Consumer Satisfaction and Repatronage Intentions Following a Business Failure: The Importance of Perceived Control with an Organizational Complaint

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The purpose of this study was to examine consumers' perceptions of control regarding complaints to organizations. Participants were 134 people recruited to write genuine letters of complaint to organizations that had recently failed them. Consumers' perceptions of their communicative control were examined as they related to satisfaction with organizational recovery efforts and intent to do business with organizations in the future. Results indicated that providing evidence that a person made an impact on an organization through his or her complaint led to increased satisfaction with an organizational response and higher intent to do business with an organization in the future.

Keywords: Complaint; Consumer; Control; Organization; Satisfaction

Customers are essential to organizations, and the success of businesses often depends on people staying loyal to a company. Customer loyalty is so important that Reichheld (1993) argued, “The economic benefits of high customer loyalty are considerable and, in many industries, explain the differences in profitability among
competitors” (p. 64). One way organizations can work to retain their customers is through the effective negotiation of failures and subsequent consumer complaints (Hart, Heskett, & Sasser, 1990). Although many organizations would benefit from the voice of complaints from customers (Tax & Brown, 1998), most dissatisfied consumers never take the time to complain (Zemke, 1994). However, when customers do complain to organizations for service or product failures, they are typically seeking some type of justice for the event (e.g., Tax & Brown, 1998). The justness of organizational responses reflects consumers’ perceptions of organizational efforts to restore equity to the business relationship.

Much of the research on consumer complaints has focused on consumer perceptions of justice as a constellation of three components including distributive justice (the actual outcomes obtained from complaining), procedural justice (the procedures used to arrive at these outcomes), and interactional justice (the interpersonal treatment of consumers during the procedures and delivery of outcomes) (Tax, Brown, & Chandrashekaran, 1998). Because consumers make a distinction between the process of communicating complaints and the actual outcomes resulting from complaints (Saxby, Tat, & Johansen, 2000), justice remains an appropriate framework for explaining customer (dis)satisfaction resulting from organizational failures (Hoffman & Kelley, 2000). Indeed, consumer satisfaction is largely dependent upon consumer perceptions of distributive, procedural, and interactional justice (Homburg & Furst, 2005; Schoefer, 2008; Tax et al., 1998). Besides increasing customer satisfaction, promoting justice yields prosocial postcomplaint behavior after an organizational failure (Blodgett, Granbois, & Walters, 1993; Blodgett, Hill, & Tax, 1997), leads to positive word-of-mouth behaviors and a likelihood to repatronize an organization, and preserves customer retention, loyalty, and purchase intent (Blodgett, Wakefield, & Barnes, 1995; Chebat & Slusarczyk, 2003; Homburg & Furst, 2005).

The dimensions of justice reflect the impact of organizational responses on consumers following a failure and most studies of organizational responses to consumer complaints examine customer satisfaction from this perspective. However, customer satisfaction with organizations following business failures may also be contingent upon the impact customers perceive their complaints have on organizations as well. Therefore, instead of examining customer satisfaction following organizational failures from the standpoint of what companies do to affect consumers, it may be informative to examine whether consumers can be satisfied with organizations based on the effect they have on businesses as well.

To date, there have been few studies examining the influence of customers’ perceptions of their impact on organizations following failures (e.g., Bitner, Booms, & Tetreault, 1990; Tax et al., 1998). As such, we remain uninformed regarding how these perceptions affect satisfaction with organizational attempts to redress failures. The current study was designed to remedy this oversight by providing an examination of consumers’ perceived control and its relationship with both satisfaction and intent to do business with an organization following a failure.
**Empirical Rationale**

Most of the research on organizational communication in response to complaints examines its impact on consumer perceptions without regarding the reasons consumers complained in the first place. This is regrettable because it seems plausible that organizational communication efforts could be made more effective if they were addressed to the specific needs and motives of the consumer (Nyer, 2000). To this point, several researchers have suggested that consumers may choose to voice their discontent to businesses in an attempt to exercise control to influence organizations in some way (e.g., Jacoby & Jaccard, 1981). Kowalski (1996), for example, argued that most complaints brought about by consumers may be instrumental in nature and expressed as a need for control and to bring about change. Additionally, in an examination of complaints in the context of a nursing care facility, Stilwell and Salamon (1990) suggested that complaints were registered largely as a means by which residents sought to “maintain a sense of personal control and control over staff” (p. 78). Similarly, Stephens and Gwinner (1998) noted that an important concept in consumer complaining is the amount of “control consumers perceive companies have compared to themselves” (p. 178).

The perception of control over a decision-making process has been shown to enhance people’s perceptions of procedural justice in a variety of settings (Lind, Kanfer, & Early, 1990). Therefore, it might be the case that people seek to exercise control over organizations by registering complaints because doing so may enhance people’s perceptions of justice. Considering that perceptions of justice foster consumer satisfaction (Schoefer, 2008) and because exerting control is one way to enhance perceived justice (e.g., Lind et al., 1990; Tyler, 1994; van Prooijen, 2009), we contend that consumers who complain to organizations will be more satisfied with responses that create the perception that their complaints have influenced organizations (i.e., perceived control) compared to organizational responses that do not foster perceived control. To examine this concept the following hypothesis was posited.

**H1:** Consumers’ perceptions of control will be related positively to consumers’ satisfaction with organizational responses to their complaints.

Consumers’ future intent to do business with companies is another important aspect of organizational recovery. Several researchers have measured this construct (e.g., Bolkan & Daly, 2009; Zeithaml, Berry, & Parasuraman, 1996) and have found that effective responses to complaints have the ability to increase consumers’ intentions to repatronize organizations. Moreover, considering the economic benefits of customer retention are critical to organizations, researchers would be wise to measure complainants’ future intent to do business with companies. Because consumer satisfaction has been linked to loyalty (Heskett, Jones, Loveman, Sasser, & Schlesinger, 1994), we propose that when people believe they have exerted control over their outcomes in complaint-based scenarios organizations will be more likely to reap the benefits of future patronage. Thus, the following hypothesis was offered.
H2: Consumers’ perceptions of control will be related positively to their intent to do business with organizations in the future.

Boshoff (1999) suggested that one of the expectations consumers have following a complaint is getting feedback from companies regarding what is being done about the consumers’ situations. However, after interviewing service executives, Boshoff found that although managers agreed that this is an important aspect of service recovery, firms often failed to communicate what was being done in response to complaints. Although Boshoff found that organizations might not necessarily take the time to alert complaining consumers about the changes made to their practices as the result of complaints (and certainly, many companies may not change their business practices at all), it may be the case that other indicators of complaints having influenced organizations exist such as tangible compensations and apologies. Therefore:

H3: The provision of tangible rewards in response letters will be positively related to consumers’ perceptions of control compared to a lack of tangible compensation.

H4: The provision of apologies in response letters will be positively related to consumers’ perceptions of control compared to a lack of apologies.

Previous research has demonstrated that the presence of apologies and tangible redress can positively affect both consumers’ intent to do business with organizations in the future and their satisfaction with organizational responses (e.g., Bolkan & Daly, 2008, 2009). However, because we consider tangible rewards and apologies to be factors contributing to perceptions of control, and because we assert that perceptions of control lead to satisfaction and future intent to patronize organizations, we examined whether the influence of tangible rewards and apologies on consumers’ satisfaction with organizational responses and intent to do business with organizations in the future were mediated by consumers’ perceptions of control. Therefore, the following research questions were offered.

RQ1a: Do consumers’ perceptions of control mediate the relationship between tangible rewards and consumers’ intent to do business with organizations in the future?
RQ1b: Do consumers’ perceptions of control mediate the relationship between tangible rewards and consumers’ satisfaction with organizational responses?
RQ2a: Do consumers’ perceptions of control mediate the relationship between apologies and consumers’ intent to do business with organizations in the future?
RQ2b: Do consumers’ perceptions of control mediate the relationship between apologies and satisfaction with organizational responses?

Method

Participants and Procedure

Participants were recruited from a large Southern university and were given extra credit for their participation in the study. The sample consisted of 93 men and
181 women (M = 20, Mdn = 19, SD = 3.00, age range 18–53 years). The data used in this study were originally collected as a part of a larger research project focusing on consumer reactions to organizational complaints.

Students in a variety of courses were recruited to participate in this study and were asked if they had a recent complaint about an organization. People who indicated that they had a complaint were encouraged to write letters to their organizations expressing their dissatisfaction. Participants were told to include in their letters: the brand name of the service or product, when and where they purchased the service or product, and the reason for their dissatisfaction. Participants were encouraged to put the letter in an addressed envelope and to turn in the letter to the primary investigator for mailing. The return label was addressed to the primary investigator to ensure the accuracy of obtaining and measuring organizational responses.

Although 373 letters were sent to organizations, only 139 (37%) participants received written responses from their respective organizations, 234 did not. Five participants who received letters did not take part in the second wave of data collection. Once organizations responded to their respective participants (responses were received from between 1 and 7 weeks), the primary investigator notified these participants and had them come in to read the letters. After the letters were read, participants filled out a questionnaire measuring their perceptions of control, satisfaction with the organizational responses, and intent to do business with the organizations in the future. The 234 participants who did not receive letters were also contacted and asked to come in to complete the survey regarding their perceptions of control, satisfaction with the organizational non-response, and intent to do business with the organizations in the future. Of the 234 participants contacted, 140 completed the questionnaire. The final sample size used for analyses was 274.

The primary investigator noted the amount of tangible compensation provided by organizations and two coders (the primary author and a research assistant) examined whether letters contained apologies or not.

Measures

Perception of control
The measure of participants’ perceptions of control in a consumer-based scenario was created for this study and was operationalized from theoretical definitions of a person’s need for control (e.g., Martin, Myers, & Mottet, 1999; Rubin, Perse, & Barbato, 1988) as the perceived impact and importance of a complaint on an organization. To measure this construct, participants responded to four items measuring the impact they had on their organizations and their situations (“How important do you think your feedback was for the company?”; “How seriously did the company take your letter?”; “How much of an impact did your communication have on the company?”; “How much of an impact did your communication have on your situation?”) by circling numbered responses ranging from (1) not at all to (7) very much so that best represented their sentiments. The alpha reliability for this measure was .85 (M = 3.11, SD = 1.64).
Satisfaction with the organizational response
Satisfaction with the organization response was measured using four items (“How satisfied are you with the company’s response?”; “How fair with customers is this company?”; “Was an adequate explanation offered to you regarding your complaint?”; “How sufficient was the explanation provided to you?”) with responses ranging from (1) not at all to (7) very much so. This measure was adapted from a similar investigation of consumer responses to organizational remediation following a complaint (Baer & Hill, 1994). The measure was adapted by dropping items that did not evaluate communication between the organization and consumer or that might be confounded with our other measures (e.g., “How likely are you to buy this product again?”; “How interested in consumer opinions do you think this company is?”). In the current study the alpha reliability of the satisfaction scale was .92 ($M = 3.34, SD = 1.75$).1

Intent to do business with an organization in the future
Intent to do business with an organization in the future was measured using four items (“What is the likelihood of you doing more business with this company again?”; “What is the likelihood that you encourage your friends to do business with this company?”; “What is the likelihood that you say positive things about this company to others?”; “What is the likelihood that you consider this company as your first choice when buying a similar product?”) with responses ranging from (1) not at all to (7) very much so. These items were adapted from a study of consumers’ behavioral intentions following organizational failures and subsequent recovery efforts (Zeithaml et al., 1996). The alpha reliability for this measure was .94 ($M = 3.73, SD = 1.80$). The correlations between all of the reported variables are available in Table 1.

Tangibles
The amount of tangible compensation was measured by the primary investigator in terms of dollar value. Of the 134 participants who received letters, 56 received some type of compensation (42%). Compensation ranged in value from $2 to $250

Table 1 Inter correlations Between Variables Associated with Participants Who Received Letters Back from their Organizations

<table>
<thead>
<tr>
<th>Variables</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Satisfaction</td>
<td>.76** (128)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Future Patronage</td>
<td>.40** (126)</td>
<td>.55** (128)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Tangibles</td>
<td>.45** (130)</td>
<td>.40** (131)</td>
<td>.29** (129)</td>
<td></td>
</tr>
<tr>
<td>5. Apologies</td>
<td>.37** (130)</td>
<td>.37** (131)</td>
<td>.18* (129)</td>
<td>.24* (133)</td>
</tr>
</tbody>
</table>

Note. 1 = Perception of control. Degrees of freedom are indicated in parentheses.
*p < .05. **p < .01, one-tailed.
(M = 36.80, Mdn = 20, SD = 49.98). In our analyses, we coded tangibles as a dichotomous variable (i.e., either present or not present).

**Apologies**
The primary researcher and a research assistant coded response letters for the presence of apologies. The primary researcher trained the research assistant to code for apologies when organizations communicated they were “sorry” or “apologized” in some way (coders were trained to look for these words or variations of them, e.g., “apology”). This included communication that admitted fault or expressed sympathy. Examples include statements such as: “Please accept my apology for what happened,” and “I am sorry to hear about your unpleasant experience.” The research assistant was trained using five actual response letters that were included in the calculation of intercoder reliability. Both the primary investigator and the research assistant coded all of the response letters. Response letters were coded for the number of apologies present in a letter. Eighty-two letters contained apologies. Intercoder agreement, calculated with Scott’s Pi (Scott, 1955), was 1.0. As with tangibles, we analyzed our data by treating apologies as a dichotomous variable. Finally, 38 letters had no apology and no tangible compensation, 40 letters had an apology but no tangible compensation, and 42 letters had both apologies and tangible compensation present. We conducted a chi-square analysis (without Yates’ correction) based on the presence of apologies and compensation. Results of the analysis suggest that when organizations provided tangible compensation in responses to consumer complaints, they were significantly more likely to also apologize than not ($\chi^2 = 7.72, df = 1, p < .01$); whereas, when organizations provided apologies, they were no more likely to provide tangible compensation than not ($\chi^2 = .02, df = 1, p = .89$).

**Results**

Our research hypotheses and research questions were framed to examine whether perceptions of control mediated the relationships between apologies and tangible redress and consumers’ satisfaction with an organizational response and their intent to do business with an organization in the future. To test our predictions we conducted a path analysis using maximum likelihood estimation (ML) with LISREL 8.8 (Joreskog & Sorbom, 2007). Only participants who received letters back from their organizations were used in this analysis. A summary of this analysis is provided in Figure 1. In support of Hypotheses 1 and 2, results indicate that perceived control is related positively to both consumers’ intent to do future business with organizations and their satisfaction with organizational responses. Moreover, in support of Hypotheses 3 and 4, results suggest that the effects of tangible redress and apologies on consumers’ intent to do business in the future with an organization and satisfaction with organizational responses are both positive. Finally, to answer our research questions, the effects of tangible redress and apologies on consumers’ intent to do
business in the future with organizations and satisfaction with organizational responses were found to be mediated by consumers’ perceptions of control.

Post Hoc Analyses

Before participants sent letters to their respective companies, we also asked them to tell us how much their product or service originally cost. Results indicated that complaints cost anywhere from between 0 and $2,300 ($M = 183.10, $Mdn = 30, $SD = 410.14) (one participant complained about a new car with a reported cost of $26,000 and was not included in this analysis). We conducted t-tests to examine whether companies who received expensive complaints ($30 and above) were more likely to respond to consumers, provide tangible redress, or provide apologies than companies that received inexpensive complaints ($29 and below). Results indicate that companies were not more likely to respond to customers based on the original price of the complaint $t(265) = .67, p = .50$; however, when companies did reply, results indicate that companies were more likely to respond to consumers with tangible redress $t(128) = 4.01, p < .01, d = .71, r = .33$ and apologies $t(128) = 2.14, p < .05, d = .38, r = .19$ when the complaint was based on an inexpensive compared to an expensive product or service. Moreover, when examining the entire sample, results indicate that consumers’ perceptions of control were related positively to their satisfaction with the organizational response ($r(268) = .76, p < .01$) and their intent to do business with organizations in the future ($r(267) = .42, p < .01$). These results are similar to the figures reported in Table 1. Finally, consumers’ perceptions of control were influenced by the receipt of a letter back from organizations. People who received a letter back from an organization ($M = 4.02, SD = 1.69$) believed they made more of an impact on the organization $t(269) = -10.40, p < .01, d = 1.26, r = .53$ than did people who did not receive a letter back ($M = 2.26, SD = 1.01$).

Discussion

By examining the works of several scholars, we made the argument that complaints function to affect consumers’ perceptions of procedural justice through their perceptions of control. The results of our study support this argument and indicate that when consumers believe that they have made an impact on organizations, they feel...
more satisfied with their organizational responses and they are more likely to intend to do business with offending organizations in the future.

The notion that perceived control over personal experiences leads to differences in stimulus appraisal is not new. In fact, research has consistently found that the ability to express an opinion can lead to increases in perceived procedural justice in a variety of settings (Lind et al., 1990). However, the current study is one of the first to empirically verify that this may be the case with consumer complaints as well. Our results suggest that the more consumers perceived that their communication had an impact on organizations, the more likely they were to be satisfied with their respective organizational responses. Although previous research has made clear that organizational communication can have an impact on consumers’ perceptions of satisfaction following an organizational failure and subsequent complaint (e.g., Bolkan & Daly, 2009; Tax et al., 1998), the results of this study suggest that consumer satisfaction can be influenced by consumers’ perceived communicative impact on organizations as well. Moreover, our results also suggest that when consumers believed they made an impact on their respective organizations, they were likely to intend to repatronize organizations in the future.

When organizations desire to let consumers know that their communication has made an impact, they need to know what messages will communicate this effect. Our results suggest that, at the very least, sending a letter back to a complaining consumer is a good idea. Going one step further, if organizations decide to send responses to complainants, they should consider communicating that consumers have made an impact. Although there are a plethora of ways to do this, the current study examined two in particular. In support of Hypotheses 3 and 4, results suggest that both the provision of tangible rewards and the provision of apologies following failures can positively influence consumers’ perceptions that their communication has impacted organizations in some way.

Importantly, results from our path analysis suggest that the reason tangible rewards influence customers is not necessarily because they provide fair compensation for lost resources. Similarly, the usefulness of apologies may not reside solely in their ability to influence satisfaction. Instead, it may be the case that the provision of compensation and presence of apologies are also influential because they satisfy consumers’ perceptions of control in organizational failure situations. That is, tangible compensation and apologies may demonstrate to consumers that their actions have influenced their instrumental outcomes, that organizations respect the bonds between themselves and their consumers, and that organizations respect the autonomy of their customers; three reasons scholars contend perceptions of control are related to procedural justice (Lind et al., 1990; Tyler, 1994; van Prooijen, 2009). Therefore, it may not be that the receipt of financial compensation and apologies are the reasons people feel positive about organizations after complaints. Instead, people may feel good knowing that they had some control over/made an impact on the organization that failed them.

As with any research project, our study has limitations. One limitation of our study is the sample from which the population was drawn. College students were used in our sample as a means of conveniently obtaining participants. It is almost
certain that people in this demographic have spending habits that differ from the population in general. This being said, it may be the case that the companies to which our participants complained differ in their responses from companies that other subsets of the population would complain to. Future examinations of consumer complaining may consider securing a more representative cross-section of the consumer population to ensure that results can more appropriately generalize to the public at large. Additionally, although the use of postal mail had several advantages as a method of data collection, it may be considered an outdated channel for registering complaints. Future research may examine the use of organizational remediation tactics with respect to complaints made via phone calls, e-mail, or online submissions. Another limitation is that we did not control for the tone or quality of letters written to organizations. That is, although we asked participants to include certain components in their complaints, we had no way of measuring if the way the complaints were written influenced the way the organizations responded. Future research may consider how the tone and quality of complaints affects organizational remediation strategies. Finally, we coded apologies as either expressions of fault or messages communicating sympathy for a failure. Because expressions of sympathy (i.e., we are sorry you were not satisfied) do not accept responsibility for a failure, it may be argued that these “apologies” are not true apologies. Although recent research points to the notion that the recipients of apologies tend not to distinguish between sincere and insincere apologies (Risen & Gilovich, 2007), future investigations in organizational remediation tactics may differentiate between the two types of apologies to determine the differential impact of apologies that accept responsibility and those that do not.

Note

[1] To examine whether our measures of satisfaction and perceived control could be considered distinct constructs we conducted confirmatory factor analysis using the Maximum Likelihood (ML) estimation of LISREL 8.8 (Joreskog & Sorbom, 2007). Results indicated that, indeed, the two measures can be considered distinct constructs. After allowing two error covariances to correlate (satisfaction three with satisfaction four, also perceived control three with perceived control four) (Fornell, 1983), a test of the eight items loading on their respective latent variables indicated an acceptable fit of the data to our proposed model ($\chi^2 = 56.32, df = 17, p < .01; NC = 3.31; CFI = .99; SRMR = .04; RMSEA = .09$). Moreover, when the eight items were examined as reflecting a single latent variable, the data did not fit our proposed model ($\chi^2 = 117.18, df = 18, p < .01; NC = 6.51; CFI = .97; SRMR = .05; RMSEA = .14$). Additionally, results of a chi-square difference test suggest that the two-factor model is a significant improvement in fit over the one factor model ($\chi^2 = 60.86, df = 1, p < .01$).

References


