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THE BOTTOM LINE IMPACT OF ORGANIZATIONAL RESPONSES TO CUSTOMER COMPLAINTS

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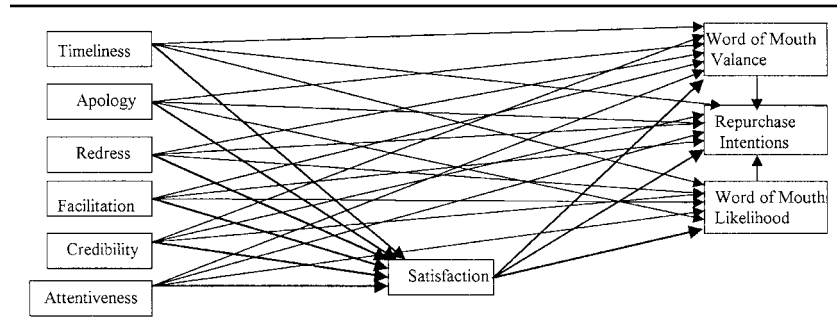
Complaint management has become increasingly important in the tourism and hospitality fields, yet little is really known about how complainers assess the organizational response, and how those assessments affect their future consumer behavior as far as word-of-mouth activity and repurchase intentions are concerned. This research suggests an answer by presenting and testing a model of complainants' perceptions of the organizational response and the impact of the organizational response on postcomplaint customer behavior. The results provide partial support for the model. Attentiveness is the most important organizational response dimension, affecting both word-of-mouth activity and repurchase intentions. Managerial implications are discussed.

KEYWORDS: *complaints; recovery; organizational responses; satisfaction; word of mouth.*

Service recovery has always been a major component of the overall service delivery, yet relatively little is known about the impact of the organizational response to a customer complaint. This is particularly acute in the travel and hospitality field, where interactive service is the norm, yet there is little incentive to develop long-term relationships due to the relatively low percentage of repeat customers. Yet, even in the hospitality business, research (Lewis, 1983; Morris, 1988; Smith & Bolton, 1998) has shown that service recovery has a significant impact on satisfaction, intention to repurchase, and word-of-mouth activity.

However, efforts to tie specific organizational response activities to postcomplaint customer behavior have been less successful. What about an organizational response to a complaint affects a complainant's desire to engage in word-of-mouth activity or his or her intent to repurchase? In how many different dimensions is the organizational response evaluated? There is some confusion in the literature as to how many response dimensions there actually are, leading to sometimes conflicting results. No research study has ever examined more than three response dimensions (sometimes fewer), and of those studies looking at three dimensions, no two have ever focused on the same three dimensions. One study focused on three dimensions plus a concept called *recovery initiation*, whereby the company initiates recovery

Figure 1
Hypothesized Model



before the customer knows there is a problem (Smith, Bolton, & Wagner, 1999). Although recovery initiation could be considered a response dimension, it seems to be more appropriate as a situational context, because it is not always an option. Companies would like to catch the problem before the customer, but this is not always possible. Service recovery is successful only to the extent that a complainant continues to repurchase the service and engages in positive word-of-mouth activity about his or her experience; thus, it is critical for researchers and managers to fully understand the complex relationships involved and their influence on the bottom line.

In this article, an attempt at a comprehensive model of the overall service recovery experience is presented (see Figure 1 for the model), from the organizational response to the complaint through the complainant's decision to repurchase or to engage in word-of-mouth activity. Complainants receive the organizational responses to their complaints, evaluate them on the basis of six distinct dimensions, and decide whether they are satisfied with the service recovery attempts of the companies (satisfaction). This will influence their postcomplaint customer responses. There are two main behaviors that a complainant decides to engage in (or not) based on the organizational response to the complaint. First, complainants can decide whether to tell anyone of their disappointing experience and subsequent service recovery attempt by the company (word-of-mouth likelihood) and whether the message will be positive or negative (word-of-mouth valance). Second, complainants can decide whether they will repurchase the services that they originally complained about. Research has also shown that these six response dimensions can have significant direct effects on postcomplaint customer behaviors. This model will be discussed in depth in the next section.

From a theoretical standpoint, not having a comprehensive service recovery framework restricts the ability to understand how and why the response dimensions shape the complainants' future behavior, while from a managerial perspective, this lack of knowledge prevents the development of an effective service recovery strategy.

This research will investigate the spectrum of six distinct organizational response dimensions and their direct influence on postcomplaint customer behaviors, as well as their indirect effect through satisfaction. In addition to providing a

more comprehensive service recovery framework, the results will allow a determination of the relative importance of each response dimension on each one of the postcomplaint customer behaviors, thus contributing to a more effective service recovery. Resource allocation is facilitated by knowledge of which response dimension has the strongest effect on satisfaction and other postcomplaint behaviors.

Conceptual Development

Organizational response dimensions are evaluated as customer perceptions, not necessarily as they were actually delivered by the organization, because complainants' perceptions drive their attitudes and future behavior.

There are six dimensions to an organizational response, which are hypothesized to affect the complainants' overall satisfaction with the service recovery and subsequent postcomplaint customer responses such as word-of-mouth activity and repurchase intentions. These dimensions are based in part on an analysis of the literature and in part on qualitative research. Although no research study has ever investigated the impact of more than three of the six dimensions on repurchase intentions or word-of-mouth behavior, all of those studies incorporated a different subset of three dimensions, and all six dimensions have appeared at various times in the literature. Thus, there appears to be support for the six-dimension model. These dimensions are timeliness, facilitation, redress, apology, credibility, and attentiveness. They will now be examined in depth.

Timeliness

Organizational responses are evaluated by how fast they respond to a complaint. Technical Assistance Research Programs (TARP) (1981) was one of the first to determine a positive empirical link between response speed and satisfaction with complaint handling. Conlon and Murray (1996) reported that response speed has a positive relationship with repurchase intentions; the faster the response, the higher the repurchase intentions. J. L. Martin (1985) showed not only that response speed increased repurchase intentions and satisfaction with the complaint handling, but also that response speed decreased the amount of negative word of mouth. Based on these findings, the following hypotheses are developed:

Hypothesis 1a: The faster the response speed of the organization to the complaint, the higher the complainant's satisfaction with the complaint handling.

Hypothesis 1b: The faster the response speed of the organization to the complaint, the higher the complainant's intention to repurchase.

Hypothesis 1c: The faster the response speed of the organization to the complaint, the more positive the complainant's word-of-mouth valence.

Hypothesis 1d: The faster the response speed of the organization to the complaint, the less likely the complainant will be to engage in word-of-mouth activity.

Facilitation

Facilitation refers to the policies, procedures, and tools that a company has in place to support customer complaints. Facilitation will enable a customer to get a complaint heard, but it doesn't guarantee a favorable outcome. A company has a

better chance of retaining a customer by encouraging that customer to complain, and then addressing that complaint, than it does by assuming that noncomplaining customers are satisfied (Spreng, Harrell, & Mackoy, 1995). Toll-free lines (Strahle, Hernandez, Garcia, & Sorensen, 1992), service guarantees (Bolfing, 1989; Callan & Moore, 1998), and hassle-free complaint procedures (Kendall & Russ, 1975) are several ways an organization can encourage complaints. The more positive the customer's perceptions of organizational responsiveness to complaints, the greater the likelihood of a customer voicing a complaint to the organization (Granbois, Summers, & Frazier, 1977). Facilitation has a positive relationship with satisfaction from the complaint handling (Goodwin & Ross, 1992) and with repurchase intentions (Fornell & Wernerfelt, 1988). This finding was later supported by Blodgett, Wakefield, & Barnes (1995), who also found that facilitation decreased negative word of mouth. Therefore, the following hypotheses are developed:

Hypothesis 2a: The higher the perceived level of organizational facilitation, the higher the complainant's satisfaction with the complaint handling.

Hypothesis 2b: The higher the perceived level of organizational facilitation, the higher the complainant's intention to repurchase.

Hypothesis 2c: The higher the perceived level of organizational facilitation, the more positive the complainant's word-of-mouth valence.

Hypothesis 2d: The higher the level of perceived organizational facilitation, the less likely the complainant will be to engage in word-of-mouth activity.

Redress

One of the responses that a customer expects most when a problem arises is a "fair fix." This relates to the actual outcome the complainant received from the company. It stands to reason that complainants will evaluate responses based on the actual outcomes received relative to the problems encountered. This is a cost/benefit analysis (Day, 1984). When determining the type of compensation, it is important to remember that not all costs are physical costs. Smith and colleagues (1999) differentiated between economic and social costs. Gilly and Gelb (1982) reported a positive relationship between redress and satisfaction with complaint handling. Conlon and Murray (1996) showed that redress has a positive impact on satisfaction and on repurchase intentions. Blodgett, Wakefield, and Barnes (1985) found that higher levels of redress reduced negative word-of-mouth activity. Based on these findings, the following hypotheses are developed:

Hypothesis 3a: The higher the perceived level of redress, the higher the complainant's satisfaction with the complaint handling.

Hypothesis 3b: The higher the perceived level of redress, the higher the complainant's intention to repurchase.

Hypothesis 3c: The higher the perceived level of redress, the more positive the complainant's word-of-mouth valence.

Hypothesis 3d: The higher the level of perceived redress, the less likely the complainant will be to engage in word-of-mouth activity.

Apology

Customers expect an apology and should always be given one (Jenks, 1993). In one sense, it can be considered psychological compensation. According to Goodman, Malech, and Boyd (1987), an apology is not an admission of guilt by an organization but rather an indication that the company takes the problem seriously and will give it attention. Dissatisfaction can be caused by something psychological as well as by something physical; therefore, the loss suffered by the customer can be psychological as well as financial (Andreasen, 1988). An apology should be thought of as psychological compensation, in that it assists customers to restore equilibrium. Based on this, the following hypotheses are developed:

Hypothesis 4a: The more sincere the apology, the higher the complainant's satisfaction with the complaint handling.

Hypothesis 4b: The more sincere the apology, the higher the complainant's intention to repurchase.

Hypothesis 4c: The more sincere the apology, the more positive the complainant's word-of-mouth valence.

Hypothesis 4d: The more sincere the apology, the less likely the complainant will be to engage in word-of-mouth activity.

Credibility

Credibility refers to the organization's willingness to account for the problem. Organizations are evaluated not only by their responses to individual complaints but by their explanations or accounts of what happened and what they are going to do about it to prevent future occurrences (Morris, 1988). This explanation can be critical to customer perceptions of the organizational response. Repurchase intentions of complainants are highly correlated with the actions taken by the organization to correct a problem (Lewis, 1983). Credibility has a positive impact on satisfaction with complaint handling (Bitner, Booms, & Tetreault, 1990). Conlon and Murray (1996) reported that credibility has a positive impact on satisfaction with complaint handling and with repurchase intentions. Lewis (1983) showed that credibility could lower negative word-of-mouth activity. Therefore, the following hypotheses are developed:

Hypothesis 5a: The higher the perceived level of credibility, the higher the complainant's satisfaction with the complaint handling.

Hypothesis 5b: The higher the perceived level of credibility, the higher the complainant's intention to repurchase.

Hypothesis 5c: The higher the perceived level of credibility, the more positive the complainant's word-of-mouth valence.

Hypothesis 5d: The higher the level of perceived credibility, the less likely the complainant will be to engage in word-of-mouth activity.

Attentiveness

Attentiveness refers to the interaction between the company representative and the complainant. It is a complex dimension due to its reliance on people rather

than procedures. The communication between the customer and the organization is a key construct in most complaint management situations, and the interaction between the representative and the complainant can enhance or detract from complainant satisfaction (Garrett, Meyers, & Camey, 1991). This dimension includes respect and courtesy for the complainant (Bossone, 1994; C. L. Martin & Smart, 1994), empathy for the complainant's situation (Berry, 1995; Zemke, 1994), a willingness to listen (Plymire, 1991; Whitely, 1994), and extra effort on the representative's part. Going the extra mile makes a strong statement to the customer that the representative wants to help (Bell & Zemke, 1992; Bossone, 1994). The interaction between the service worker and the customer can make or break a service experience (Testa, Skaruppa, & Pietrzak, 1998). Attentiveness focuses on the interaction between the company representative and the complainant. Goodwin and Ross (1989) reported that attentiveness has a positive effect on satisfaction with complaint handling and repurchase intentions. Lewis (1983) and Blodgett, Wakefield, and Barnes (1995) both showed that attentiveness could lower negative word-of-mouth activity as well as increase repurchase intentions. Based on this evidence, the following hypotheses are developed:

Hypothesis 6a: The higher the perceived level of attentiveness, the higher the complainant's satisfaction with the complaint handling.

Hypothesis 6b: The higher the perceived level of attentiveness, the higher the complainant's intention to repurchase.

Hypothesis 6c: The higher the perceived level of attentiveness, the more positive the complainant's word-of-mouth valence.

Hypothesis 6d: The higher the level of perceived attentiveness, the less likely the complainant will be to engage in word-of-mouth activity.

Satisfaction

Satisfaction is the customer's overall affective feeling about the company as a result of the company's handling of the complaint. Early research on complaint handling focused only on the overall satisfaction with the complaint handling by the organization. TARP (1986) reported a strong positive relationship between satisfaction with complaint handling and word-of-mouth activity and intention to repurchase. Subsequent research has overwhelmingly supported the relationship between satisfaction and intention to repurchase (Conlon & Murray, 1996; Smith & Bolton, 1998). The relationship between satisfaction and word-of-mouth activity is more complicated. Word-of-mouth likelihood is defined as the likelihood that the complainant will talk about his or her experience at all, whereas word-of-mouth valence defines whether the content is positive or negative. Satisfaction is negatively related to word-of-mouth likelihood (Lewis, 1983; Walsh, 1996) and positively related to word of mouth valence (Tax & Chandrashekar, 1992; Walsh, 1996). Therefore, the following hypotheses are developed:

Hypothesis 7a: Satisfaction will have a positive relationship with word-of-mouth valence.

Hypothesis 7b: Satisfaction will have a negative relationship with word-of-mouth likelihood.

Hypothesis 7c: Satisfaction will have a positive relationship with intention to repurchase.

Word of Mouth

Word-of-mouth activity is an important variable in marketing. Because word of mouth is an antecedent to repurchase, the views expressed by the complainant up until the point of repurchase are likely to influence the repurchase, because public commitment leads to consistent future action (Cialdini, 1993). This principle of consistency is a powerful motivator to behave in accordance with the word-of-mouth valence. Complainers tend to behave consistently with the word of mouth that they give (Tax & Chandrashekar, 1992). Research has also demonstrated that complainers talk more about negative experiences than positive ones (TARP, 1986), so that the better the complainant feels the response is, the less likely he or she will be to talk about it. Lewis (1983) showed that how a complaint is handled is a key factor in the likelihood of word-of-mouth activity. Based on this, the following hypotheses are developed:

Hypothesis 8a: Word-of-mouth valence will have a positive relationship with repurchase intention.

Hypothesis 8b: Word-of-mouth likelihood will have a negative relationship with repurchase intention.

METHOD

Sample Participants

A cross-sectional survey sample of 319 students from an undergraduate marketing class at a large university in the southern United States was used to assess postcomplaint behaviors and responses to a self-reported complaint experience in the near past. The students were reporting on their own behavior as consumers. Forty-six percent of the students were women. The single most frequent type of complaint was against restaurants (27.4%). Participation was voluntary and anonymous.

Survey Administration and Procedure

The self-reported questionnaire method has been used extensively in service recovery research. The questionnaire was administered at the beginning of a class. The survey began by asking students to describe in detail the elements of their complaints, thus reminding them of the incidents and reducing selective bias. Students then filled out a series of modified Likert scale questions recording their beliefs, from *strongly disagree* (1) to *strongly agree* (7). The construct items were mixed, and some questions were reverse coded to eliminate potential biases. The questionnaire concluded with demographic questions. Questionnaire items are found in Table 1.

Measures

Following accepted guidelines (Churchill, 1979), an exhaustive literature search was conducted of the complaint literature. Key informants were interviewed among consumer affairs professionals (Society of Consumer Affairs Professionals and International Customer Service Association). An open-ended questionnaire was administered to 125 students, asking them to describe in detail a prior complaint. They were asked to describe what caused the dissatisfaction, why they complained, how many people they talked with, and the key response factors influencing their satisfaction with the response. These results were analyzed using content analysis, which further contributed to the list of items and response dimensions. Each scale was then tested empirically using exploratory factor analysis and reliability tests before undergoing extensive pretesting. The six organizational response dimensions were then all subjected to confirmatory factor analysis to ensure that the items loaded on their proper dimension and that there was no overlap among the dimensions. The 18 items loaded onto six factors, each item loading was greater than 0.5, and no item had a cross-loading of greater than 0.3. These extensive checks ensure reliable measures and minimize the common method variance. The final questionnaire items, along with reliabilities, variance extracted, and squared multiple correlations are listed in Table 1.

RESULTS

The model was tested in two stages. Convergent validity of the measurement model was demonstrated by the high factor loadings on the represented construct, and discriminant validity was shown by the validity test (Anderson & Gerbing, 1988; Bagozzi & Warshaw, 1990). Average variance extracted was higher than 0.5 for all constructs (see Table 1), and the composite reliabilities were well more than 0.7 (Bagozzi & Yi, 1988; Fornell & Larcker, 1981).

The model was tested using structural equations modeling with LISREL 8 (Joreskog & Sorbom, 1996). The chi-square was 585.30 with 360 degrees of freedom. The normed chi-square index was 1.63, and the standardized root mean square residual was 0.039. The root mean square error of approximation was 0.044, below the standard of 0.05. The adjusted goodness-of-fit measure was 0.86, the normed fit index was 0.93, and the comparative fit index was 0.97—all well within the limits set for good-fitting models (Hair, Anderson, Tatham, & Black, 1998), thus showing support for the measurement model. The phi matrix (correlations) and goodness-of-fit measures are shown in Tables 2 and 3.

DISCUSSION

The empirical results of this model (Figure 2 and Table 4) suggest that attentiveness is the most influential variable affecting satisfaction, word-of-mouth likelihood, and intention to repurchase. This strengthens the conclusion of Mittal

Table 1
Operationalization of the Variables

| Item | Reliability | Variance | |
|--|-------------|-----------|------|
| | | Extracted | SMC |
| Satisfaction | 0.974 | 0.926 | |
| My satisfaction with the company has increased. | | | 0.91 |
| My impression of this company has improved. | | | 0.94 |
| I now have a more positive attitude toward this company. | | | 0.93 |
| Word-of-mouth valence | 0.888 | 0.727 | |
| While talking about my complaint, I emphasize how well the company took care of it. | | | 0.69 |
| Whenever I talk about my complaint, I stress the positive way that the company reacted. | | | 0.80 |
| When I talk about my complaint experience, I let people know how poorly it was handled by the company. (R) | | | 0.70 |
| Word-of-mouth likelihood | 0.869 | 0.691 | |
| I am likely to tell as many people as possible about my complaint experience. | | | 0.60 |
| I am likely to talk about my complaint experience with anyone who will listen. | | | 0.83 |
| I am likely to mention my complaint experience at every chance. | | | 0.63 |
| Repurchase intentions | 0.907 | 0.765 | |
| I will probably not purchase this brand again. (R) | | | 0.68 |
| I will use this brand much less in the future. (R) | | | 0.82 |
| I will probably switch to another brand in the future. (R) | | | 0.80 |
| Facilitation | 0.737 | 0.500 | |
| It was easy to determine where to lodge my complaint. | | | 0.47 |
| Company policies made it clear how to complain. | | | 0.23 |
| It was hard to figure out where to complain in this company. (R) | | | 0.8 |
| Timeliness | 0.923 | 0.801 | |
| It took longer than necessary to react to my complaint. (R) | | | 0.78 |
| They were very slow in responding to the problem. (R) | | | 0.83 |
| The complaint was not taken care of as quickly as it could have been. (R) | | | 0.79 |
| Apology | 0.896 | 0.742 | |
| I received a sincere "I'm sorry" from the company. | | | 0.75 |
| The company gave me a genuine apology. | | | 0.89 |
| I did not receive any form of apology from the company. | | | 0.61 |
| Redress | 0.810 | 0.894 | |
| After receiving the company response, I am in the same shape or better than I was before the complaint. | | | 0.61 |
| The company response left me in a similar or improved position to where I was before the problem. | | | 0.79 |
| The outcome that I received from the company returned me to a situation equal to or greater than before the complaint. | | | 0.36 |

(continued)

Table 1 Continued

| Item | Reliability | Variance | |
|--|-------------|-----------|------|
| | | Extracted | SMC |
| Credibility | 0.755 | 0.514 | |
| The company did not give me any explanation at all. (R) | | | 0.26 |
| I did not believe the company explanation of why the problem occurred. (R) | | | 0.67 |
| The company explanation of the problem was not very convincing. (R) | | | 0.66 |
| Attentiveness | 0.917 | 0.787 | |
| The representative treated me with respect. | | | 0.67 |
| The representative paid attention to my concerns. | | | 0.86 |
| The representative was quite pleasant to deal with. | | | 0.83 |

Note: SMC = squared multiple correlations. R = reverse coded.

and Lassar (1996), who reported that for a business delivering service in interactive encounters with customers, "personalization" (interpersonal interaction) is the most important determinant of customer satisfaction and repatronage. Attentiveness is also the only response dimension that has a significant total effect on word-of-mouth likelihood (see Table 4). It would appear that the more attentive the organizational representatives are, the less likely complainants are to engage in word-of-mouth activity. Attentiveness does not, however, have a significant effect on word-of-mouth valence.

Timeliness has a positive, significant effect on satisfaction and word-of-mouth valence, as hypothesized, but no significant influence on repurchase intention or word-of-mouth likelihood. Timeliness has its strongest influence (together with redress) on word-of-mouth valence. Given the powerful effect of word of mouth in the marketplace regarding referrals, this would suggest the importance of getting back to the complainants as fast as possible. Timeliness would seem to be more important in the short run, affecting satisfaction, but it carries less influence on repurchase intention, perhaps because it is a procedural dimension.

Surprisingly, facilitation does not seem to have an impact on complainants, perhaps because the policies and procedures are in place well before the complaint incident, and thus do not affect the actual specific response the organization gives to the complainant. Blodgett, Granbois, and Walters (1993) reported that facilitation (likelihood of success) did not have an effect on repatronage. However, this would seem to require additional research, because previous studies (Blodgett, Wakefield, & Barnes, 1985; Kolodinsky, 1992) have shown that facilitation does have a significant impact on repurchase intentions.

Credibility has a significant positive impact on satisfaction, repurchase intention, and word-of-mouth valence. It has the second strongest impact on repurchase intention (after attentiveness). This would seem to confirm that interpersonal communications and lasting impressions are what have the strongest impact on repurchase intentions. It is not so much the compensation that is the key, but

Table 2
Correlations Among the Latent Constructs: Estimates, Standard Errors, and *t*-Values

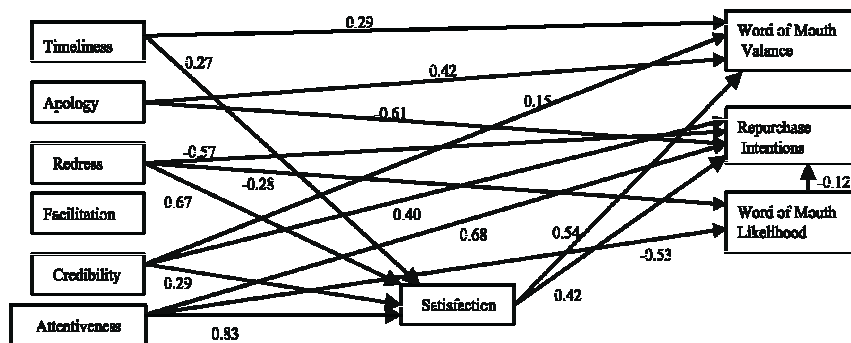
| Variable | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------|
| Satisfaction (1) | 1.00 | | | | | | | | | |
| WOM valence (2) | 0.93 (0.01) 76.62 | 1.00 | | | | | | | | |
| Repurchase intention (3) | 0.73 (0.03) 24.72 | 0.71 (0.03) 20.78 | 1.00 | | | | | | | |
| WOM likelihood (4) | -0.43 (0.05) -8.47 | -0.44 (0.05) -8.34 | -0.40 (0.05) -7.58 | 1.00 | | | | | | |
| Attentiveness (5) | 0.84 (0.02) 43.77 | 0.85 (0.02) 39.38 | 0.66 (0.04) 18.23 | -0.48 (0.05) -9.64 | 1.00 | | | | | |
| Timeliness (6) | 0.70 (0.03) 22.34 | 0.75 (0.03) 24.92 | 0.56 (0.04) 12.91 | -0.40 (0.05) -7.43 | 0.72 (0.03) 22.29 | 1.00 | | | | |
| Facilitation (7) | 0.56 (0.05) 12.35 | 0.56 (0.05) 11.62 | 0.46 (0.05) 8.71 | -0.37 (0.06) -6.48 | 0.64 (0.04) 15.17 | 0.69 (0.04) 17.38 | 1.00 | | | |
| Credibility (8) | 0.76 (0.03) 23.90 | 0.80 (0.03) 25.29 | 0.64 (0.04) 15.12 | -0.40 (0.06) -6.94 | 0.75 (0.03) 21.46 | 0.64 (0.04) 15.12 | 0.49 (0.06) 8.70 | 1.00 | | |
| Redress (9) | 0.83 (0.02) 33.63 | 0.80 (0.03) 27.01 | 0.54 (0.05) 11.39 | -0.44 (0.05) -8.25 | 0.76 (0.03) 24.17 | 0.58 (0.04) 12.99 | 0.51 (0.05) 9.52 | 0.70 (0.04) 16.75 | 1.00 | |
| Apology (10) | 0.68 (0.03) 20.58 | 0.77 (0.03) 26.96 | 0.49 (0.05) 10.20 | -0.36 (0.05) -6.70 | 0.85 (0.02) 41.89 | 0.64 (0.04) 15.12 | 0.52 (0.05) 10.34 | 0.68 (0.04) 16.85 | 0.63 (0.04) 15.22 | 1.00 |

Note: WOM = word-of-mouth. The top number in each cell is the correlation estimate between two variables. The middle number (in parentheses) is the standard error. The bottom number is the *t*-value. All values are significant at the $p < .0001$ level.

Table 3
Overall Covariance Structure Analysis (model fit indices)

| |
|---|
| $\chi^2 = 585.30$ |
| $df = 360$ |
| $p = 0.00$ |
| $\chi^2/df = 1.626$ |
| Goodness-of-fit index (GFI) = 0.89 |
| Goodness-of-fit index adjusted for degrees of freedom (AGFI) = 0.86 |
| Standardized root mean square residual (SRMR) = 0.039 |
| Root mean square error of approximation (RMSEA) = 0.044 |
| Normed fit index (NFI) = 0.93 |
| Tucker-Lewis index (NNFI) = 0.97 |
| Relative fit index (RFI) = 0.92 |
| Critical N (CN) = 232.10 |

Figure 2
Significant Model Paths



how the complaint is handled (attentiveness) and what the company intends to do about it (credibility). This supports the conclusions of Morris (1988) and Lewis (1983) in the hospitality industry. Credibility does not affect the likelihood of word-of-mouth activity.

Redress has a significant positive impact on satisfaction and a significant negative impact on word-of-mouth likelihood, which were expected. It also has a direct significant negative effect on repurchase intention. This is a surprising result. However, when we look at the total effects of the dimensions (see Table 4), redress does not have a significant effect on repurchase intention. The strong positive indirect effect through satisfaction is cancelled out by the strong negative direct effect. This appears counterintuitive at first, although Garrett (1999) found that the amount of redress did not impact satisfaction, word-of-mouth activity, or repurchase intention.

One possible explanation is replacement. Because the complainant has received compensation, there is no longer any pressure to repurchase right away, leading to a negative relationship. The higher the level of redress, the less need for repurchase. Another explanation might have to do with the magnitude of the fail-

Table 4
Significant Total Effects (direct and indirect) of the Model

| Effect Of | Effect On | | | |
|----------------|----------------|----------------|----------------------|------------------|
| | Satisfaction | WOM Valence | Repurchase Intention | WOM Likelihood |
| Attentiveness | 0.83 (4.45) | | 1.17 (4.01) | -0.46 (-1.79) |
| Timeliness | 0.27 (2.69) | 0.44 (4.70) | | |
| Facilitation | | | | |
| Credibility | 0.29 (2.65) | 0.31 (3.03) | 0.65 (3.71) | |
| Redress | 0.67 (6.10) | | | |
| Apology | | 0.44 (4.44) | -0.60 (-2.95) | |
| Satisfaction | | 0.54 (8.45) | 0.62 (5.25) | |
| WOM likelihood | | | -0.12 (-1.72) | |

Note: WOM = word-of-mouth. On one-tailed tests, the critical *t*-value is 1.645. The top number in each cell is the effect coefficient. The bottom number in each cell is the *t*-value. Only significant ($p < .05$) values are listed.

ure event. Over the long term, it would appear that satisfaction would drive the repurchase decision. Even so, this result conflicts with other research (Conlon & Murray, 1996; Goodwin & Ross, 1989) and needs to be reexamined.

Apology, surprisingly, has a negative influence on repurchase intention. Possibly, complainants could not differentiate between a blameless apology and a complete apology (where the company takes blame), feeling that if a company was responsible for one incident, it might happen again. Apology not only has a stronger negative direct impact on repurchase intention than redress, but this significant negative effect on repurchase intention remains when taking into account the indirect effects (see Table 4), whereas the effect of redress is insignificant. Another possible explanation is that an apology may leave the complainant with the feeling that nothing else is going to be done, and that is why the company representative is apologizing (Barlow & Møller, 1996). Perhaps the timing of the apology is significant. Further research into the benefits and pitfalls of apologies is necessary. Apology does have a positive significant effect on word-of-mouth valence. The psychological effect of an apology causes the complainant to talk positively about the complaint experience. This is especially important because less than 50% of organizational complaint responses include an apology (Zemke, 1994).

Word of mouth affects repurchase intentions, but only through the likelihood of word of mouth. The better the organizational response is perceived to be, the less likely customers will be to engage in word-of-mouth activity, and the more likely they will be to intend to repurchase. Interestingly enough, word-of-mouth valence does not seem to affect repurchase intention.

Managerial Implications

What does it all mean for the tourism and hospitality trade? First, there is support for a model incorporating six dimensions of organizational response to complaints. This finding will allow companies to more effectively tailor their complaint recovery responses. Each of the six dimensions is actionable, allowing managers the possibility of determining where they need to improve their complaint handling and how those improvements will affect the bottom line.

Second, there is strong evidence showing that the interpersonal skills (as evidenced by attentiveness and credibility) displayed by recovery personnel have a major impact on complainant satisfaction, repurchase intention, and the likelihood of engaging in word-of-mouth activity. This would suggest to managers the importance of hiring employees with excellent people skills and giving them the necessary training and motivation to handle complaint recovery situations. Given the importance of interpersonal communications on the bottom line, it would appear rather shortsighted to put underpaid, undertrained, and undermotivated people in such a crucial position. This research suggests that complaint recovery personnel should be experienced representatives who are empowered to do what is best for the customer, thus resulting in what is best for the company.

Third, given the major importance of word of mouth to the industry, attention should also be paid to the response speed and to the redress offered to the complainant. Although these dimensions may not affect repurchase intention, they do affect satisfaction and the content of the word-of-mouth activity. Thus, they have more of an indirect effect on future sales. Word of mouth as a marketing tool in tourism and hospitality has been downplayed in research, yet these results suggest that it may have a significant impact on the bottom line. Although attentiveness may affect the likelihood of word-of-mouth activity, it is timeliness, apology, and credibility that drive the content. An apology, in particular, is important because it costs nothing yet significantly increases positive word-of-mouth activity.

From a bottom-line perspective, focusing on the six dimensions helps to achieve an effective distribution of resources. Although a prevailing view is that redress drives repurchase intention (Fornell & Wernerfelt, 1988; Lewis, 1983; Spreng, Harrell, & Mackoy, 1995), this research has shown that attentiveness has the strongest relationship with repurchase intention, almost twice the impact of credibility. Redress has an important effect on satisfaction, but no effect on repurchase intention. It would seem that redress is a necessary but not sufficient condition for repurchase intention (see Garrett, 1999). More importantly, from a resource perspective, higher redress does not bring higher repurchase intention. This may be one of the reasons that consumers report that only about half of all complaints are handled satisfactorily (Grimm, 1987; Office of Fair Trading, 1990).

Another major issue is the importance of word-of-mouth valence on prospective new customers. Resources should be invested in timeliness and apology to increase positive word-of-mouth activity. Interestingly, these two objectives (word of mouth and repurchase intention) are not driven by the same response

dimensions. Only by splitting the organizational response into its various dimensions can we show which dimension affects which objective.

Limitations and Future Research

This study used a convenience sample of students. Replication of these results in future studies would allow for generalization of the results. Students, although making legitimate consumer decisions and complaints in this instance, may lack a certain maturity or experience to accurately assess the organizational responses. Future research should attempt to replicate or use a random sampling procedure.

Relying on respondents to accurately remember past events may have contributed to self-response bias, although great care was taken to minimize this effect. Other methods of investigation should be attempted and evaluated. Perhaps it would be possible to compare the responses perceived by the complainant to those offered by the company. Such a comparison would allow a determination of the extent of self-report bias as well as a better understanding of consumer perceptions.

Although every attempt was made to include relevant variables in the model, there may be some confounding variables that should be taken into account. More work needs to be done on identification and integration of such variables into the model. How do situational importance and complainant perceptions of blame affect the results? An incomplete selection of variables may have contributed to some of the insignificant results for the apology dimension.

Some of the results are at odds with other research that has been published. Future research should attempt to explain differences in results. Perhaps the answer is to use better measures, or to include or take into account intervening variables. Context may also be important.

Some of the hypothesized links in the proposed model were not supported. Further research is needed to determine the validity of the proposed model, or the more parsimonious model that resulted from those rejected hypotheses.

Overall, the model offers a theoretical base for better understanding the relationships between the organizational response to a complaint and the postcomplaint customer response, which will better enable managers to develop more effective service recovery programs. The expansion of effective organizational response dimensions will allow managers to better allocate their resources to those dimensions that most affect the consumer behaviors that are relevant to the company, thus improving the bottom line results.

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