002).
Cultural factors that have been identified as contributing to consumer propensity to complain including the various dimensions of culture such as collectivism, individualism (Liu, Watkins, and Yi, 1997; Liu and McClure, 2001).

Social factors that have been identified as influencing consumer complaint behaviour include consumer response to peer-pressure (Malafi et al., 1993; Slama and Celuch, 1994) and an individual’s self-view (Markus and Kitayama, 1990; Liu, Watkins, and Yi, 1997).

Situational factors involved in consumer complaint behaviour include issues such as the perceived importance of the product/service (Blodgett and Granbois, 1992), the intensity of consumer dissatisfaction (Prakash, 1991), consumers’ decisions to voice or not to voice their dissatisfaction to the firm (Richins, 1983; Day, 1984; Moyer, 1984; Bolfing, 1989; Singh, 1990; Volkov, Harker and Harker, 2002a), the perception of the consumer regarding the cost/benefit of complaining at all (Singh and Wilkes, 1996), provider responsiveness (Jacoby and Jarrard, 1981; Richins, 1983; Bolfing, 1989), attribution of blame (Richins, 1983) and consumer experience (Jacoby and Jarrard, 1981; Day, 1984; Moyer, 1984; Singh, 1990).

Landon (1980) discussed the importance and the need to understand complaining as a process when seeking to analyse consumer complaint responses and their outcomes. The model developed to represent this level of analysis is depicted in Figure 1:

Behind the Corporate Curtain

Clearly, this detailed process is vital for businesses to understand and it is essential that an effective complaints handling mechanisms be established as they are seen as an essential component in public and private enterprise (AS 4269-1995). The thirteen essential elements as discussed by Australian Standard 4269-1995 are as follows:

- Commitment – there needs to be commitment espoused organisation-wide to the efficient and fair resolution to complaints. This needs to be apparent within the organisation’s culture;
- Fairness – the complaints handling process recognises the need to be fair to both the complainant and the organisation or person against whom the complaint is made;
- Resources – there should exist adequate resources for complaints handling alongside with sufficient levels of delegated authority;
- Visibility – all consumers and staff need to be informed and educated as to the existence of the complaints handling process and their rights to complain;
- Access – the complaint process must be accessible to all;
- Assistance – assistance must be available for complainants to enable them to formulate and lodge the complaint;
- Responsiveness – complaints are dealt with expeditiously and courteously;
- Charges – complaint handling is to be free for the complainant, it should be subject to statutory requirements;
- Remedies – the complaint handling process is claimed to determine and implement appropriate remedies;
- Data Collection – complaints and their outcomes must be systematically recorded;
- Systemic and Recurring Problems – complaints that have been identified as being systemic and recurring through the process of data collection must be rectified;
Fig. 1. A Model of the Complaints Process
Accountability – appropriate reporting of the complaint handling process and outcomes shall be undertaken along with a performance review; and,

Reviews – regular review of the process and outcomes should be undertaken to determine the efficacy of both.

This standard is compatible with the research presented by Nyer (2000) who presented a discussion of effective strategies for complaint handling by firms, stating that it should contain the following:

- Understand that the consumer is upset;
- Listen to what the consumer has to say;
- Apologise without embellishing this apology with caveats and excuses;
- Ask the consumer what they want as far as redress for their distress and wherever possible, give it to them;
- Record the details of the complaint and investigate the occurrence of consumer distress to avoid the issue of another consumer experiencing the same mistake again; and,
- Train staff in complaint handling and insist that dealing with consumer problems is a priority of your firm.

Although the body of knowledge on consumer satisfaction/dissatisfaction and complaint responses has grown immensely in the past 15 years, there have been few studies that have investigated this area from both a managerial and consumer viewpoint. This has led to the formulation of the following areas for possible research.

Managerial Implications and Directions for Future Research

The literature suggests that a consumer would complain following an experience of negative inequity. This complainant would have reacted to one, or more than one, of the triggers previously discussed and would have exhibited direct or amplified voicing, or both. Resnik and Harmon (1983) discuss that due to personal biases inherent in people, consumers and managers rarely agree on the appropriateness or fairness of responses to consumer complaints. From an organisational management viewpoint, Thibaut and Walker (1975, 1978) posit that individuals concern themselves with procedures, as they perceive that fair procedures lead to fair outcomes. However, from a complainant perspective, people wish to be treated in a procedurally fair manner because such treatment indicates high status (Lind and Tyler, 1988).

Different data sources will be utilised in this research. In effect, referring to Figure 1 complaint response and feedback can be measured and analysed as a quantifiable input; the reply and outcome can be viewed as a quantifiable output; and the issues, practices, policies and the like will be analyzed as a qualitative process. The utilisation of both qualitative and quantitative methodologies will add richness to the data obtained and will allow the appropriate mix of both methods to allow the weaknesses identified with one method to be compensated by the strengths of the other (Deshpande, 1983).

There are several avenues for relevant research. These research areas can be subdivided into three appropriate topics: social justice, policy formulation, and, managerial perspective.

Social justice has been identified as an area of further research by Clay-Warner (2001) as she indicates a lack of literature examining perceptions of procedural injustice in hierarchies lacking permeability, stability or legitimacy because individual motivation and opportunity for enhancing self-esteem vary greatly in these situations.

Social Justice:

- Do complainants perceive that they receive a just outcome from the complaint handler?
Do managers perceive the legitimacy of complaints in a manner different from consumers?

This will enable the development of policies and procedures for organisations of different sizes, structures and within different industries. It will also allow for the distinction between internal and external complainants together with the ability to investigate the outcomes of complaints in the hope of contributing ‘best-practice’ policies and procedures to the current body of knowledge in marketing.

**Policy Formulation:**

- Is there a developed framework that is utilised by organisations for the handleings of consumer complaints or do organisations simply utilize ad hoc complaint handling procedures?
- Are there any differences between external consumers who complain when compared to people within the organisation concerned?

Resnik and Harmon (1983) have identified several areas within complaint handling processes and procedures where managers need to be alert to potential problems and opportunities. They also indicate that more research is needed to form a consistent, well-integrated body of knowledge to guide managers in policy decisions in this area.

**Managerial Perspective:**

- What objectives do managers pursue when responding to a complaint?
- Do managers’ perceptions of appropriate responses to complaints differ from the perceptions of consumers?
- How much of the firms’ resources are necessary to facilitate consumer satisfaction?

These research areas will allow a clustering of policies and procedures to be developed within the groupings outlined.

**Anticipated Outcomes**

Anticipated outcomes from the research areas proposed include:

- Firms may have a developed process and hierarchy to deal with consumer complaints however each firm analysed will have their own, in-house, ad hoc complaint handling procedures rather than adopting ‘best-practice’ processes and policies;
- The key objective pursued by managers when responding to a consumer complaint will be consumer satisfaction;
- A just outcome as perceived by a consumer complainant will depend on the triggers identified that led to the action and also on whether the outcome from the complaint process marries with the negative inequity that led to the situation;
- Intra-organisational complainants will be more critical of any outcome. Their triggers to action will also be vastly different as they will be more situational-based; and,
- Consumers will be more likely than managers to perceive complaints as legitimate.

**Conclusion**

Initially, literature regarding relationship marketing to outline the change in theoretical thinking that has occurred in marketing was discussed. A link was then established between this new paradigm and the need for organizations to consider the effects of both internal and external marketing to create a competitive advantage to differentiate themselves from competitors in the
marketplace. Fair consumer complaint handling processes were then identified as a component of a successfully relationship-oriented firm and a schematic model was then presented in summation of the literature identified. Possible areas of research were outlined and the article ends with discussing anticipated outcomes of the proposed research. Further, it has been established that within an organization all need to be educated and trained in relation to this detailed and complex establishment of an effective complaints handling process.

References


