

## **A Theoretical Model for Understanding Brand Loyalty Recovery : Concerning on Consumer Complaint Process and Producer Responsiveness\***

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### **I. Introduction**

Over two decades, many marketing scholars have increasingly studied brand loyalty and measured it as a pattern of consumer's repeated purchasing. Behavioral scientists believe that brand loyalty results from an initial product trial that is reinforced through satisfaction, leading to repeat purchase. As brand name can help consumers to reduce risks (e.g., functional, physical, financial, social, psychological and time risk) when making a purchase-decision, many consumers tend to non-random purchase over time of one brand from a variety of brand names in the market. The brand name, thus, is an important device that most consumers use to prevent such risks. In recent years, the concept of brand loyalty, however, is losing its importance and not working effectively. Although many marketing scholars agree that brand loyalty is a concept that generates a long-term benefit from consumer retention, many consumers are rarely loyal to the same brand name over a long period of time. Severe competitions (e.g., discount-retailers, mass advertising promotion, sales promotions, etc.) have influenced the consumer to change loyalty from one brand to multi-brands and simultaneously have forced a company to focus on a price-war or short-term promotions in order to survive in the market. Some producers spend huge sums of money merely for building brand image through advertising on mass media without understanding the underlying concept of loyalty. This kind of condition has reduced company's profits and gradually destroyed its brand image and positioning in the long run.

In a marketplace, dissatisfied consumers' complaining behavior is believed to increase expenses for a producer rather than an opportunity to build brand loyalty. A complaint initiated by dissatisfaction is traditionally considered an uncontrollable

outcome that many producers do not expect to occur or respond actively to those dissatisfied. However, a competitive market has pushed a company to maintain an existing customer loyalty instead of attracting a new one. Long-term customers are more profitable because they purchase in greater quantity and more frequently than new customers do. Consequently, business profits are to be dependent on the company's capacity to satisfy customers in the long run instead of building a new customer' market share. In this perspective, an effective complaint handling, therefore, generates new income through repeated purchasing intention and creates a good opportunity for a company to instill a loyalty in dissatisfied customers. Eventually, careful complaint handling is expected to recover the brand loyalty and image from this dissatisfaction group.

Despite the compelling evidence linking complaint handling to subsequent purchase behavior, relatively little progress has been made in developing a theoretical understanding on how consumers decide to complain or evaluate producer's response to their complaints. Since no major research has been done on the study of dissatisfaction, dissatisfied consumer's response and brand loyalty recovery, the overall purpose of this study seeks to construct a theoretical model of consumer complaint process to be used for explaining dissatisfaction (in post-purchase consumption) and dissatisfied consumer's responses. It also intends to examine brand loyalty recovery by focusing on interaction between consumer complaints and producer responses.

## **II. Post-purchase Consumption**

### **I. Satisfaction and Dissatisfaction**

As the study of customer effort, expectation, and satisfaction was introduced to marketing in 1965, consumer satisfaction has gained more attention from many academic researchers. Although a definite definition of consumer satisfaction/dissatisfaction (CS/D) is very complicated to arrive at, most academic researchers agree that CS/D is a possible outcome in post-purchase consumption. Churchill and Surprenant (1982, p.491) describe satisfaction as the major outcome of marketing activity and serves to link

processes culminating in purchase and consumption with post-purchase phenomena (e.g., attitude change, repeated purchase, and brand loyalty). Some scholars explain that satisfaction is the consumer's fulfillment response, being a judgement that the product or service itself provided a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment.<sup>11</sup> Therefore, consumer's feelings after consumption are very important and crucial to their buying behavior. Alternatively, the potential determinants of CS/D can be found in these theories; expectancy disconfirmation model (e.g., Oliver, 1980), attribution theory (e.g., Folkes, 1984), equity theory (e.g., Oliver and Swan, 1989), affective response (e.g., Westbrook, 1987) and actual performance (e.g., Bolton and Drew, 1991; Tse and Wilton, 1988).

Consequently, satisfaction/dissatisfaction in post-consumption influences consumer's selection on a subsequent purchase occasion.<sup>12</sup> Moreover, satisfied consumers are likely to communicate their feelings towards the things they bought to other consumers who seek information. As a result of consumers' feelings in terms of satisfaction/dissatisfaction, a brand's evaluation in post-purchase consumption is accordingly generated, thereby becoming the crucial factor in determining brand loyalty. Thus, it is very important for producers to understand how a consumer evaluates the products and services after their consumption.

## **2. Theoretical Foundations of Consumer Complaints**

### **2.1 Conceptualization Issues**

To understand the role of complaints towards the brand loyalty recovery, it is necessary to conceptualize the complaint behavior in post-purchase consumption. In retrospect, a previous study of consumer complaint behavior (CCB) based upon several different theories from various fields of study. Typically, CCB is triggered by some feelings or emotions of perceived dissatisfaction resulting from expectancy disconfirmation paradigm. The early study of complaint conceptualization focused on the behavioral response describing how consumers react to dissatisfied products and services (e.g., Day and Landon, 1977; Hirschman, 1970).<sup>13</sup> However, Singh (1988, 1990) and

Richins (1983) conceptualized CCB as a set of multiple customer responses (behavioral and nonbehavioral) to dissatisfying purchase experience. While the preceding literature give us a foundation to understand the initial complaining behavior, recent studies of complaint handling, however, have been developed as that of a dynamic process (Blodgett et al., 1993)<sup>(4)</sup> and a dimension of justice (Tax et al., 1998),<sup>(5)</sup> providing a wider perspective for dissatisfaction management.

## 2. 2 Classification Issues

An economist, Albert O. Hirschman (1970) developed the early CCB's classification in terms of leave relationship (exit), a communication to the institution (voice), and neither exit nor voice (loyalty). According to Hirschman, if the loyalty and cost of exit are very high, consumers choose voice over exit option. However, if the cost of exit is low and its market is heterogeneous, consumers choose exit over voice. Indeed, Hirschman did not view loyalty actively as he stated that consumer loyalty to one particular brand neither exits nor voice to a company or a third party. Day and Landon (1977) proposed a two-level hierarchical classification schema from consumer response to dissatisfaction by distinguishing behavioral (i.e. Take some action) from nonbehavioral (i.e. Take no action) response in the first stage of classification. The second stage differentiates public from private action by showing that the former consists of seeking redress directly from businesses, taking legal action and complaining to public or private agencies. The latter consists of typical negative WOM (e.g., warning friends and relatives) and boycott seller or manufacturer. Day and Landon's proposition of consumer response to dissatisfaction is later supported by many survey results (e.g., Day and Bodur, 1978; Day and Ash, 1979).

Recently, some academic researchers have advanced the CCB's classification (e.g., Richins, 1983; Schmidt and Kernan, 1985; Singh, 1988, 1990). Richins (1983) used a set of products and personality variables to classify CCB into three dissatisfaction responses in terms of complaining, word-of-mouth (WOM), and brand switching. She has shown that complaining and brand switching correlated with the severity of the product problem

and the degree of external attribution of blame while WOM correlated with severity, external blame, and high levels of social activity. Singh (1988, 1990) extended Day and Landon's classification on CCB and proposed that CCB's response to dissatisfaction can be classified into three factors; voice (complaining), private (word-of-mouth) and third party response (public complaining to third-party institutions). In contrast to Richins (1983) and Singh (1988, 1990), Schmidt and Kernan (1985) provide another dimension of CCB's classification by focusing on the types of redress preferred by consumers. They have suggested four dissatisfied consumer segments including replacement, money-back, mixing of replacement and money-back, and price-sensitive segment.

### III. Conceptual Model Development

#### 1. Dissatisfaction Distribution

Dissatisfaction distribution can be drawn as illustrated in Figure 1. The consumer complaints can be divided into 5 steps (discussed in stages of CCP), starting from perceiving the problem (C1), blaming (C2), claiming (C3), resolving the problem (C4), and complaint satisfaction (C5). After the purchase event (*time t*), consumers are expected to evaluate whether they are satisfied or dissatisfied with the products and services through mentioned determinants of CS/D (e.g., expectancy disconfirmation, equity, etc). If consumers perceive that they are dissatisfied with the things they bought, it results in triggering the dissatisfaction distribution curve of CCP. From Figure 1, the dissatisfaction curve (*time t+1*) starts gradually after the purchase event in the perceiving problem step and increases rapidly in the blaming step as an effect of prospect theory.<sup>16)</sup> The dissatisfaction distribution curve is very steep in the first two steps because dissatisfied consumers tend to rapidly spread their problems or dissatisfaction after purchase event to a third party, faster than the positive information. The dissatisfaction curve continues to go forward and touches the highest point (depending on each customer's dissatisfaction) in the claiming step, showing that consumers are considering an action to complain. When dissatisfied consumers are satisfied with producers' complaint handling, the dissatisfaction curve turns down towards the satisfaction level as

illustrated in the resolving problem and complaint satisfaction step, respectively. The dissatisfaction curve, therefore, can show how the amount of dissatisfaction and emotion affect and propel dissatisfied consumers to take an action to complain to producers.

## 2. Producer Responses

By using the same mechanism of dissatisfaction in consumer complaints, dissatisfaction distribution curve can also be drawn on the producer side (as illustrated in Figure 2) as an “U-shaped” distribution. The producer response is divided into 4 steps (discussed in stages of CCP) as that of problem awareness (R1), responding (R2), focus-solving (R3) and following-up (R4) steps. The dissatisfaction curve of producer side sharply increases in the problem awareness, depending on the tail of dissatisfaction distribution skewed to. The dissatisfaction curve will touch the highest point in the responding step, showing the highest amount of consumer dissatisfaction. As a result, producers need to analyze whether or not they should solve consumer complaints. After producers make the decision to respond, they must cope with the consumer problem in the focus-solving step. The last step is the following-up in which producers build a relationship with those dissatisfied to create consumer complaint’s satisfaction. In this step, dissatisfaction distribution curve rebounds to the positive level.

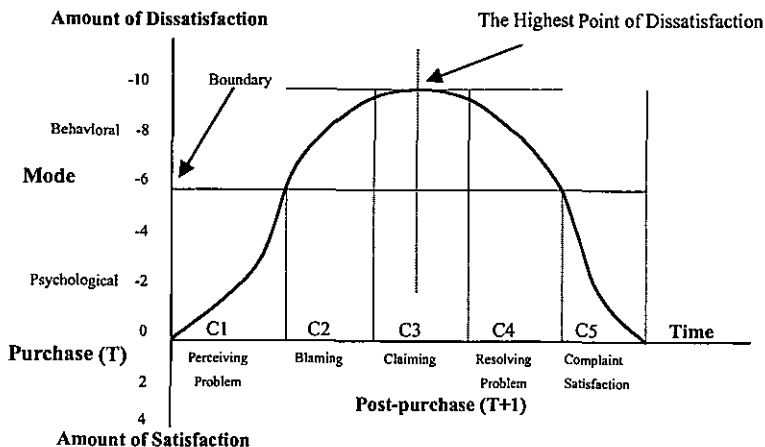
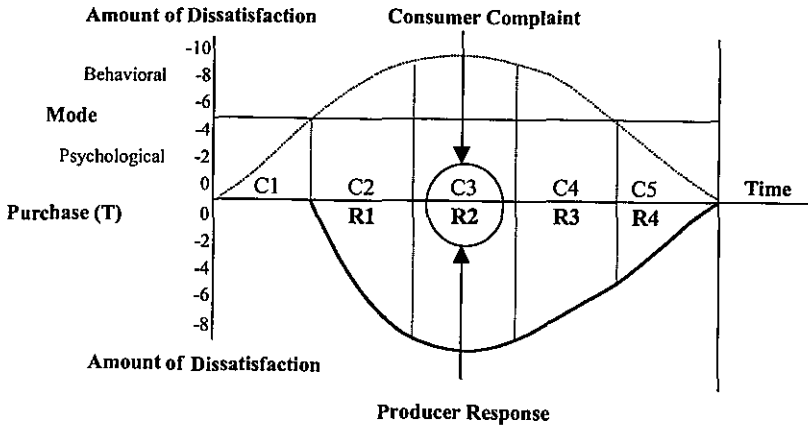


Figure 1 A Symmetric Distribution of Complaint Process



**Figure 2 Producer Responsiveness**

Finally, when the dissatisfaction distribution curve rebounds to the lowest amount of dissatisfaction, it shows that a dissatisfied consumer is gradually converted to a post-satisfaction. Whether a curve is skewed to the right or left, dissatisfaction distribution of both sides (consumers and producers) should be equal from the fact that the dissatisfaction distribution is a barometer to measure the dissatisfied consumer's dissatisfaction level. If both sides' dissatisfaction distribution is not proportional producer responses are believed to mismanage their problem-handling program. In order to control effectively the dissatisfaction curve in consumer complaints, producers need to formulate an effective complaint handling program which consumers can accept or perceive that their problems has been solved satisfactorily.

### 3. Stages of Consumer Complaint Process

The preceding discussion of dissatisfaction distribution and producer response enables us to construct the consumer complaint process (CCP). In this study CCP has advanced the previous studies and concepts by combining the producer response concept

in the same model as illustrated in Figure 3. This model intends to describe consumer complaints triggered by dissatisfaction, producer response and their interaction at post-purchase consumption. The consumer complaint process model can be divided into 3 main stages: pre-action, action and post-action stages.

### 3.1 Pre-action Stage

The pre-action stage consists of both consumer complaint side (perceiving problem and blaming) and a producer side (problem awareness).

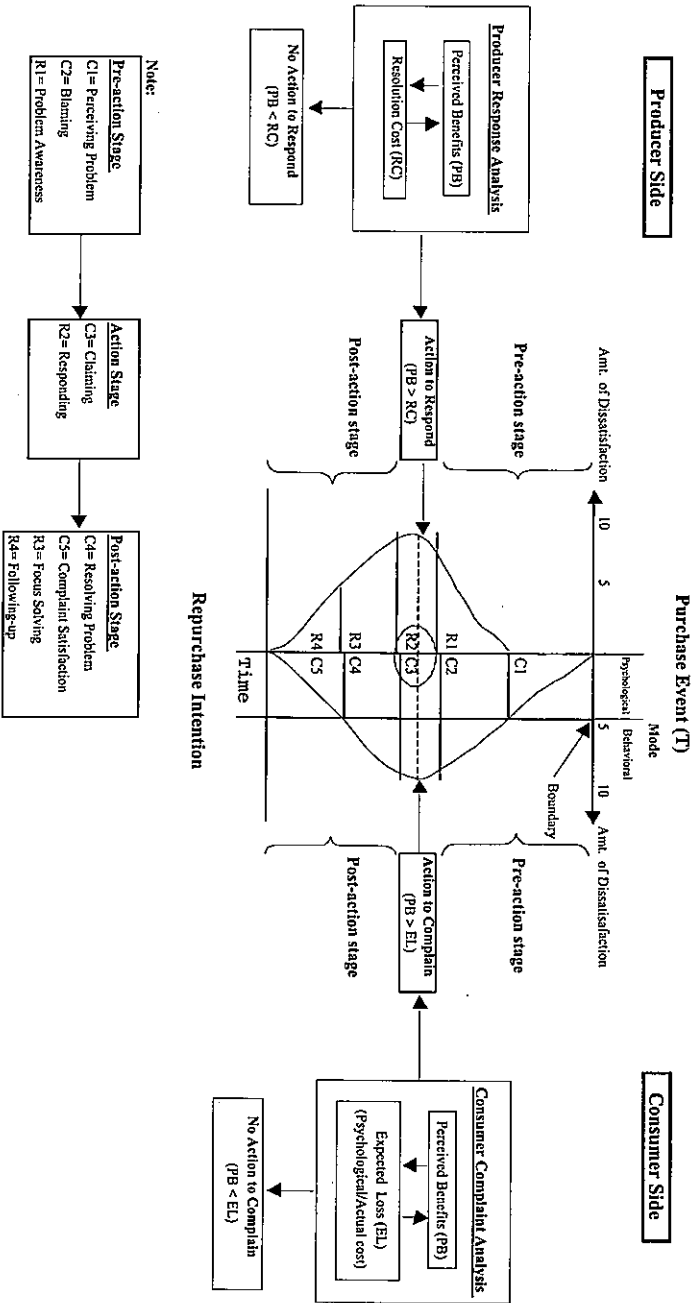
#### Consumer Side

**Perceiving Problem (C1):** This step shows that a consumer who bought the things through both traditional distribution (e.g. a retailer, a convenient store, etc.) or modern electronic commerce (e.g. direct shopping, internet, etc.) has been dissatisfied with the products and services and perceived it as a problem. The typical way of perceiving problem can be traced to the comparison of the expectations and performance of products and services (Swan and Combs, 1976; Oliver, 1993, 1997). However, other theories that can also be used to determine consumer's dissatisfaction as a problem are the attribution theory (failures), equity theory (unfairness), affective response (disgust, anger and contempt) and actual performance (e.g., Folkes, 1984; Oliver, 1993; Westbrook, 1987). Based on the above processing variables for dissatisfaction, the problem triggered by dissatisfaction can be expressed in two forms: functional problems (e.g., an attribute failure, late delivery time, wrong specification, low actual performance) and emotional problems (e.g., disgust, anger, contempt, displeasure, dislike). Consumers who perceive dissatisfaction as a problem may (or may not) start any reaction towards the products and services. In this case, the amount of dissatisfaction is the key point that pushes customers to start a negative word-of-mouth with their family and friends or blame directly to the company.

**Blaming (C2):** Blaming is the second step which dissatisfied consumers react to dissatisfaction. As dissatisfied consumers are believed to have a high amount of dissatisfaction and are willing to blame to the company to solve their problems, the



Figure 3 Consumer Complaint Process



blaming step represents the psychological-behavioral response by focusing on the negative WOM to a third party. The consumer reaction in blaming can be divided into three ways. *First*, dissatisfied consumers who blame share their problems with their families, friends, or any person they know without contacting the company. It can be said that dissatisfied consumers react to dissatisfaction through private communication instead of directly blaming the company. *Second*, dissatisfied consumers blame directly to the company after perceiving dissatisfaction as a problem. They contact directly the company to ask for an explanation or reason of the problem or blame the company for their errors. *Finally*, dissatisfied consumers combine both ways of blaming. They warn their family, relatives and friends and at the same time convey the blame to the company for their dissatisfaction. Each type of blaming holds that dissatisfied consumers possess a high amount of dissatisfaction and so the dissatisfaction curve in this step is very steep, depending on how much they suffer from a problem or psychological loss. Dissatisfied consumers who react to the problem by blaming except in the first way will contact with the company. However, if their blaming is not solved satisfactorily, they will take a further step by claming to the company.

### **Producer Side**

**Problem Awareness (R1):** Problem awareness is a very important step for producers. As the dissatisfied consumers' voice is only the actual feedback after the post-purchase consumption, their negative information (in terms of blaming) can be used as an evaluation and improvement of the company's overall performance. Producers should be aware of the consumers' dissatisfaction so as to respond quickly to their problems. If they do not know exactly what the problem is, it may be very difficult and time-consuming for them to solve it. Producers are believed to deal with the dissatisfied consumers' blaming by recording and inspecting the customer's blaming of the problem. They set up a procedure for tracking the consumer purchase information (e.g., a description of the products, distributors involved, date of purchase, etc.) and allow dissatisfied consumers to freely explain their problems. In addition, producers also inspect whether the blaming

is a fact or not before starting any further step. Importantly, producers are expected to list the cause of the dissatisfaction and priority of the problems. Moreover, they should contact dissatisfied consumers to show how much the company takes care of their blaming and is working on them. As for the dissatisfaction distribution in this step, it starts when dissatisfied consumers come directly to the company. Their dissatisfaction curve increases rapidly in the problem awareness and shows that dissatisfied consumers are experiencing dissatisfaction or troubles.

### 3. 2 Action Stage

#### Consumer Side

**Claiming (C3):** Instead of a private voicing to a third party (or spreading the negative word of mouth), dissatisfied consumers in this step intend to take an action to complain (ATC) to the producer. However, dissatisfied consumers have to concern other factors before making any complaint decision. We extend the previous research by hypothesizing that once consumers take ATC, their satisfaction of complaining is dependent upon the interaction of consumer complaints and producer responses. In addition, we also hypothesize that effects of multiple factors (e.g., psychological factor, economic factor, company image, product importance, power of negotiation, resolving function and costs) directly affect the consumer complaint analysis for evaluating ATC. Consumers taking ATC are those who perceive that benefits from complaining are over than expected costs. However, if dissatisfied consumers believe that they suffer a psychological loss more than perceived benefits, they decide not to take ATC. As for the dissatisfaction curve, it touches the highest point of dissatisfaction curve in this step. This implies that if the company decides not to seriously respond to consumer complaints, then they loose these dissatisfied consumers to other competitors.

#### Producer Side

**Responding (R2):** After recording and inspecting dissatisfied consumers' blaming, producers tend to make a decision whether they should take an action to respond (ATR)

or not. Like the consumer who evaluates an action to complain, producers use the producer response analysis to help decide whether they should take ATR or not. Since there is no major previous literature towards the producer response analysis, we hypothesize that producers decide to respond to the consumer complaints when they accept that the perceived benefits are higher than expected resolution costs. They take no ATR when they believe that their benefits are lower than expected resolution costs. The multiple factors which lead to the perceived benefits and expected costs in producer response analysis are set to be the same as the consumer complaint analysis in order that we can explore the most influencing factor when both parties interact for problem resolution. As for the dissatisfaction curve, it will touch the highest level of dissatisfaction in this step.

### 3.3 Post-Action Stage

#### Consumer Side

**Resolving Problem (C4):** After claiming to the company, the dissatisfied consumers must deal with the complaint handling system (e.g. problem-solving procedures). They must interact with the producers and weigh whether a producer can solve the problem or not. Singh and Widing II (1991, p.33) extends the confirmation/disconfirmation paradigm to evaluate the problem handling process by setting up two variables as the perception of producer response (P) and the norm of producer responsiveness (N). Dissatisfied consumers have positive feelings of problem resolution when the variable (P) is higher than variable (N) or have negative feelings when P is less than N. However, this evaluation process is later extended by the introduction of perceived justice (e.g., distributive, procedural and interactional justice) to the consumer complaints (Folger and Konovsky, 1989). As for the dissatisfaction curve, it will gradually turn down from the highest point of dissatisfaction. Although the curve is moving to the lower dissatisfaction, its value is still in the behavioral dissatisfaction because it deals with the problem solving rather than with the psychological side.

**Satisfaction with Complaint (C5):** This final step of CCP shows that dissatisfied

consumers have gained satisfaction back from the producer response, indicating the success of problem handling process. In recent years, satisfaction with complaint has gained attention from several academic researchers and is regarded as a secondary satisfaction that makes dissatisfied consumers form a repurchase intention and also spread the positive word of mouth to a third party (e.g., Gilly, 1987; Gilly and Gelb, 1982). Consumers who are not satisfied with complaint handling do not repurchase the same products and services again, but rather spread the negative word of mouth to other persons or take other forms of action. However, the study of dissatisfaction after the company's problem handling is beyond this research because there is little chance to rebuild brand loyalty to dissatisfied consumers who ever complained to the company. Therefore, satisfaction with the complaint is dependent on the positive outcome of interaction between ATC and ATR. The dissatisfaction curve in this step shows that dissatisfied consumers are having satisfaction from producer responses. The curve is moving from a high level of dissatisfaction from the responding step to zero point at the end of the CCP stage. We can say that consumers are positively converted from dissatisfaction to satisfaction after experiencing the producer responsiveness.

#### **Producer Side**

**Focus-solving (R3):** This step involves preparation and implementation of problem handling. After making the decision to respond by using producer response analysis, consumer information from problem awareness will be processed in order to decide a suitable problem resolution. As producers must deal with dissatisfied consumers directly, they are expected to involve in selecting and motivating the staff for maintaining good relations with consumers when they are in the problem resolution process. Producers must communicate customers' problems to related staff and organize a resolution function to effectively solve the cause of the problem or dissatisfaction within the minimum possible time because most dissatisfied consumers prefer minimum time for problem solving. Implementation of problem solving should emphasize on the priority of customers' problems, the speed of problem resolution and interaction with consumers. While the producers interact with the customer complaint, the dissatisfaction curve of

consumer side will turn down to the lower amount of dissatisfaction. This decrease of dissatisfaction in consumer side has resulted in turning around of producers' dissatisfaction curve from the highest amount in responding step to the lower dissatisfaction in this step.

**Following-up (R4):** This step involves the measurement and evaluation of problem handling program whether it is effective or not. Producers contact their customers to evaluate their actual response performance whether they can solve the problem or dissatisfaction satisfactorily or not. The measurement may involve related-problem resolutions in terms of the increase of customer satisfaction, loyalty, elimination of dissatisfaction, positive effect on a company image and so on. It is very important to ensure that the producer response can satisfy the consumer complaint because producers have only one chance to defend themselves since dissatisfied consumers will not come back to the same producer. The dissatisfaction curve in this step will move from lower dissatisfaction to zero amount of dissatisfaction, indicating that the consumer problem has been solved satisfactorily and they intend to repurchase the producers' products and services in the future.

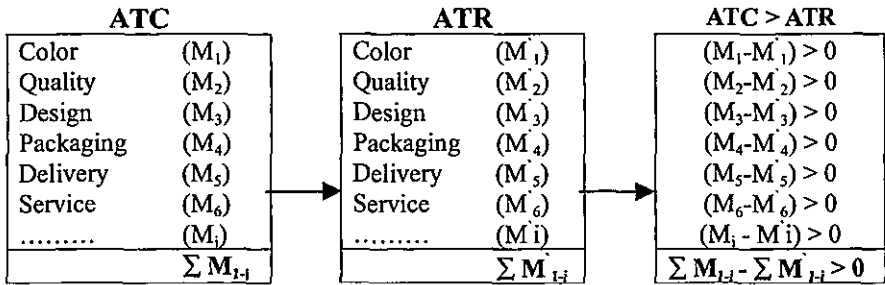
#### **IV. Brand Loyalty Recovery Scenarios**

As mentioned earlier in the action stage, the interaction describes the situation where dissatisfied consumers complain to the producer and at the same time the producer responds to those complaints as illustrated in Figure 4. This interaction is a critical point that helps determine whether or not producers can turn consumer complaints to complaint satisfaction. Before interacting with each other, dissatisfied consumers analyze whether they can gain a perceived benefit over an expected cost or not. The outcome of consumer complaint analysis can be "Action to complain (ATC)" or "No action to complain (No ATC)", depending on each consumer's evaluation. As for the producers, they do the same evaluation by analyzing those factors through a producer response analysis before resolving dissatisfied consumers' problems or causes of dissatisfaction. Producers decide to respond to consumer complaints when they perceive that the

complaint handling generates a perceived benefit over a resolution cost. Like the consumer side, the outcome of producer response analysis can be “Action to respond (ATR)” or “No action to respond (No ATR)”. After evaluating each party’s factors, both parties interact together when each party perceives that perceived benefits are over the expected cost in decision analysis. The interaction would not occur when one party does not gain any benefit. As a result of interaction, dissatisfied consumers’ complaints are solved and ultimately converted to secondary satisfaction or complaint satisfaction. From Figure 4, the result of interaction (ATC and ATR) can be classified into two scenarios as that of low recovery and high recovery.

### 1. Scenario One (Low Recovery)

The first scenario describes a condition that producers could not fully respond to dissatisfied consumers’ complaints (or  $ATC > ATR$ ) as illustrated in Table 1. Dissatisfied consumers’ ATC can be expressed in terms of color, quality, design, packaging, function, delivery, service, and so on. However, producers could not completely solve consumer complaints ( $\sum M_{1-i} - \sum M'_{1-i} > 0$ ), thereby lowering consumer benefits from complaints. As a result, this situation generates a low complaint satisfaction and pushed consumers to form a negative attitude (NA) towards the producer responsiveness. Moreover, dissatisfied consumers compare their negative attitude (NA) towards producer response to their prior attitude toward the brand<sup>(7)</sup> (PAB). The comparison between NA and PAB generates three possible outcomes as of negative ( $NA > PAB$ ), neutral ( $NA = PAB$ ), and positive outcomes ( $NA < PAB$ ) towards the brand. Brand loyalty recovery, therefore, is dependent on these outcomes. Conceptually, dissatisfied consumers with neutral and positive attitudes tend to be loyal to the same brand while those with the negative outcome have no loyalty to the brand.



Where:

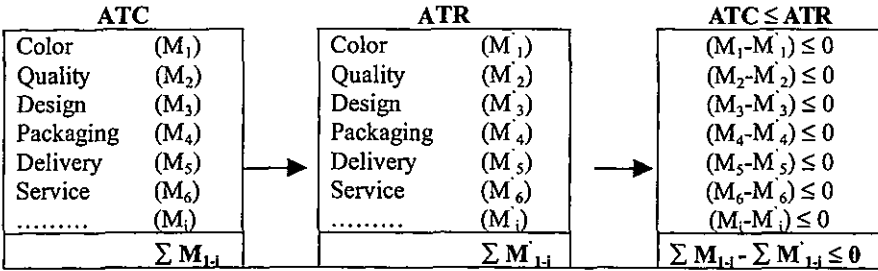
- 1) ATC - M<sub>1</sub> - M<sub>6</sub> is a set of ATC which dissatisfied consumers complain to the producer.  
 - M<sub>i</sub> is any claim which is not listed from M<sub>1</sub> to M<sub>6</sub>.
- 2) ATR - M'<sub>1</sub> - M'<sub>6</sub> is a set of ATR which the producer actually respond to ATC.  
 - M'<sub>1</sub> is the ATR which the producer respond to each dissatisfied consumers' ATC.
- 3) ATC > ATR if Σ M<sub>1-i</sub> - Σ M'<sub>1-i</sub> > 0

**Table 1 Low Recovery of Interaction**

**2. Scenario Two (High Recovery)**

The second scenario describes a condition that producers can respond equally or exceed consumer complaints (or  $ATC \leq ATR$ ) when dissatisfied consumers complained to the company as illustrated in Table 2. This condition of high recovery ( $\Sigma M_{1-i} - \Sigma M'_{1-i} \leq 0$ ) leads to a high complaint satisfaction for dissatisfied consumers because they can gain more benefits from participating in ATC. Consequently, the high complaint satisfaction will make dissatisfied consumers form a positive attitude (PA) towards those producers. Dissatisfied consumers, however, compare their positive attitude (PA) after interaction with their prior attitude towards the brand (PAB) to decide their final decision for brand loyalty. Like the first scenario, the outcome can be grouped into 3 outcomes as negative, neutral, and positive outcomes. After comparing between PA and PAB, dissatisfied consumer, who has PA equal or exceed PAB, tend to be loyal to the same brand. However, if PA is lower than PAB, dissatisfied consumers will form a negative attitude towards producers and then exit or switch to other brands.





Where:

- 1) ATC - M<sub>1</sub> - M<sub>6</sub> is a set of ATC which dissatisfied consumers complain to the producer.
  - M<sub>i</sub> is any claim which is not listed from M<sub>1</sub> to M<sub>6</sub>.
- 2) ATR - M<sub>1</sub> - M<sub>6</sub> is a set of ATR which the producer actually respond to ATC.
  - M<sub>i</sub> is the ATR which the producer respond to each dissatisfied consumers' ATC.
- 3) ATC ≤ ATR if Σ M<sub>1-i</sub> - Σ M<sub>1-i</sub> ≤ 0

**Table 2 High Recovery of Interaction**

In both scenarios, PAB is not necessary to be correlated with the outcome of interaction. Instead, individual's experience with the products and services would make consumers form their own attitude towards a brand. Dissatisfied consumers with negative PAB may bias the positive attitude from ATR, thereby resulting in brand disloyalty. It can be said that PAB is another important determinant of brand loyalty recovery which producers in both scenarios need to fully understand in order that they can turn dissatisfied consumers to become loyal to the company's brand name again.

### 3. An Empirical Model of Proposed Theoretical Model

According to Figure 4, the proposed model of brand loyalty recovery derived from the preceding conceptual development can be developed as a path model in Figure 5 and empirically tested by a statistical methodology called "structural equation modeling (SEM). The SEM utilizes the regression model to specify causal relationships among the latent variables and enables a clearer conceptualization of the theory under study. The

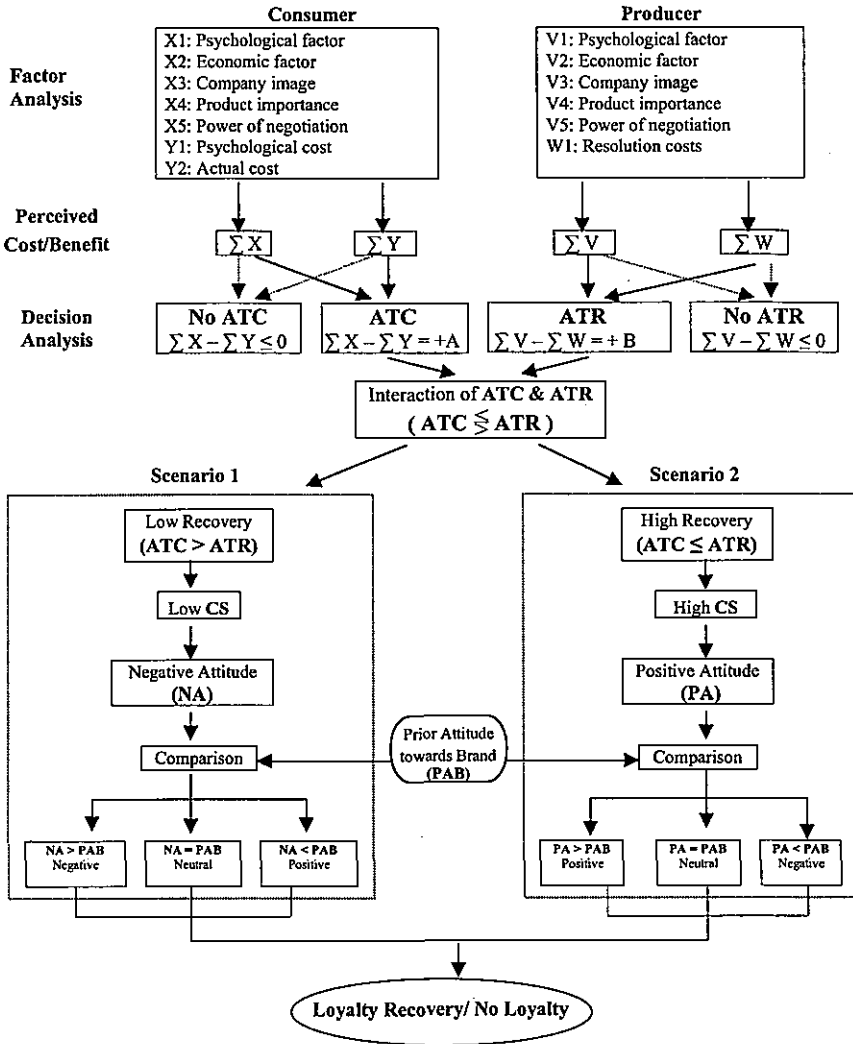
concept of consumers' perceived benefits and expected loss, producers' perceived benefits and expected costs, and prior attitude toward the brand are classified as exogenous constructs ( $\xi$ ) which are measured by observed exogenous variables ( $X$ ). As for endogenous constructs ( $\eta$ ), they include ATC, ATR, attitude after recovery, comparison process and brand loyalty recovery and each of them is measured by the observed endogenous variables ( $Y$ ). Each description of measure is briefly developed in Table 3. Items are taken from the relevant literature (i.e., Blodgett et al., 1993; Conlon and Murray, 1996; Tax et al., 1998) and some are developed in respect to the proposed concept. The variables are measured in the seven-point Likert scales (e.g., 1 = strongly disagree, 4 = Neutral, 7 = strongly agree, or 1 = no importance, 4 = importance, 7 = absolutely importance).

From Figure 5, this empirical model of conceptual development shows that consumer and producer's perceived benefits and costs are considered exogenous to the set of loyalty recovery, as is prior attitude towards brand. Whereas the prior attitude towards brand is posited to affect loyalty recovery at the comparison process, the consumer and producer variables are posited to affect attitude after recovery through the mediating effects of interaction of ATC and ATR. In the diagram, all paths between consumers and producers and action to complain and action to respond are shown so that the hypothesized null paths can be verified empirically. Attitude after recovery and prior attitude towards brand is assumed to affect the comparison process. Finally, comparison process is assumed to affect brand loyalty recovery directly.

**Within this model, the following hypotheses can be tested as follows:**

- H<sub>1</sub>: The action to complain (ATC) is a positive effect of consumers' perceived benefits and a negative effect of consumers' expected losses.
- H<sub>2</sub>: The action to respond (ATR) is a positive effect of producers' perceived benefits and a negative effect of producers' expected resolution costs.
- H<sub>3</sub>: Attitude after recovery is a function of interaction between ATR and ATC.
- H<sub>4</sub>: Comparison process is a function of attitude after recovery and prior attitude towards brand.
- H<sub>5</sub>: Loyalty recovery is a function of comparison process.

Figure 4 The Model of Brand Loyalty Recovery



Where

- $\sum X$  = Consumer's Perceived Benefits
- $\sum Y$  = Consumer's Expected Loss
- ATC = Action to Complain
- ATR = Action to Respond
- A = Benefits from Complaint
- PAB = Prior Attitude towards Brand
- NA = Negative Attitude after Recovery

- $\sum V$  = Producer's Perceived Benefits
- $\sum W$  = Producer's Expected Costs
- No ATC = No Action to Complain
- No ATR = No Action to Respond
- B = Benefits from Response
- CS = Complaint Satisfaction
- PA = Positive Attitude after Recovery

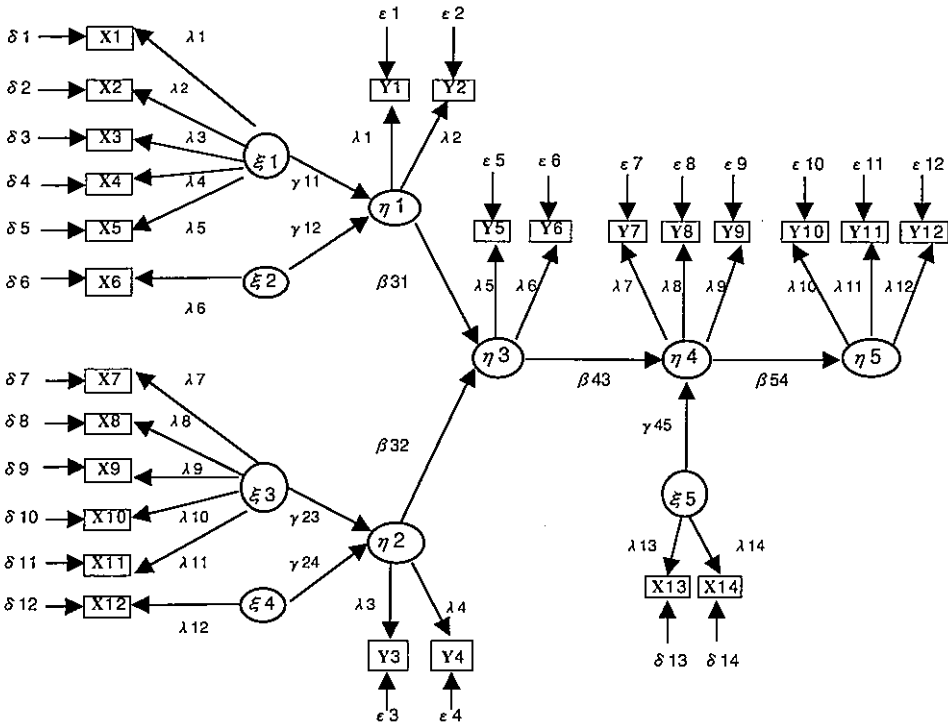
H<sub>1</sub> and H<sub>2</sub> derive from the preceding discussion of decision to complain and respond. H<sub>3</sub> tests for attitude after recovery influences resulting from the effects of ATC and ATR. H<sub>4</sub> extends the analysis to the comparison process between exogenous prior attitude toward the brand. Finally, H<sub>5</sub> extends the concept of comparison process to brand loyalty recovery criterion.

## V. Conclusion Remarks

This study has proposed that producers have a possibility of recovering brand loyalty from those dissatisfied through two main theory buildings: the stages of consumer complaint process (CCP) and a model of brand loyalty recovery. If dissatisfied consumers are effectively encouraged to speak up their cause of dissatisfaction, producers will have a chance to improve their products and services, thereby recovering their brand loyalty. Dissatisfaction in terms of complaints is the most direct and effective way for customers to tell producers that there is a room for improvement. Thus, producers should treat consumer complaints as a foundation of continuous improvement instead of unexpected outcomes from marketing activities.

In brand loyalty recovery scenarios, consumer complaints interact with producer response in the action stage. Dissatisfied consumers in each scenario form their attitudes toward the outcome of interaction (e.g., negative or positive) and compare it with their prior attitude toward the brand. Dissatisfied consumers who gain neutral and positive outcome remain loyal to the same brand name even though they were dissatisfied after the purchase event. In contrast, those dissatisfied consumers who gain a negative outcome from comparison process are assumed to stop buying or switch to other brands. It can be said that producers with a good consumer's brand attitude tend to easily recover its brand loyalty from dissatisfied consumers even though they do not fully respond to those complaints. However, some producers with a low brand attitude tend to lose their customers if their responsiveness does not exceed consumer complaints. Marketing practitioners may apply this mechanism and concept when they have to deal with dissatisfied consumers' complaining behavior.

Figure 5 The Empirical Model of Brand Loyalty Recovery



Where

X = Observed Exogenous Variables

xi = Exogenous Constructs (latent variables)

delta = Measurement Errors in X

lambda = Regression Matrix Relating xi to X

gamma = Coefficients Relating xi to eta

Y = Observed Endogenous Variables

eta = Endogenous Constructs (latent variables)

epsilon = Measurement Errors in Y

beta = Coefficients Relating eta to one another

xi1 = Consumers' Perceived Benefits

xi2 = Consumers' Expected Losses

xi3 = Producers' Perceived Benefits

xi4 = Producers' Expected Costs

xi5 = Prior Attitude Toward Brand

eta1 = Action to Complain (ATC)

eta2 = Action to Respond (ATR)

eta3 = Attitude after Recovery

eta4 = Comparison Process

eta5 = Brand Loyalty Recovery



Finally, although this study has a number of contributions to the development of consumer complaint process and brand loyalty recovery, it leaves some research areas to focus in the future. First, it is interesting for researchers to use the proposed model to examine consumer dissatisfaction under dependency relationship (i.e., the health care, insurance industry, etc.) where consumers are dependent on the company's service. Moreover, once dissatisfied consumers' complaint is received under dependency relationship, what system does the company have to assure that consumer complaints' information has been communicated to the right person?

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## Notes

- (1) A discussion of levels of under or over consumption fulfillment is explained by the expectancy disconfirmation concept. See, for example, Anderson (1973); Oliver (1980, 1997); Olson and Dover (1979); Swan and Combs (1976).
- (2) Although previous researchers tended to focus on satisfied consumers' buying behavior, many marketing scholars have recently proposed a concept of consumer dissatisfaction. See, for example, Blodgett et al. (1993); Singh (1988, 1990); Tax et al. (1998).
- (3) Day and Landon (1970) extended Hirschman's (1970) theory of "Exit, Voice, and Loyalty" by dividing a private action (e.g., warning family, etc.) from a public action (e.g., seeking redress, complaining to the company and taking a legal action).
- (4) In this process, Blodgett et al. (1993) hypothesize that negative word-of-mouth and repatronage intentions are dependent on the consumer's perceived justice after complaining to the company.
- (5) According to Tax et al. (1998), a majority of complaining consumers were dissatisfied with complaint handling experiences. Thus, the dimension of justice

(distributive, procedural and interactional justices) during the handling process has affected the complaint satisfaction.

- (6) This theory explains that all alternatives that a person faces are reduced to a series of prospects that are evaluated independently on the basis of a S-shaped value function. It suggests how people psychologically interpret the goodness or badness of an option which does not necessarily match any "objective" or actual measure of its value. See also Kahneman and Tversky (1979); Moven (1995).
- (7) In this article, the prior attitude towards the brand is defined as how consumers perceive a brand performance. Each consumer, thus, forms his own attitude towards the brand through an information acquisition and product experience (see Biehal, 1983; Simonson et al., 1988).

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## ブランド・ロイヤリティー回復のためのモデル —消費者クレームと生産者の対応をふまえて—

〈要 約〉

モンコン モンコンノラキット

本論文は、消費者クレーム過程のモデル化を目的とする。購買行動後における不満足な消費者の反応を概念化するものである。加えて、消費者のクレーム意思決定要因と生産者対応の関係にも注目し、ブランド・ロイヤリティーへの回復過程を示唆するものである。

これまでの購買行動後に関する研究は、ディスコンファメーション理論、アトリビューション理論、イクイティー理論など数々の理論が構築されてきたが、これらの理論では、消費者不満足が含まれていなかった。本論文では(1)不満足な消費者への対応モデルの構築 (CCP)、(2)CCPを展開しブランド・ロイヤリティー回復への過程の概念化を試みた。

モデルは行動前、行動時点、行動後の3つの段階に分かれる。行動前の段階は消費者側の「問題発見」や「責任転化」および生産者側の「問題認識」、行動時点では消費者側の「クレーム」と生産者側の「対応」、行動後においては、消費者側の「問題解決」や「クレーム満足」および生産者側の「集約的問題解決」や「フォローアップ」で構成される。生産者が不満足な消費者のクレームに対応するという点から行動時点が最も重要な段階である。消費者・生産者いずれの側も期待コストよりも利益を得られるのか否かを明らかにする必要がある。

前述のように、CCPの各段階はクレームの結果による満足を目指すものである。生産者においても、クレームを起こした消費者からブランド・ロイヤリティーを回復ないしは、浸透させることが可能となるのである。ブランド・ロイヤリティーの回復にはアクション・トゥ・コンプレインおよびアクション・トゥ・レ

スポンスの結果に限らず、ブランドそのものに対する信頼性の高低によるところが大きい。不満足な消費者は生産者の対応とブランドへの信頼度を比較し、その後のブランドへの対応を決定するからである。このような消費者不満足の実動と生産者対応の関係は、顧客の維持や購買決定要因に関する情報を求める消費者への良い評判の波及へとつながるのである。