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Complaint Management: Which efforts to satisfy the complainers: the role of relationship quality?

Abstract:

The aim of this communication is to study the effectiveness of complaint management according to the quality of the relationship between the firm and the customer. We compare interactional (relational) and distributive (monetary) compensation in terms of preference for loyal and new customers. The results show that loyal customers prefer interactional efforts and purchase vouchers to refunding. New customers prefer distributive compensations and refunding.

Key-words: *Complaint management, theory of justice, customer relationship management*

Track: Relationship Marketing

1. Introduction

Facing dissatisfaction, customers have several alternatives (Hirschman, 1995): exit, loyalty and voice. The verbal answer (Voice) can be word-of-mouth communication or a complaint which is a constructive way to express dissatisfaction to obtain a correction or compensation. The management of complaints thus perfectly integrates within the scope of the customer relationship management to increase loyalty since it gives an organization a last chance to retain dissatisfied clients (Smith et al., 1999; Fornell & Wernerfelt, 1987). In addition, complaints are a very rich source of valuable information to improve quality continuously.

The investigations on complaint management show that the theory of justice (Adams, 1965) explains the satisfaction of complaining customers (Orsingher et al., 2010). However, the questions about the nature and the valence of the compensations as well as which consumer targets to privilege remain unanswered.

The principal contribution of this article is thus to determine the most effective dimensions of the theory of justice in the context of customer complaint management to satisfy and retain customers. We differentiate the effectiveness of the complaint management process according to the relationship quality or strength between the firm and the customer.

We first describe the key factors for complaint management and then we explain our conceptual model as well as our hypotheses and methodology. The article afterwards shows the results and finishes with a discussion, managerial implications and research directions.

2. Key factors in the management of complaints

The management of complaints aims at preserving the quality of a relationship. It is one critical moment during which customers can test the reality of the receiving efforts which the firm is ready to grant to satisfy them.

2.1. The role of the relationship quality

The quality of the relationship indicates a psychological connection that customers have with a firm (Crosby et al., 1990; DeWulf et al., 2001). It can be considered as a global judgment of the relationship (Garbarino & Johnson, 1999). In literature a consensus is established about the importance of satisfaction, trust, commitment and identity connection which influence the quality of the relationship (Bhattacharya et al., 1995; Sirdeshmukh et al., 2002).

The role of the relationship quality is complex in the complaint management process and service incidents (Gregoire & Fisher, 2006). On one side, a strong relationship quality may have a protective effect (Ahluwalia 2002): a strong bond between a customer and a company could

result in lower expectations, a less important stability and valuation of the problem, more satisfaction with the complaint management (Hess et al., 2003). Furthermore, a bad complaint management might less negatively influence on his/her trust and commitment (Tax et al., 1998).

On the other hand, the relationship quality may lead to judgments and behaviors that are relatively more negative for the company (Aaker et al., 2004). Indeed, customers with strong relationship quality may have higher expectations in terms of complaint management (Kelley & Davis, 1994) and they may be more inclined to feel betrayed because their trust they had in the company has been disappointed by an incident of service (Robinson, 1996; Grégoire et al., 2009).

2.2. The role of the perceived justice

The theory of justice explains how individuals react to situations of conflicts (Gilliland 1993; Lind & Tyler 1988). The perception of justice results from a three-dimensional evaluation (Tax et al. 1998; Smith et al., 1999). The meta-analyzes of Orsingher et al. (2010) show that distributive and interactional justice strongly influences the satisfaction and the behavior of complainers while procedural justice plays a very weak role. Thus, when consumers are dissatisfied and when they have a feeling of injustice, they make a complaint to restore the balance of the exchange from an economic and relational point of view. From an economic point of view, they wish to receive a proportional answer to their costs: the utilities of the complaint must therefore be higher than the perceived costs, including those related to the treatment of the complaint (Thibaut & Walker, 1975). From a relational point of view, customers wish to be treated with consideration and respect by the company.

3. Hypotheses

The effectiveness of the complaint efforts of the company must be considered regarding the type of customers (Hess et al., 2003; Grégoire et al., 2009). According to Grégoire et al. (2009) the relationship quality with customers plays a fundamental moderating role on the compensations to be granted. If the relationship quality is good (bad) the level of necessary compensation efforts can (must) be lower (higher). A major weakness of their research is that they do not distinguish distributive and interactional efforts. We therefore suggest that the loyal individuals maintaining a strong relationship quality with the firm are searching more for interactional efforts than new customers. This could be justified by the importance of this dimension in the field of complaint management (Tax et al., 1998; Smith et al., 1999). In addition, the interactional efforts are more able to restore the status of the customer who might feel betrayed because of the service incident. They would like to be recognized as such (Lind & Tyler, 1988):

H1: Loyal customers having a strong relationship quality with the firm prefer interactional (not-monetary) compensations to distributive (monetary) ones.

On the other hand, new customers, having a low relationship quality with the firm, do not have identity connections with the company. They should therefore be attached to rebalance the exchange in economic terms:

H2: New customers having a weak relationship quality with the firm prefer distributive (monetary) compensations to interactional (not-monetary) ones.

In this context, we distinguish two types of compensations: money refunding and purchase voucher. The purchase voucher symbolizes the desire of the firm and the customer to continue the relationship. That is why we suggest that the loyal customers having a strong relational quality with the firm are more willing to accept purchase vouchers than refunding. This is co-

herent with their complaints' targets to improve a given situation in case of dissatisfaction and to continue the relationship with the firm.

H3: Loyal customers having a strong relationship quality with the firm prefer purchase vouchers to money refunding.

On the other hand, a new customer does not need to restore trust and inevitably has not committed yet into a new long term relationship.

H4: New customers having a weak relationship quality with the firm prefer refunding to purchase vouchers.

Finally, the intensity of the effort of compensation (i.e. generosity) must be considered. In H1 we suggest that loyal customers having a strong relationship quality with the firm are more searching for consideration (interactional dimension) than economic benefits (distributive dimension). On the other hand, customers having a low relationship quality with the firm are more instrumentally orientated, and consequently, they are probably more sensitive to the intensity of the effort of compensation (i.e. the monetary value; Grégoire et al., 2009).

H5: The importance of the intensity of the effort of compensation is lower for loyal customers having a strong relationship quality with the firm than for new customers having a low relationship quality with the firm.

4. Methodology

To test our assumptions we choose the experimental methodology by scenario. The restaurant sector is selected because the service provider has to cope with many incidents because of the importance and the complexity of the interpersonal relationships (i.e. customers and personnel in contact).

We consider two types of distributive compensations to distinguish their relative impact and their valence: 1) the nature: the restaurant offers a) a purchase voucher to be used on a forthcoming consumption or b) money refunding.

2) The intensity (or the monetary value of refunding or the purchase voucher) that corresponds to a) the total amount (100%) or b) a part (66%) of the value of the meal.

Concerning interactional compensation, we compare the situation where a) the owner contacts the complainer by telephone in order to apologize (i.e. strong relational value) or b) the restaurant sends an impersonalized email (i.e. low relational value).

8 compensation scenarios with 2x2x2 dimensions (3 attributes of compensations having each 2 levels) were thus generated by an orthogonal design (Orthoplan, SPSS; see table 1).

The investigations have been carried out between 2010 and 2011 with 229 students from 3 French universities. The interviewees, either supposed to be a new consumer (N=86) or a loyal client (N=143), are invited to classify by descending preference the most desired compensation ("1") to the less preferred one ("8"). A random rotation of the scenarios is made before each investigation to avoid systematic bias. To calculate the partial utilities of the attributes, a conjoint analysis is used (Conjoint, SPSS 12.0).

Scenario 1. Call of owner Voucher, 66%	Scenario 2. Call of owner Voucher, 100%	Scenario 3. Call of owner Refunding, 66%	Scenario 4. Call of owner Refunding, 100%
Scenario 5. E-mail, Voucher 66%	Scenario 6. E-mail, Voucher 100%	Scenario 7. E-mail, Refunding, 66%	Scenario 8. E-mail, Refunding, 100%

Table 1: Orthogonal scenario compensation design**5. Results**

The relative importance of the compensations varies according to the type of client.

Partial Utilities		New Clients			Loyal Clients		
		Imp. attribute	Partial Utility	Std. Error	Imp. attribute	Partial Utility	Std. Error
Relational Value	<i>Call : Strong</i>	52%	1.211	.06	83%	1.401	.044
	<i>Mail : Weak</i>		-1.211	.06		-1.401	.044
Nature Compensation	<i>Voucher</i>	28%	-.263	.06	8%	0.141	.044
	<i>Refunding</i>		.263	.06		-0.141	.044
Monetary Value	<i>Strong = 100%</i>	20%	.182	.06	9%	0.147	.044
	<i>Weak = 66%</i>		-.182	.06		-0.147	.044
(Constant)		100%	4.5	.06	100%	3.8	.044

Table 2. Attributes' importance and compensations' partial utilities

For loyal customers, compensations' interactional dimensions (i.e. the quality of the relationship) are much more important (83%) than for new customers (52%). H1 is thus validated. If the quality of the relationship with the firm is good, the compensations' distributive dimensions (nature = 8% and intensity of the effort = 9%) are significantly less important than for new customers. Moreover the purchase voucher, as expected in H3, is preferred to refunding by loyal customers, which confirms the intention to maintain the relationship with the supplier. In order to confirm this result, we carry out a supplementary inter-subject experimentation with another group of students. For this, we create two scenarios: 1) the restaurant offers refunding (N=39) or a purchase voucher (N=31). In both cases, we only consider the case of loyal customers who are contacted by the owner of the restaurant who offers a compensation of a value equivalent to the amount of the meal. The feeling of perceived justice is not significantly different according to the nature of the compensation ($m_{\text{voucher}}=5,13$, $m_{\text{refunding}}= 5,08$, $p=0,86$)¹.

On the other hand, for new customers the nature (28%) and the value (20%) remain important, in spite of the fact that the relational value is the most important dimension. H2 is rejected but it becomes clear that the relational component of the complaint is less important for new customers than loyal ones. Refunding as a compensation which less links to the supplier has more partial utilities (.263) than purchase vouchers (-.263). H4 is validated. Finally in support with H5, the importance of the monetary value of the compensation is lower for loyal customers having a strong relationship quality with the firm. The differences are significant for all the assumptions (Chi-2 test, $p < .01$ or $.05$).

6. Discussion

The results show the importance of the relationship quality with the customer. On the one hand, the interactional efforts are preferred whatever the type of customers (loyal vs. new). It is thus important to establish a direct relationship with the customers; a phone call is preferred to an email. The quality of the relationship thus influences the effectiveness of the complaint

¹ Perceived justice is measured using an item (with a 7 points Likert scale): "The compensation of the restaurant is just" (inspired by Blodgett et al., 1993).

management. For loyal customers, the direct contact with the firm is by far the most important compensation element. It might even enable firms to reduce the compensations' amounts. Lastly, loyal customers more easily accept purchase vouchers than refunding, because vouchers symbolize their intention to continue the relationship.

For new customers, even if interactional efforts constitute the most important factor, they try to rebalance the exchange in economic terms. They prefer a refunding because they do not need to restore trust and do not necessarily try to establish a long term relationship. These clients have an instrumental orientation, and are more sensitive to the intensity of the effort of the compensation. It is thus very important that the firm grants them a compensation equal to the totality service's value.

7. Managerial implications

For the management of complaints, it is important to understand which compensations are most valued according to the type of customers (new vs. loyal). This highlights the need for a differentiated reward management. The firm can offer limited distributive or monetary efforts to loyal customers if managers pay attention to interactional or relational elements. On the other hand, the distributive efforts must be maximized if the objective is to satisfy new customers.

8. Research directions

Variables such as the sector, the responsibility of the company for the incident and the customer involvement are likely to influence the results and could be integrated. On the theoretical level we study the impact of the compensations via preferences. It would be interesting to consider other variables of process such as the perceived justice or satisfaction. The effectiveness of the complaint management could also be approached by the measure of purchase, word-of-mouth or retaliation intentions. The effects of interactions between the compensations could be studied more thoroughly. Finally, individual financial indicators, such as "Customer Lifetime Value" (Bolton et al., 2004), could be integrated in future research, to grant compensations according to the value of the customers. This last point is important as the profitability of a complaint management program must especially be measured by its profit contribution.

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