

SALIENT DIMENSIONS OF PERCEIVED FAIRNESS IN RESOLUTION OF SERVICE COMPLAINTS

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ABSTRACT

This paper suggests that the consumer who seeks complaint resolution from a service provider may resemble a participant in civil litigation. The procedural fairness literature suggests that perceived fairness of a conflict resolution procedure will influence satisfaction as well as willingness to trust the institution in future interaction. Subjects who recalled complaint resolution following a service failure did identify dimensions of fairness which remained salient after the transaction was completed. Rudeness and style of interaction were important determinants of perceived fairness; however, presence or absence of tangible compensation was not only mentioned most often as a dimension of fairness, but also appeared to critically influence satisfaction and willingness to reuse the firm. This result is theoretically consistent with psychological theories which suggest that allowing people to "let off steam" will lead to a frustration effect unless the judge appears to be responsive to the information provided by parties to the litigation. Implications are identified for both researchers and practitioners.

INTRODUCTION

While a number of CS/D researchers have explored determinants of complaint behavior, little attention has been directed to the firms' response options. Etzel and Silverman (1981) suggest that "secondary satisfaction" arising from complaint-handling may build even stronger loyalties than satisfaction with the initial service; they note the difficulty of establishing a "mechanism" to "rule on" complaints using a fairness criterion. Similarly, Best and Andreasen (1977) suggest that:

"...[I]t is not realistic to suppose that all complaints lead to corrective action that is acceptable to the complainer. Common experience suggests that many complaints are rejected by their recipients. Discovering what happens to the complaints that are voiced is fundamental to understanding the consumer complaint process." (p. 725)

Some researchers (e.g., Richins 1979) assume that consumers respond positively to apologies and opportunities to express concerns to management. Folkes (1984) related consumer expectations of specific responses—apology, refund, exchange—to attributions of problem causation.

A theoretical framework may help to clarify the way a firm's response to a consumer complaint will affect the consumer's immediate satisfaction as well as his/her future relationship with the firm. This paper suggests that equity theory may offer a useful framework to develop both research and practitioner understanding of these issues. Traditional research in equity theory has focused on restitution for wrongdoing as well as principles governing

allocation of resources. More recently, studies of conflict resolution procedures suggest that fairness perceptions can be influenced by the opportunity for disputants to influence outcomes. Additionally, researchers have begun to suggest that interactional style also influences fairness perceptions. When initiating a complaint about service failure, consumers may perceive the marketer as contributing outputs well below the level of the consumer's inputs, or even as doing harm to the consumer. After presenting a complaint, the consumer engages in a conflict resolution process which is often designed by the firm. The outcome, or complaint resolution, may be presented in a wide range of styles, ranging from politeness to hostility.

This sequence of events raises questions of equity at each stage. The effect is more pronounced when complaints arise from service rather than product failures. When complaining about a service, the consumer confronts a specific individual rather than a more anonymous firm. Indeed, the consumer's complaint may be based upon a service failure created by the very person who receives the complaint.

In this context, the consumer resembles a litigant who presents a civil case in a courtroom, where procedures are intended to leave even the "loser" with a feeling of fair treatment and continued faith in the institutional justice system. He or she also resembles an employee undergoing salary evaluation, where corporate procedures are intended to retain the employee's loyalty regardless of the amount of salary increase. Like the court and the personnel department, the service marketer would like the consumer to leave even a negative encounter feeling satisfied by the firm's response to his/her complaint, and would also like the consumer to return to the same firm for future service. The procedural fairness and interactional fairness literatures have examined litigant and employee perceptions of courts and employers following a variety of outcomes; therefore, an application of this framework can be expected to offer understanding of consumer perceptions of fairness as they evaluate responses of firms to service failures.

Equity Theory

Although equity theory directly addresses outcomes of exchange processes, surprisingly few applications have been found in the marketing literature (Huppertz et al. 1978). While a number of authors have found a relationship between perceived equity and consumer satisfaction (e.g., Swan et al. 1985; Fisk et al. 1984; Liechty and Churchill 1979), attention has been limited to perceived relationships between inputs and outputs of transactions. Therefore, an important element of consumer satisfaction—perceived fairness of the firm's customer relations policies—remains unexplored.

The equity literature distinguishes distributional fairness from procedural fairness. Considerations of distributional fairness, or equity, arise when a resource is

allocated according to some principle, such as equalizing the relationship between inputs and outputs (Adams 1965) or relative need of participants. In contrast, evaluations of procedural fairness are based on the way conflicts about allocation are resolved. To illustrate the powerful influence of procedure on fairness perceptions, Lind and Tyler (1988) cite research findings that traffic offenders appearing in a Chicago court were often angry and dissatisfied when their cases were dismissed without a hearing, despite the excellence of this outcome--no jail, fine or violation record. While distributional fairness theories cannot explain these reactions, the procedural, or process-based, view suggests that people were dissatisfied because procedures failed to meet their "standards of proper judicial process." On the other hand, procedural aspects of a judicial system or organization can allow citizens or employees to retain positive regard for these institutions when they might receive negative outcomes in specific trials or salary evaluations.

Procedural fairness has been linked to satisfaction in judicial, employment and political settings. This paper suggests that consumers who encounter a service problem may also be seeking fairness as they face the firm's representative who acts as "judge" of their cases.

More recently, Bies and Moag (1986) identified a third aspect of fairness, suggesting that the interactional style used to obtain information and communicate outcomes will also affect perceptions of fairness. In their studies, MBA students were asked to evaluate the fairness of job interviews. Interviewers who asked "improper" or irrelevant questions, or who demonstrated rudeness, were characterized as unfair. In a consumer complaint setting, this concept of "interactional fairness" suggests that the consumer who receives a rude response from the firm's representative may believe s/he was treated unfairly regardless of the actual compensation offered.

Research Questions

Following these research trends in social psychology, this study seeks to uncover sources of consumer perceptions of fairness with regard to complaint-handling. The central research question to be discussed here is: "When consumers complain to a firm following a perceived service failure, how will they evaluate the fairness of the firm's response? What aspects of the firm's actions will be considered relevant to the consumer's evaluation of fairness?"

Distributive fairness research suggests that outcomes of complaints will be associated with fairness perceptions; that is, consumers who receive larger outcomes will perceive the complaint-handling process as fair, compared to consumers who believe they received smaller outcomes. Procedural fairness research suggests that consumers will associate fairness of the firm's response with completeness and accuracy of information used in decision-making; thus, outcomes will be evaluated as fair if the provider not only allows the consumer ample opportunity to present feelings and opinions, but also considers this information when making a decision. The recently-introduced interactional fairness research suggests that fairness perceptions will be associated with interactional style; rudeness, unfriendliness or hostility can be expected to lower perceptions of

fairness regardless of outcomes. Finally, consumer behavior research (e.g., Krishnan and Valle 1979; Folkes 1984) suggests that appropriateness of the firm's response may be related to the consumer's attribution of blame for the failure which led to the complaint. The consumer who believes that the provider was not at fault, and/or that the provider did all s/he could to resolve the problem may be inclined to believe the complaint was handled very fairly. On the other hand, the consumer may see a provider as a "harm-doer" who deliberately created the service failure or who did less than he could to restore equity.

Method

This research was undertaken as part of a larger study investigating procedural fairness in complaint settings. Subjects were 135 graduate and undergraduate students from two large urban universities, one in the southeast, the other in the midwest. Average age was 23, 52 % were male, and most appeared to be self-supporting consumers who earned their own money.

Subjects were asked to recall an incident of service failure in one of four service industries: air travel, medical/dental service, auto mechanics or restaurant service. These services were selected because subjects indicated familiarity with them during pre-tests. Subjects were asked to select incidents which had generated actual face-to-face complaints about service failures which were not their own fault. Following description of the incident, subjects were asked how the complaint was resolved. Next, they were asked to rate fairness of complaint-handling on a Likert-type scale, followed by an open-ended question: "Why do you think so?" The objective of this open-ended question was to elicit aspects of the complaint-handling process, and possibly of the service failure itself, which contributed to consumer evaluations of fairness.

Obviously, perceptions of fairness will be influenced by a large number of factors. This approach will identify those aspects or dimensions of fairness which will be most salient to the consumer--the "top of mind" aspects of fairness. To accomplish this objective, responses to this open-ended question were content-analyzed. The unit of analysis was the phrase used to answer the question, "Why do you think the response to your complaint was fair?" Six bipolar categories of responses were selected based on equity theory as well as pre-tests. The categories were: interactional style (rude or polite); provider's willingness to listen (willing to listen vs. refused to listen or tired of listening); attribution of blame for the service failure (provider directly responsible or "couldn't be helped"); admission of fault (provider denied responsibility or lied to consumer vs. provider acknowledged responsibility); presence of absence of an apology; and degree of compensation (ranging from none to partial, full and free gift). When a product failure occurs, the firm can compensate by offering a replacement; however, in a service setting, an "exchange" may be made by performing the service correctly without additional charge. Therefore, compensation was defined as either financial or "make-good" restitution.

Because this research focused on identifying salience

of dimensions of fairness, coding was based on objective meaning of the phrases rather than thematic interpretation. Each response was coded by the two authors. Inter-coder reliability exceeded 90%; differences were resolved by discussion between the coders.

Results

Although individuals differed in the number of phrases used, over 80% used fewer than three phrases which could be coded distinctly. Only five responses contained no phrases which fit these six categories.

Table 1

| <u>Attribution of Blame:</u> | | |
|--|-----|-----|
| Provider blamed | 19 | 15% |
| Provider should not be blamed | 15 | 12% |
| Blame not mentioned | 90 | 73% |
| <u>Compensation/Correction of Problem:</u> | | |
| No compensation/correction | 21 | 17% |
| Partial compensation/correction | 26 | 21% |
| Adequate/breakeven compensation | 21 | 17% |
| Gift or "free" item included | 9 | 7% |
| Compensation not mentioned | 68 | 55% |
| <u>Interactional style:</u> | | |
| Polite | 7 | 6% |
| Rude/Hostile | 14 | 11% |
| No mention of style | 103 | 83% |
| <u>Willingness to listen:</u> | | |
| Refused to listen | 16 | 13% |
| Listened | 2 | 2% |
| No mention of listening | 106 | 86% |
| <u>Admission of fault:</u> | | |
| Provider admitted responsibility | 3 | 2% |
| Provider denied responsibility/lied | 12 | 10% |
| No mention of admission/denial | 109 | 88% |
| <u>Apology:</u> | | |
| Provider apologized | 7 | 6% |
| Apology expected but not received | 3 | 3% |
| Apology not mentioned | 114 | 91% |

Table 1 indicates the number of times each aspect or dimension was coded. Although some consumers chose to report complaints which were resolved satisfactorily, most reported incidents in which they were dissatisfied with complaint-handling. This choice is not surprising, as substantial research suggests that negative stimuli tend to be more salient than positive stimuli (e.g., Kanouse and Hanson 1972). Therefore, considerably more phrases were positioned at the negative pole of each category than the

positive pole.

For purposes of analysis, the six dimensions were collapsed into four, as numbers were small in some categories. First, the listening category was combined with admission of fault, as both categories deal with provider responsiveness. This combination can be theoretically justified, as procedural fairness literature suggests that providers who listen without responding may create a "frustration effect" (Folger 1977). Additionally, the categories of "style" and apology were combined, as an apology appears to be incompatible with rudeness.

Although the sample was obtained from universities in different parts of the country, respondents from these cities did not differ significantly with regard to choice of categories, nor were differences found in demographic data obtained—age, proportions of males/females, and years of work experience. Therefore, responses from these cities were pooled.

Table 2
Gender Differences in
Mention of Provider Responsiveness

| | Mentioned Responsiveness | Did not Mention Responsiveness |
|---------|--------------------------|--------------------------------|
| Females | 21 (36%) | 38 (64%) |
| Males | 10 (16%) | 55 (84%) |

Chi-square = 6.74 , $p < .0009$

Mentions of categories differed between males and females with respect to responsiveness but not with respect to other categories (Table 2). Females mentioned provider responsiveness significantly more than males ($p < .009$, Chi-squared = 6.74). Research in sociolinguistics has found that females do tend to be interrupted more than males in conversational interaction (Drass 1986); on the other hand, females may be more concerned with provider responsiveness than males. Future research will be needed for clarification of this finding.

Mentions of categories did not differ significantly for services with the exception of compensation. About 30 percent of subjects who chose to report medical or dental service complaints mentioned compensation, as compared to 70% of those reporting restaurant complaints mentioned compensation, and approximately 50% of airline and mechanic complainants (Chi-square = 12.56, $p < .005$). This finding suggests that norms surrounding specific service encounters may influence salience of various aspects of complaint response. For example, both medical and restaurant complainants described incidents of rudeness and delays in service; restaurants have established norms of compensation for these negative experiences while medical professionals typically do not appear to offer any form of compensation or corrective action. Additionally, fewer subjects chose to report medical or dental complaints in this study (22 subjects as compared to 35, 33 and 38) than airline or auto mechanic complaints. Best and Andreasen (1977) noted fewer incidences of complaining to medical practitioners as

compared to other services due to difficulty with exercising the exit option and finding alternative sources. In this study, subjects may not have wished to recollect and report medical experiences which tend to be more personal.

Influences On Perceived Fairness

As noted above, the primary purpose of this research is to identify aspects of the service firm's response to a complaint that will affect the consumer's perceptions of fairness of the complaint transaction. Therefore the four dimensions which emerged from the code were entered as independent variables into an ANOVA analysis. The dependent variable, perceived fairness was measured by two 5-point Likert-type items which correlate strongly with one another (Pearson $r = .55$, $p < .0001$); subjects were asked to evaluate (a) fairness of the process ("extremely fair" to "extremely unfair") and (b) degree to which they would trust the same procedures in future incidents (ranging from "strong trust" to "no trust").

Table 3
Influence of Salient Concerns
on Perceived Fairness

| Coded category | F | pr > F |
|----------------|-------|-----------|
| Rudeness | 7.66 | .0011 SIG |
| Blame | 7.09 | .0013 SIG |
| Compensation | 11.21 | .0001 SIG |
| Responsiveness | 4.59 | .0120 SIG |

Results (see Table 3) suggest that all four of these categories which were coded from open-ended responses are significantly related to consumer perceptions of fairness as measured in this study. Moreover, mean fairness scores of categories coded at the positive pole (e.g., politeness and adequate compensation) differ significantly from those coded at the negative pole (e.g., rudeness or inadequate compensation) in all cases. However, means of subjects who mentioned negative poles of these dimensions do not appear significantly different from those of subjects who failed to mention the category at all. Subjects may take the negative aspects of each category so much for granted that they are not salient. Interaction effects were not assessed as few subjects mentioned more than one category in their responses.

In addition to perceived fairness of the transaction, marketers may also be interested in consumer satisfaction with the experience, as well as the consumer's willingness to return to the firm for future service. Both satisfaction and willingness to return should be enhanced if consumers are pleased with complaint handling. Therefore, it is relevant to ask whether salience of these categories was also related to these aspects of consumer behavior.

Satisfaction was measured by summing two Likert-type items which correlated strongly (Pearson $r = .86$, $p < .0001$): "Overall, I was satisfied with the way my complaint was handled," and "Overall, I got what I wanted."

Willingness to reuse the firm was measured by summing two Likert-type items (Pearson $r = .68$, $p < .0001$): "I would be willing to use the firm's services again," and "I would recommend the firm to others."

Results are reported in Tables 4 and 5.

Table 4
Influence of Salient Concerns
on Reported Satisfaction

| Coded category | F | pr > F |
|----------------|-------|-----------|
| Rudeness | 11.13 | .0001 SIG |
| Blame | 5.62 | .0041 SIG |
| Compensation | 11.92 | .0001 SIG |
| Responsiveness | 1.82 | .17 |

Omnibus $F = 8.48$, $p < .0001$, $R^2 = .43$

Table 5
Influence of Salient Concerns
on Indicated Willingness to Reuse

| Coded category | F | pr > F |
|----------------|------|-----------|
| Rudeness | 9.78 | .0001 SIG |
| Blame | 3.59 | .0300 SIG |
| Compensation | 6.14 | .0001 SIG |
| Responsiveness | 1.47 | .23 |

Omnibus $F = 5.42$, $p < .0001$, $R^2 = .32$

Compensation and interaction style seem to represent the strongest influences on perceived satisfaction and willingness to return to the firm, as measured here (Tables 4 and 5). A post hoc analysis, using a Scheffe comparison of means test, suggests that scores of respondents who reported rude interaction styles and those who omitted mention of interaction style were not significantly different from one another; however, both were significantly different from scores of respondents who reported politeness (see Table 6). Similar patterns can be identified with respect to compensation and attribution of blame. However, responsiveness--listening and acknowledgment of responsibility--was not significantly related to satisfaction or stated willingness to return to the firm.

DISCUSSION AND IMPLICATIONS

Obviously, caution must be used in interpretation of findings due to the relatively small sample size and the restriction of the range of services. While the student subjects represent genuine consumers who earn and spend their own money, they tend to be educated consumers who live and work in metropolitan areas. On the other hand, these business school students represent an attractive market to a number of service firms, and their responses may be useful in assessing interactions between firms and

Table 6
Mean Differences in Consumer Reactions
to Firm's Handling of Complaints (1)

| | Satis- faction | Willing- ness to Remun | Fair- ness |
|---|-------------------|------------------------------|---------------|
| <u>Interactional Style:</u> | | | |
| Mention of Politeness | 7.9 (a) | 7.8 (a) | 7.6 (a) |
| No mention of style | 5.2 (b) | 5.0 (b) | 5.5 (b) |
| Mention of rudeness | 4.3 (b) | 3.8 (b) | 4.9 (b) |
| <u>Compensation or Correction of Service Failure:</u> | | | |
| Gift or free service | 7.4 (a) | 6.7(a,b) | 8.1 (a) |
| Adequate comp/correction | 8.2 (a) | 7.7(a) | 8.1 (a) |
| No mention of compensation | 4.7 (b) | 4.7(b,c) | 5.1 (b) |
| Partial compensation | 3.0 (b) | 4.1(b,c) | 4.3 (b) |
| No compensation | 4.0 (b) | 3.4 (c) | 4.5 (b) |
| <u>Blame:</u> | | | |
| No fault | 7.0 (a) | 6.2 (a) | 7.3 (a) |
| Provider at fault | 4.2 (b) | 3.9 (b) | 4.6 (b) |
| No mention of blame | 4.2 (b) | 5.3 (a,b) | 5.7 (b) |
| <u>Responsiveness:</u> | | | |
| Provider listened/ acknowledged | | | 7.4 (a) |
| No mention | | | 7.4 (a) |
| Provider refused to listen | | | 5.3 (b) |

(1) Reported only when ANOVA results are significant at $p < .01$. Means with the same letter are not significantly different ($p < .05$, using Scheffe test of multiple comparisons.)

upscale professional consumers.

This study suggests that service consumers tend to identify dimensions of fairness which are consistent with findings of social psychologists who investigated fairness in other settings. Consumers appear to be concerned with outcomes of complaining, as well as style of the interaction and the provider's willingness to listen. Compensation was mentioned considerably more than other dimensions of fairness: 45% mentioned compensation, as compared to 27% who mentioned blame and 20% who mentioned style or responsiveness. This finding suggests that firms may want to consider offering a tangible compensation to customers who complain, rather than a polite apology. A recent article in the popular press (Sellers 1988) suggests that many firms emphasize courtesy as they train service personnel. However, the study reported here suggests that allowing customers to "let off steam" may contribute to perceptions of fairness, but tangible outcomes will remain more salient to the consumer than expressions of courtesy or provider

responsiveness.

Attribution of blame, mentioned by over one-fourth of respondents, also seemed to remain salient to consumers; consumers whose answers fell at the negative pole used words like "incompetence" to describe their perceptions. While this dimension might appear to pertain more to the original transaction rather than the complaint-handling process, equity theory suggests that harm-doers can generate strong anger in their victims (Walster et al. 1973). Thus, these consumers may believe that the harm they encountered is so great that only a very large compensation would be perceived as fair. Another possibility is that firms which are in fact functionally incompetent may also be unable or unwilling to offer sufficient restitution. For instance, the mechanic who fails to fix a car two or three times will probably be unable to fix it at all; even if the mechanic doesn't charge (a rare event, according to this study) the consumer will have to go elsewhere to get the car fixed, resulting in a net loss of time that cannot be compensated. In conclusion, this research suggests that consumers do form perceptions of regarding the way their complaints were handled. They seem to associate fairness with the opportunity to "present a case" to senior management as well as a courteous style. However, the degree to which a complaint results in tangible compensation, whether monetary or "make good" service action, seems to be even more important to consumers than any other aspect of the complaint transaction. Therefore, firms who receive complaints may want to consider offering some form of tangible compensation. For example, the hotel guest who complains about waiting in line for an hour may obtain greater satisfaction from a free drink than a profound apology.

Finally, above all, consumers still seem to value competence. They are willing to acknowledge that sometimes things may go wrong which are "nobody's fault," as some respondents wrote. On the other hand, extreme instances of incompetence often cannot be remedied. This suggestion also supports the need for tangible responses to complaints: the consumer values the functional aspects of service, and style cannot always compensate for losses of time, money or value received.

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