

Quantifying Service Impact in Multiple Countries: Do Consumers Behave the Same?

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Abstract. Consumers encountering problems often do not complain. The 1979 White House study of complaint behavior was the cause of adoption of toll-free service systems in North America. This study has been replicated by CCMC and Arizona State University as the National Rage Study in 2015 and again confirms that non-complainers exhibit significantly lower loyalty and spread more word of mouth than satisfied complainants. The results of three 2016 consumer surveys with >1,200 respondents each from the U.S., Japan and Bolivia are given. The Service Recovery Paradox is confirmed in two of the markets.

Keywords: Complaint Behavior, Word of Mouth, Service Recovery Paradox, Cross-cultural Customer Service, customer experience, ROI of Service, Telephone Customer Service, Consumer Education.

1 Introduction

The first rigorous study of consumer complaint behavior and experience was a study sponsored by the White House Office of Consumer Affairs in 1976 and updated in 1984 [1][2]. This study instigated the use of toll free phone service systems by companies including Proctor & Gamble, American Express and General Motors [3]. Research also quantified the impact of service on word of mouth for the Coca Cola Corporation in 1981 [4]. This study also highlighted an early instance of the Service Recovery Paradox, as first coined by McCollough and Bharadwaj in 1992m [5]. Consumers who complained and were satisfied exhibited a 94 percent loyalty which was higher than consumers who had no problem [6]. CCMC replicated the White House study seven times in the last 12 years, titled the National Rage Study. In each case, using a projectable sample of the U.S. population, similar behaviors are found - although the problems and channels used have evolved over time [7]. Findings include:

- Many consumers do not complain upon encountering problems.
- Soliciting and handling complaints helps builds loyalty.
- Problem prevention and handling can effectively manage word of mouth.

2 Objectives and Methodology

- Is consumer behavior, in terms of non-complaint behavior and impact of service on loyalty and word of mouth, similar in other marketplaces?
- What are the best strategies implied by the data?

In each study, a random sample of at least 12,000 current consumers was surveyed. Tigo, the Millicom Bolivian cellular company, surveyed its consumers using a text invitation with a link to a web-based survey. [8]. In the U.S. and Japan cases, an email survey was sent to a random sample of consumers. In all cases, at least a 15 percent response rate was achieved, resulting in more than 1,200 representative respondents.

Questions included:

- What problems the consumer had encountered in the last six months? .
- Which problem encountered was most serious?
- Did the consumer complain about the most serious problem?
- Resulting satisfaction of the complaint experience?
- What was the impact on consumers' overall satisfaction, loyalty, word of mouth and satisfaction with price paid?

3 Findings

In the seventh wave of CCMC's National Rage Study, conducted with Arizona State University's Center for Services Leadership, we found that 50 percent of most serious consumer household problems now involve smart phones, computers or internet technology. [9] Over 20 percent of consumers did not complain to the offending company. The above study reinforces the findings on complaint behavior across many industries reported by Goodman and Newman in *Quality Progress* [10]. For small ticket products such as consumer packaged goods, original complaint rates can be as low as 10 percent with less than four percent ever contacting the manufacturer even if a toll-free phone number is available. These behaviors are mirrored in the general findings from the three studies, a Japanese utility company, a U.S. financial services company and the Bolivian cellular company, Tigo, are given below. Specific findings on problem experience, complaint behavior and resulting satisfaction and word of mouth from each of the three studies are shown on the final page of this paper.

- Only 22-41 percent of consumers even complained once about their most serious problem - reasons for not complaining included it will do no good, it is too much trouble to complain or fear of conflict.
- Of those who complained, less than 44 percent were satisfied – those not satisfied were 40 percent less loyal.
- In two of three cases, when consumers were satisfied, they were significantly more loyal than consumers who had not had a problem.
- Dissatisfied consumers always spread more word of mouth than satisfied consumers - usually twice as much.

In some ways, the most important consistent finding was that non-complainants were significantly less loyal than consumers with no problem or who were satisfied. In two

of the three cases, the Service Recovery Paradox is confirmed in that satisfied complainants were actually more loyal to the company than consumers who did not experience a problem. The survey of Tigo premium or high value consumers found that consumers told a median of three people about their positive experience if they were satisfied with the service response. Consumers, who complained and received an unsatisfactory response, told an average of nine people of their negative experience. As in the CCMC National Rage studies and CCMC research in Europe and Asia, about half of consumers did not complain about their most significant problem. If they did not complain, loyalty was damaged by 25 percent. If consumers complained and were satisfied, loyalty was at least restored and willingness to recommend Tigo was ten percent higher than if they had not had a problem.

4 Conclusions and Next Steps for Research

The overall conclusions of the three studies are as follows:

1. Consumers with problems appear to behave the same around the world.
2. For every four consumers who did not complain, at least one consumer is needlessly lost
3. Service should be viewed as a word of mouth management mechanism.
4. Service systems should aggressively solicit complaints, assuming the system can satisfy most consumers.

Next steps for research

1. What modes of communication best help consumers avoid problems?
2. What are non-complaint rates and impact of word of mouth in other industries and countries and in business-to-business environments?

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