

MYTH AND REALITY IN CUSTOMER SERVICE: GOOD AND BAD SERVICE SOMETIMES LEADS TO REPURCHASE

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ABSTRACT

Consumers who are satisfied with customer service often indicate that they would repurchase the same item or service. It is more surprising that dissatisfied consumers also express, sometimes strongly, their intent to repurchase. In this study, the response to warranty repair service of 555 consumers for seven electronic product lines within one company was examined. The conditional probabilities for repurchase following a positive and negative service experience significantly differed across product lines. For example, the probability of repurchase following a negative experience ranged from 47% to 84%. While good customer service may make a difference, it is obviously only part of the story.

INTRODUCTION

It is the age of customer service. Those of us who have been preaching the gospel according to Albrecht and Zempke (1985) can finally say that we have come into our own. Because we anticipate that the interest in customer service will continue, it may be time to look at what might be called the myth of its guiding principle: Customer service makes a difference to consumers' repurchase intent.

Simply stated, the guiding philosophy is that if a seller can provide exceptional customer service, consumer satisfaction and likelihood of repurchase will be high. And inversely, if a seller provides poor customer service, consumer satisfaction and likelihood of repurchase will be low.

While there is some very limited recognition that the relationship between good customer service, satisfaction, and repurchase is not isomorphic, the perspective from research and popular writing is that good customer service is good customer service, no matter which class of business is examined, and that the consequences of good and bad customer service are the same for different products/businesses. The assumption is, that at its worst, good customer service doesn't hurt and bad customer service doesn't help (Garfein, 1987).

The overwhelming theoretical, empirical, and conceptual assumptions are that confirmation of expectations leads to satisfaction, which in turn leads to repurchase intentions (see Swan & Trawick, 1981a,b for a model and empirical support). Indeed, most of the empirical and theoretical work in this area attempts to understand the development of consumer satisfaction and dissatisfaction, given its importance in the repurchase decision (e.g., Tse & Wilton, 1988). "It is a truism that the way to retain customers is to treat them well" (Fornell & Wernerfelt, 1987, p338).

Yet, what if this is not true? We are certainly not

the first to address this issue. In a direct analysis of this issue, Stearns, Unger, & Lesser (1982) showed that "although a direct relationship between satisfaction/dissatisfaction and intentions to repatronize may appear axiomatic", variables may intervene between satisfaction/dissatisfaction and intentions. For example, Kraft (1977) found that repurchase intention varied with the consumers' attribution of responsibility for the dissatisfaction. In addition, Granbois et al (1977) reported that the type of action taken by dissatisfied consumers was in large part determined by how interested the consumers perceived the store employees to be in dealing with their problems.

Our work is focused on satisfaction with warranty repair service. Warranty repair guarantees are an important part of both the marketing mix and product differentiation (Fisk 1970; Kendall and Russ 1975). The importance of repair service in the creation of consumer satisfaction/dissatisfaction following purchase was reported in a series of studies by Ash (1980) and Day and Bodur (1977; 1978).

If the guiding wisdom described above is correct, the effects of positive and negative repair experiences should not lead to differential purchase intentions across product lines within the same company. That is, if positive customer service leads to positive purchase intentions and negative service leads to negative purchase intentions, then this relationship should be found for positive and negative experiences within any product category. However, if, as we propose, the relationship really is not that simple, then the impact of a positive service experience and a negative purchase experience on purchase intentions should vary across product lines.

METHODS

Sample

Two thousand four hundred and forty five surveys were mailed to a random sample of people who had had warranty repair service completed on an item from one of seven product lines of a major electronics company. One hundred and thirty surveys were returned as undeliverable; five hundred and fifty five surveys were returned and used in this analysis for a 23% usable return rate.

Survey Instruments

Respondents were asked to complete two survey instruments. The first was SERVQUAL (1986), a Likert type scale used to determine consumer satisfaction with four basic elements of customer service. Two Likert questions were added to this survey: "I would recommend the product to friends", and "I would repurchase another

product of the same company". These two statements were combined to yield an index of repurchase intention. It was assumed that the greater the likelihood of repurchase and the greater the likelihood of recommendation, the more positive the repurchase intention.

The positiveness and negativeness of the service experience was assessed through the use of a Critical Incident Technique. Under Critical Incident Technique, narratives of peoples' actual experiences are used to analyze the aspects of incidents that made them 'critical' (Flanagan 1954). In this application, respondents were asked to relate, in detail, their customer service experience, and the narratives were coded for overall positiveness/negativeness. Each story returned was coded as either a positive or negative service experience by two seasoned coders. Agreement was over 90%: in those cases where there was disagreement, the narratives were discussed until agreement was reached. (For further details on this use of Critical Incident Technique, see Feinberg and Widdows, 1989).

RESULTS

The probability of a positive or negative repair experience varied by product category. Seven different categories of electronic products (e.g. televisions) were covered in our study. The particular product categories cannot be identified to protect the confidentiality of the sponsoring company. Table 1 presents the percentage of positive and negative repair experiences by product category. Overall, consumers had a slightly better chance of experiencing a positive (58%) rather than a negative repair (42%). Moreover, there were significant differences in the probability that a consumer would have a positive or negative experience across product categories (Chi-square = 6.09, $p = .42$). Thus, consumers were just as likely to have a positive service experience as a negative one for all product categories.

The focus of this study is the impact of positive and negative warranty repair on repurchase intentions. Table 2 summarizes the findings on this issue. The findings are very clear: while the overall probability of having a positive or negative repair experience was the same for all products, the probability of repurchase was not isomorphic with either positive or negative service experiences. A Chi-square test showed that the probability of repurchase following a positive service experience was dependent upon the type of product (Chi-square = 23.3, $p = .05$). The probability of repurchase following a negative experience was also dependent upon the product category ($X^2 = 46$, $p = .05$). Indeed, for three of the product categories, probability of repurchase was over 70% following a negative service experience.

It should be pointed out that repurchase probabilities are always higher, and no repurchase probabilities lower, when the service experience was rated positive, as opposed to negative. Good customer service therefore counts for something. Nevertheless, the fact remains that the effect is not isomorphic: common wisdom neglects this fact.

CONCLUDING COMMENTS

The conditional probabilities for repurchase as a result of positive and negative service experience differed significantly across product lines. Does customer service, then, make a difference? The answer is yes, but the belief that positive customer service makes a difference, is, like all such sweeping statements, only part of the story. The phenomenon of differential impact of positive and negative experiences across different product lines points to some interesting avenues for taking a more detailed look behind the statement, "Good customer service makes a difference". Thus, we can examine the nature of positive experiences which lead to a higher probability of repurchase and compare them with those which result in low repurchase. Or we can define the nature of the negative experience which does not lead to low repurchase. Both of these avenues can be explored by Critical Incident Technique, and are being researched by the present authors.

From a purely pragmatic point of view, a company can no longer simply assume that the wisest business practice is always to supply positive customer service. The importance of more clearly understanding the relationship between satisfaction/dissatisfaction and repurchase intent is no minor matter. The costs of providing training, staffing and service in an attempt to satisfy all consumers are significant. If the costs of such efforts are not justified by increased repurchase, or, for that matter, if the costs of creating dissatisfied consumers are not that great, then efforts directed toward providing better customer satisfaction may, after due consideration of the alternatives, be better spent elsewhere.

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Table 1
Percentage Positive/Negative
Repair Experiences

	Overall Products	Product A	Product B	Product C	Product D	Product E	Product F	Product G
Positive Repair Experience	60%	66%	63%	61%	66%	52%	54%	55%
Negative Repair Experience	40%	34%	37%	39%	34%	48%	46%	45%

Table 2
Repurchase Probabilities

Following Positive
Service Experience

	Overall Products	Product A	Product B	Product C	Product D	Product E	Product F	Product G
Intend To Repurchase	96%	96%	96%	90%	100%	100%	90%	96%
No Repurchase	05%	05%	04%	10%	00%	00%	10%	04%

Following Negative
Service Experience

	Overall Products	Product A	Product B	Product C	Product D	Product E	Product F	Product G
Intend To Repurchase	67%	53%	68%	84%	74%	76%	47%	70%
No Repurchase	33%	47%	32%	16%	26%	24%	53%	30%

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