Linking the customer purchase process to website development and e-commerce performance
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4 The Effect of Complaint Behavior and Service Recovery Satisfaction on Intentions to Repurchase on the Internet

In this chapter, we study whether dissatisfying experiences with online purchases and complaining by consumers impacts their intentions to buy on the Internet. Therefore, we distinguish groups of consumers on a) whether or not the consumer had negative experiences with online purchases, b) whether the consumer complained about it, and c) whether the consumer was satisfied with the complaint handling. We find remarkable differences between these consumer groups with respect to intentions to repurchase on the Internet, while controlling for past purchase behavior and consumer characteristics. Consumers with negative experiences who complained about them, have higher repurchase intentions than 1) consumers who did not have a reason to complain and 2) consumers who did not complain about their negative experiences (silent complainers), which supports the service recovery paradox for the online setting. Furthermore, among different consumer groups based on complaint behaviors and service recovery satisfaction the highest repurchase intention is among consumers who complained and are satisfied with the complaint handling. Based on the findings, we discuss theoretical and managerial implications.
4.1 Introduction

Electronic commerce, especially sales in business-to-consumer (B2C) markets, increased remarkably and is expected to grow further in the next few years. For example, European B2C e-commerce sales are expected to hit USD 406.8 billion in 2011 (www.telecompaper.nl, 2007). However, for sustainable growth of Internet sales, it is crucial that consumers who adopted the Internet for purchases remain loyal to the channel (Srinivasan et al., 2003; Devaraj et al., 2003). Therefore, in this study the focus is on the final stage of the customer purchase process, the stage influencing customers' loyalty.

Customer satisfaction with online purchasing is an important driver of repeat purchases through the Internet (Devaraj and Kohli, 2003; Reibstein, 2002). However, a consumer making an online purchase may encounter a negative experience and become dissatisfied, which could lower his/her future online purchases. For example, a consumer may receive the products or services ordered very late or not at all, unordered products or services may be charged for, or refund policies may be violated. Such negative experiences could lead to complaints by the consumer, either to the company or website at which the purchase was made or to some external organization or website. The literature on traditional (offline) commerce (e.g. Dunning et al., 2004) indicates that even a dissatisfied customer is willing to repurchase from a retailer if his/her complaints were well handled. Hence, proper service recovery actions can win a consumer back (Holloway and Beatty, 2002), whereas if customers experience poor recovery efforts they may move to another retailer (Schneider and Bowen, 1999). To the best of our knowledge, complaint behavior and the so-called service recovery paradox (see De Matos, Henrique, and Vargas Rossi, 2007 for a recent meta-analytic overview) has hardly been addressed in the e-commerce literature. Pressing unaddressed questions include: What happens with dissatisfied and complaining online customers? Do they intend to buy online again or not? Does the service recovery paradox hold for online purchase behavior? Furthermore, do these issues depend on whether they complain to the company or to an external organization?
In this study, we contribute to the literature by investigating the impact of complaint behavior and service recovery satisfaction on the intention to repurchase on the Internet channel. To this end, we use a large-scale cross-European survey, which allows for generalization and international comparison of the findings.

The chapter is organized as follows. We first provide a review of the relevant literature and present the research model. Then, the study design is described. In the next sections we present the empirical results. Finally, we conclude, suggest potential implications for online retailers, and convey the limitations of this study.

4.2 Conceptual development

4.2.1 Satisfaction with online purchases

A consumer making an online purchase will have certain experiences during the purchase process. These experiences can be positive or negative and may cause the consumer to become satisfied or dissatisfied. According to the expectation-confirmation theory (ECT; Olivier, 1980), repurchase intentions and post-purchase behavior will differ between satisfied and dissatisfied customers. The ECT model posits that confirmation and satisfaction are the primary determinants of the intention to repurchase (Oliver, 1980; Bhattacharjee, 2001a, 2001b). Several studies on customer satisfaction and the intention to repurchase have applied expectation-confirmation theory in the e-commerce context (e.g. Bhattacharjee, 2001b; Khalifa and Liu, 2003; Atchariyachanvanich et al., 2007). In general, satisfied customers tend to continue purchasing through the Internet, whereas dissatisfied customers are tempted to disadopt the Internet as a purchase channel.

Service failure and recovery, complaint handling, and customer satisfaction with complaint management have all received considerable attention in the literature (Maxham and Netemeyer, 2002; Dunning et al., 2004; McCollough et al., 2000). For the offline context, it has been shown that even dissatisfied customers are often willing to repurchase. However, adequate
service recovery is critical because customers experiencing poor recovery efforts take their business elsewhere (Schneider and Bowen, 1999). This could be costly for a company, as it is known that it is usually cheaper to keep existing customers satisfied than to spend money on acquiring new customers (Schneider et al., 1998; Hart et al., 1990; Fornell and Wenerfelt, 1987). Some researchers refer to the ‘service recovery paradox’ (De Matos, Henrique, and Vargas Rossi, 2007; McCollough and Bharadwaj, 1992; Smith and Bolton, 1998), where effective recovery results in a more favorable consumer behavior or attitude than when no problem had occurred in the first place. Besides the potential impact on purchase intention, consumer complaints to the firm about negative experiences provide the firm with valuable consumer feedback, which may help firms improve their products or services (Blodgett and Anderson, 2000). It is clear that companies have much to gain from properly handling complaints. Therefore, service failure and recovery is a critical issue to all businesses, online and offline.

4.2.2 Complaint behavior about online purchases

Based on the consumer experience during the purchase process, consumers can be classified on the basis of three factors, namely a) whether or not the consumer had negative experiences with online purchases, b) whether and where (at the company or elsewhere) the consumer complained, and c) whether the consumer was satisfied with the complaint handling. This results in six consumer groups representing different complaint behavior and satisfaction with the service recovery (Figure 4.1).

Of course, a consumer may have had no negative experiences with online purchases in the past. This group of consumers (non-complainers, group 1) is generally satisfied and has no reason to complain about online purchases. When a consumer did experience a problem with an online purchase, there are several scenarios. First, it is possible that the consumer did not engage in complaint behavior even though s/he had a reason to do so (Chebat et al., 2005; Voorhees et al., 2006). This is the silent complainers group (group 2). Next, dissatisfied consumers can complain to the company owning the website via the
website, email, or by other means of (online) communication (Holloway and Beatty, 2003). We label this group the internal complainers group. This group can be split into two service recovery satisfaction groups, consumers satisfied (group 3) and unsatisfied (group 4) with the service recovery attempts. Consumers can also complain to an external (offline or online) source, such as an online complaint forum (Goetzinger et al. 2006; Ward and Ostrom, 2006) or a consumer organization (Day and Landon, 1977; Singh, 1989). This is labeled as the external complainers group, which is further divided into consumers satisfied (group 5) and non-satisfied (group 6) with the reaction by the company or organization following the complaint.

FIGURE 4.1. CONSUMER GROUPS BASED ON COMPLAINT BEHAVIOR AND SERVICE RECOVERY SATISFACTION
Much is known about complaint behaviors and their effects in offline retail and service settings. For example, Huang et al. (1996) described several different responses that can result from an unsatisfactory encounter, ranging from doing nothing to taking legal action. Others, such as McCollough et al. (2000), compared the satisfaction of customers who had received error-free service with those of post-recovery satisfaction. They found that for the post-recovery group, the higher the recovery performance, the higher the post-recovery satisfaction, supporting the importance of superior service recovery. Maxham and Netemeyer (2002) studied customers who complained directly to the retailer. They found that satisfaction with service recovery is a strong predictor of the likelihood of spreading positive word-of-mouth, but not of repurchase intentions. In a study on financial services, Lariviére and Van den Poel (2005) found that complainers are relatively active customers. Furthermore, they showed that successful complaint handling by the company has a positive impact on repurchase behavior. In a comprehensive study, Voorhees et al. (2006) made a comparative analysis of silent complainers and complainers who received satisfactory, unsatisfactory, and no recovery. They examined differences in repurchase intentions, negative attitudes, perceived regret, and intentions to engage in negative word-of-mouth. The results showed that silent complainers are more likely to repurchase and are less negative than customers who complained and received no service recovery or a recovery that was unsatisfactory. In contrast, silent complainers are less likely to repurchase and are more negative than customers who complain and receive satisfactory recoveries.

In many ways the Internet does not change the fundamental principles of marketing (Barwise, Elberse and Hammond, 2002), and accordingly, the understanding we have achieved from offline service failure/recovery research is highly relevant online. However, there are many incidents and issues unique to the Internet environment. The circumstances surrounding the online failure incident may be quite different from the factors typically at the root of traditional service failures. For example, issues such as credit card security, privacy, punctual delivery, and ease of navigation have surfaced as critical
Chapter 4: Complaint Behavior and Service Recovery Satisfaction

elements of e-service quality, and the online environment lacks most of the human interaction elements so vital to the traditional service experience (Holloway and Beatty, 2003). In addition, online customer complaints may differ due to the physical separation of buyer and supplier, and the perceived insecurity of the Internet (Warrington et al., 2000). Another important difference between online and offline complaint behavior is that the former can spread faster, to more people and remain accessible for other consumers for long periods. The emergence of the Internet and its communication capabilities has given rise to a number of complaint sites that function as central forums for consumers to share their bad experiences with other consumers (Chebat et al., 2005; Harrison-Walker, 2001). An example is Econsumer.gov, a joint project of consumer protection agencies from 21 nations. There are also discrepancies regarding the numbers of complaints in the offline and online environment. Previous research suggests that up to two thirds of consumers do not report their dissatisfaction to the firm in an offline setting (Andreason, 1985), whereas in online settings a much higher percentage of customers complain (Holloway and Beatty 2003). Therefore, compared to the offline context, consumers making online purchases may differ in their complaint behavior, loyalty towards retailers, and purchase intentions. Hence, it is necessary to test the issues already addressed in an offline setting in an online setting.

In recent years, complaint behavior has also received attention in the context of online retailing. Strauss and Hill (2001) performed a content analysis on company responses to email complaints and customer reactions to these responses. They found that a written reply had a positive impact on both the satisfaction with the response and the likelihood of repurchasing. Holloway and Beatty (2003) focused on the typology of online service failures, and on the areas in which online retailers are failing to effectively manage their service recoveries. The complaints under investigation were directed to the online retailer by email or phone. They found that satisfaction with recovery efforts does not ensure future purchase, as more than half of the satisfied complainers did not intend to repurchase. Harrison-Walker (2001) studied complaints at an external forum. The findings reveal that many consumers lodge first-time
complaints on the forums, rather than directly with the company; hence, companies should regularly monitor complaint forums and promptly respond to complaints. Another study of third-party sites (Goetzinger et al., 2006) suggests that e-tailers should provide their own online feedback system to minimize the number of complaints on independent, external sites. Several studies also addressed complaint behavior regarding online purchases, but none of the extant studies provide a comparison between various consumer groups as distinguished here with regard to their repurchase intentions. Hence, in this study we investigate how consumer groups with different complaint behavior and service recovery satisfaction differ with regard to their intention to repurchase on the Internet channel.

4.2.3 Past purchase behavior and consumer characteristics

Past behavior of consumers is an important predictor of future behavior (e.g. Rossi et al., 1996; Ouellette and Wood, 1998). More specifically, the frequency of previous online purchases has a positive impact on future repurchase intentions (Pavlou, 2003). Additionally, there could be an interaction effect in consumer complaint behavior and service recovery satisfaction on the one hand and past purchase behavior on the other. Also, consumer characteristics such as gender and age have an impact on online purchases (Akhter, 2003). Therefore, in addition to the effect of consumers’ complaint behavior and service recovery satisfaction on repurchase intention, our research framework (Figure 4.2) includes the effects of past online purchase behavior and consumer characteristics as control variables.

4.2.4 Country groups

Next, we expect that customers from different countries with a different cultural background may differ in online repurchase intention. Hofstede (1983, 2001) discussed how cultures vary along five dimensions and rated countries on indices for each of them. These dimensions are: power-distance, collectivism versus individualism, femininity versus masculinity, uncertainty avoidance and
long versus short-term orientation. With regard to online repurchases, the uncertainty avoidance dimension could explain customers’ intentions, since it deals with society’s and consumers tolerance for uncertainty and risk. Some cultures accept risk more than others. High uncertainty avoiding cultures try to minimize the possibility of unknown, surprising, different from usual situations, create security and avoid risk. It is opposite in low uncertainty avoiding countries, where consumers are more risk accepting. There is also a group of countries having medium uncertainty avoiding index. Consequently, customers from cultures with different uncertainty avoidance level should differ with regard to online repurchase intention. We expect that consumers from high uncertainty avoiding countries have lower online repurchase intention than consumers from medium and low uncertainty avoiding countries. Also, the differences with regard to uncertainty avoidance level may moderate the relationship between the complaint behavior and service recovery satisfaction and repurchase intention on the Internet. Therefore, the country effects (the main and the interaction) are included in the research framework.

4.2.5 Research framework

![Research Framework Diagram]

FIGURE 4.2. RESEARCH FRAMEWORK
To conclude, we are interested in differences in online repurchase intention among consumers with different complaint behaviors and service recovery satisfaction, and from various countries. The framework presented in Figure 4.2 includes the relationships discussed above, namely the influence of complaint behavior and service recovery groups, country, and control variables, i.e. past online purchase behavior and consumer characteristics, on intentions to repurchase online.

4.3 Study design

4.3.1 Survey description

In September 2003, the European Opinion Research Group, a consortium of market and public opinion research agencies, carried out wave 60.0 of the Standard Eurobarometer. Data was collected at the request of the European Commission, Directorate-General Press and Communication, Public Opinion Analysis Unit. The Standard Eurobarometer survey covers the population of the fifteen European Union member states, aged 15 and over. The countries covered are Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxemburg, the Netherlands, Austria, Portugal, Finland, Sweden, and Great Britain. The basic sample design applied in all member states is a multi-stage, random probability one. The sample size was around 1000 for large countries and smaller for Luxemburg and Ireland. We restrict the sample to respondents who indicated having online purchase experience. The sample size of the respondents who had purchased on the Internet is 2978.

4.3.2 Measurements

One of the topics covered in Eurobarometer 60.0 is e-commerce (questions 62–83, see Appendix III), which we will use in this study. The dependent variable in our study is the consumers’ intention to repurchase on the Internet in the next three months. The possible answers are “yes”, “no” and “don’t know”, where we combine the latter two categories. In the sample, 61.1% (1818) of consumers...
intend to repurchase on the Internet channel, while 38.9% (1160) of the consumers do not intend to repurchase or do not know.

Categorization into complaint behavior and service recovery satisfaction groups is based firstly on the questions: ‘After making an Internet purchase, have you ever had reason to complain? If yes, to whom did you complain?’ A respondent is classified into the internal complainers group if s/he complained directly to the website online or to the organization owning/running the website, and into the external complainers group if s/he complained to a consumer organization, a government body, or another organization or association. Seventeen respondents belong to both the internal and the external complaint behavior categories. For reasons of relative group sizes, these cases are placed in the external complaint behavior group. A consumer is classified into the silent complainers group, if s/he indicated that s/he had a reason to complain but did not actually complain. Customers who never had reason to complain after an Internet purchase are categorized as non-complainers. Next, the categorization into one of the six complainers groups is based on the customers’ satisfaction with the response to the complaint using the question ‘Were you satisfied or dissatisfied with the way your complaint was handled?’.

As control variables, we use measures of past online purchase behavior and consumer characteristics. Past online purchase frequency is measured as a categorical variable, on which we perform a median split. Online purchase frequency is considered to be high if a respondent indicated buying on the Internet once every 3 months or more often, and low if a respondent indicated buying on the Internet once every 6 months or less often. The respondents’ age is measured in four categories, namely 15 to 24 years, 25 to 39 years, 40 to 54 years, and 55 years or older. Respondents also indicated their gender.

The country grouping is based on the uncertainty avoidance index developed by Hofstede (2001, 2005). The fifteen countries are categorized into three groups: high, medium and low uncertainty avoiding countries. The countries with high uncertainty avoidance index are: Greece, Portugal, Belgium, France, Spain, and Italy. The countries that belong to the medium group are: Luxemburg, Austria, Germany, Finland, and the Netherlands. The countries
4.3.3 Sample description

With respect to past online purchase behavior, 40.5% (1192) of the respondents have a high purchase frequency of at least once every three months, and 59.5% (1748) a low purchase frequency. The percentage and number of respondents in each country group is: 16.7% (492) in high, 42.1% (1238) in medium, and 41.2 (1211) in low uncertainty avoiding countries. In the sample, 22.0% of the respondents are in the 15 to 24 age group, 41.0% are 25 to 39, 26.1% are 40 to 54, and 10.9% are aged 55 or older. Finally, 44.5% (1308) of the respondents are female and 55.5% (1632) are male.

4.3.4 Methodology

To answer our research questions (Figure 4.2) we took the following steps. First, the entire sample was cross-tabulated to compare repurchase intention between the six complaint behavior groups. We also compared the repurchase intention between pairs of complaint behavior groups. Next, we performed logistic regression with repurchase intention on the Internet as the dependent variable and the main effects of the independent variables. This methodology is used because the dependent variable ‘repurchase intention on the Internet’ has two discrete values: yes and no. To investigate the presence of interaction effects, we added the interaction effects one by one to the logistic regression with the main effects. Each interaction effect was added separately to avoid multicollinearity problems. In particular, we tested the following interaction terms: complaint behavior and service recovery satisfaction groups and past purchase frequency, complaint behavior and service recovery satisfaction groups and country.
Chapter 4: Complaint Behavior and Service Recovery Satisfaction

4.4 Results

The complaint behavior groups differ substantially in size. The majority of the respondents (83.8%, n = 2464) did not have negative experiences with online purchases. The group of silent complainers is relatively small (1.5%, n = 45), which is consistent with previous research (Holloway and Beatty, 2003). The number of internal complainers (13.1%, n = 386) is much larger than the number of external complainers (1.5%, n = 46). With respect to internal complaints, most consumers are satisfied with the response (9.8%, n = 288) and a smaller group is unsatisfied (3.3%, n = 98). For external complaints, these two groups are more similar in size, where the group of satisfied consumers (0.9%, n = 27) is slightly larger than the group of dissatisfied consumers (0.6%, n= 19).

To get insights into repurchase intentions across the complaint behavior and service recovery satisfaction groups, we first present group differences using the original classification variables (Figure 4.3). Whether or not a consumer had a reason to complain about online purchases in the past is significantly related to repurchase intentions (chi-square = 36.790; p < .001). Repurchase intentions are considerably higher among the group of consumers who indicated having had a negative experience with online purchases (58.9% versus 72.7%). Next, among those consumers who did have a reason to complain, there were significant differences between those who actually did complain (74.3%) and those who did not (57.8%) (chi-square = 5.615; p = .018). Comparing complainers on the basis of the source to which they complained also indicates significant differences (chi-square = 4.868; p = .027). Consumers who complained internally to the website or company (75.9%) show higher repurchase intentions than those who complained externally (60.9%). For both internal and external complainers, we tested whether satisfaction with the response affects repurchase intentions. For both sources, we find significant differences: 78.5% against 68.4% for internal complaints (chi-square = 4.082; p = .043) and 74.1% against 42.1% for external complaints (chi-square = 4.785; p = .029). Hence, service recovery has a substantial positive contribution to repurchase intentions of consumers who complained directly at the company or website and for those who complained at external sources. Finally, we
compared consumers who had no reason to complain with those who complained internally or externally and were satisfied with the response. These two groups also differ significantly (chi-square = 43.337; p < .001). Non-complainers have much lower repurchase intentions (58.9%) than consumers who experienced a positive service recovery (78.1%), which can be considered as empirical support for the service recovery paradox regarding online purchase behavior.

**FIGURE 4.3. CONSUMER GROUPS BASED ON COMPLAINT BEHAVIOR AND SERVICE RECOVERY SATISFACTION: PERCENTAGES OF CONSUMERS THAT HAVE INTENTIONS TO REPURCHASE ONLINE**
Chapter 4: Complaint Behavior and Service Recovery Satisfaction

Next, we performed logistic regression with repurchase intention on the Internet as the dependent variable and the main effects of the independent variables. Since the number of respondents in the external complainers group is low, we combine the external complainers satisfied with service recovery with the internal complainers satisfied with service recovery. This is the complainer group satisfied with the response received. Also, the consumers from both the external and the internal complainers groups not satisfied with service recovery are combined into a single group of the complainers not satisfied with the response received. Consequently, four consumer groups are included in logistic regression: non-complainers, silent complainers, complainers satisfied with response, and complainers not satisfied with response.

The results (Table 4.1) show that complaint behavior and past online purchase frequency significantly influence repurchase intention (at $p = 0.05$). Country group, age, and gender do not have significant main effects on repurchase intention on the Internet. In addition to assessing main effects, we tested for interaction effects between complaint behavior and the following variables: past purchase frequency and country groups. The results are also presented in Table 4.1. None of the interaction terms is significant. Below, the fit and results of the model with main effects are presented and discussed in more detail.

Regarding model fit, the model significantly outperforms the null model with only an intercept (likelihood ratio chi-square = 767.743; d.f. = 10; $p < 0.001$). Furthermore, the proportion of explained variation is about 31% (Nagelkerke pseudo $R^2 = 0.312$). Hence, we consider the model fit satisfactory.
### Table 4.1. Logistic regression results: Significance tests

<table>
<thead>
<tr>
<th>Explanatory variable</th>
<th>Main effects model</th>
<th>Models including interaction effects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Chi-square</td>
<td>d.f.</td>
</tr>
<tr>
<td>Complaint behavior (A)</td>
<td>16.092</td>
<td>3</td>
</tr>
<tr>
<td>Past purchase frequency (B)</td>
<td>706.659</td>
<td>1</td>
</tr>
<tr>
<td>Country group (C)</td>
<td>2.572</td>
<td>2</td>
</tr>
<tr>
<td>Age group</td>
<td>1.527</td>
<td>3</td>
</tr>
<tr>
<td>Gender</td>
<td>0.199</td>
<td>1</td>
</tr>
<tr>
<td>Interaction A x B</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interaction A x C</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nagelkerke Pseudo R-square</td>
<td>.312</td>
<td></td>
</tr>
</tbody>
</table>

*The likelihood ratio statistic cannot be computed because the reduced model, omitting this variable, has the same degrees of freedom as the final model.*
In Table 4.2, we present the parameter estimates and tests reflecting how the categories of each variable differ from the corresponding base category. Among complaint behavior groups, complainers satisfied with response have significantly higher repurchase intention than non-complainers. Concerning country groups, customers from high and medium uncertainty avoiding countries do not differ significantly in their intention to repurchase online from the customers in the base category: low uncertainty avoiding countries. Regarding the control variables, consumers with high past purchase frequency online have significantly higher intention to repurchase on the Internet in comparison to the customers with low past purchase frequency. Consumers in various age groups are not significantly different from the base age category (55 years and more) with respect to repurchase intention. Moreover, online repurchase intention does not differ significantly between female and male consumers.
### TABLE 4.2. LOGISTIC REGRESSION RESULTS: EFFECTS OF COMPLAINT BEHAVIOR, COUNTRY AND CONTROL VARIABLES ON REPURCHASE INTENTIONS

<table>
<thead>
<tr>
<th>Explanatory variable</th>
<th>Category</th>
<th>Parameter estimate</th>
<th>Wald statistic</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complaint behavior</td>
<td>Non-complainers (1)</td>
<td>n.a.*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Silent complainers (2)</td>
<td>-.244</td>
<td>.471</td>
<td>.492</td>
</tr>
<tr>
<td></td>
<td>Complainers, satisfied with response (3)</td>
<td>.608</td>
<td>14.503</td>
<td>&lt; .001</td>
</tr>
<tr>
<td></td>
<td>Complainers, not satisfied with response (4)</td>
<td>-.059</td>
<td>.067</td>
<td>.795</td>
</tr>
<tr>
<td>Past purchase frequency</td>
<td>Low frequency</td>
<td>n.a.*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>High frequency</td>
<td>2.438</td>
<td>518.276</td>
<td>&lt; .001</td>
</tr>
<tr>
<td>Country group</td>
<td>High uncertainty avoiding countries</td>
<td>.074</td>
<td>.355</td>
<td>.551</td>
</tr>
<tr>
<td></td>
<td>Medium uncertainty avoiding countries</td>
<td>.153</td>
<td>2.567</td>
<td>.109</td>
</tr>
<tr>
<td></td>
<td>Low uncertainty avoiding countries</td>
<td>n.a.*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age group</td>
<td>15–24</td>
<td>-.028</td>
<td>.030</td>
<td>.862</td>
</tr>
<tr>
<td></td>
<td>25–39</td>
<td>.064</td>
<td>.189</td>
<td>.664</td>
</tr>
<tr>
<td></td>
<td>40–54</td>
<td>-.064</td>
<td>.169</td>
<td>.681</td>
</tr>
<tr>
<td></td>
<td>55 and older</td>
<td>n.a.*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>Female</td>
<td>n.a.*</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Male</td>
<td>.039</td>
<td>.199</td>
<td>.655</td>
</tr>
</tbody>
</table>

a: Benchmark category for the dummy variables
Chapter 4: Complaint Behavior and Service Recovery Satisfaction

4.5 Discussion

4.5.1 Conclusion

This study provides insights into how consumers’ dissatisfaction with online purchases impacts their future intention to buy using the Internet channel. In particular, we demonstrate how repurchase intentions depend on complaint behavior and service recovery satisfaction. We distinguish groups of consumers on the basis of a) whether or not the consumer had negative experiences with online purchases, b) whether and where (at the company or elsewhere) the consumer complained, and c) whether the consumer was satisfied with the complaint handling. We find remarkable differences between these consumer groups with respect to intentions to repurchase on the Internet. Consumers with negative experiences who complained about them and were satisfied with the complaints handling, have higher repurchase intentions than 1) consumers who did not have a reason to complain and 2) consumer who did not complain about their negative experiences (silent complainers). Therefore, we contribute to the literature by empirically demonstrating the service recovery paradox for the online purchase setting. To conclude, our findings add important insights into the existing literature through an empirical comparison of different complaint behavior and service recovery satisfaction groups on their intentions to repurchase online.

In general, our findings show that consumers with negative experiences of online purchases who complained have higher repurchase intentions than consumers with no negative experiences. Hence, a first important conclusion is that negative experiences and complaints do not lead necessarily to disadoption of the Internet as a purchase channel. This is consistent with the service recovery paradox which states that consumers with negative experiences may have more positive attitudes or repurchase intentions after a successful service recovery, compared to consumers who did not have the negative service experiences (Smith and Bolton, 1998). Our results show that customers who complained and were satisfied with the response have higher intention to repurchase online than non-complainers. In a stream of research, this pattern has
been shown in several publications for offline retail and other service settings (see De Matos et al., 2007). To the best of our knowledge, our study provides the first empirical evidence of the service recovery paradox in online settings. Also, we show that service recovery paradox does not depend on consumer’s country, the findings hold for all studied European countries.

Our results suggest that in online business, both internal and external satisfied complainers have higher repurchase intentions than consumers with no reason to complain. The highest rate of intention to repurchase online is among those who are satisfied with the internal complaint handling, which corresponds to the results of Voorhees et al. (2006) in an offline setting. To conclude, service recovery and satisfactory complaint handling are crucial for electronic businesses.

A second conclusion is that complaining consumers have higher Internet repurchase intentions than consumers with negative experiences who did not complain (silent complainers). To be more specific, this finding holds for both internally satisfied and dissatisfied complainers, and for externally satisfied complainers. Consumers who complained to an external organization and were dissatisfied with the complaint handling have lower repurchase intentions than silent complainers. These findings differ partly from the study in an offline setting by Vorhees et al. (2006). They also found that consumers complaining internally to a company and satisfied with the complaint handling have higher repurchase intentions than silent complainers. However, where a consumer was not satisfied with the complaint handling the purchase intention was found to be lower than that of silent complainers. Therefore, in the Voorhees et al. (2006) study, service recovery appears to be more crucial.

Third, our results suggest that internal complainers have on average higher repurchase intentions than external complainers. This finding is in line with findings from other studies (e.g. Goetzinger et al., 2006) where companies were encouraged to provide their own online feedback system for complaints to minimize the number of external complaints.

Fourth, both complaint routes – internal and external – can serve to retain customers if the complaint handling is satisfactory. However, in an
offline setting, Maxham and Netemeyer (2002) found that satisfaction with service recovery was not a predictor of purchase intention. Moreover, in the online setting, Holloway and Beatty (2003) found that satisfaction with recovery efforts does not ensure repurchase intention. Nonetheless, our findings reveal that a high percentage of consumers deciding to complain directly to an e-tailer or to an external organization who were satisfied with the response also demonstrated high repurchase intentions. However, if consumers are unsatisfied with the response to the complaint, the percentage of repurchase intention drops considerably. For internal complainers repurchase intention drops from 78.5% to 68.4% when the complaint is not handled in a satisfactory manner. For external complainers, repurchase intention drops even further, from 74.1% to 42.1%. The group of external complainers unsatisfied with the response has the lowest intention to repurchase on the Internet among all the complaint groups examined. Therefore, service recovery pays off, both for internal and external complaints.

Finally, when assessing the effects of complaint behavior, we controlled for past purchase behavior, consumer characteristics. The results reveal that repurchase intention on the Internet is dependent on complaint behavior and past behavior, but not on the consumer’s age or gender. Furthermore, consumers from different country groups did not show different effects of complaint behavior on repurchase intention. Therefore, the impact of complaint behavior and service recovery satisfaction on future online purchases can be generalizable across customers from different European countries.

4.5.2 Managerial implications

The remarkable differences among complaint behavior and service recovery groups bring several implications for e-commerce management.

Based on the results, it is best for electronic businesses that customers complain internally. Therefore, management should encourage customers to complain internally. Moreover, Goetzinger et al. (2006) stated that online sellers receive the greatest benefit when consumers choose to complain directly to the e-tailer because of their awareness of the problem and their ability to respond.
Hence, with successful internal complaint management, the e-tailer achieves two goals: s/he gets direct information from the consumer and the consumer will probably make more online purchases in the future.

Regarding external complainers, it is crucial to ensure that they are satisfied with the response to the complaint. The worst case scenario is an external complaint which is not dealt with correctly, so management should try to avoid this. External complaints should be carefully monitored and handled. However, external complaints are usually neither readily accessible nor simple to respond to for the e-tailer. E-tailers may not know where consumers complained and consumers may remain anonymous. Management should be in contact with external complaint organizations (websites) in order to be able to react promptly to external complaints. Management should aim to ensure customers are satisfied with the external complaint handling. Capturing the valuable information that consumers provide by complaining to external organizations is a challenge (Goetzinger et al., 2006). There are also legal threats that can result from third-party complaining. Therefore, online retailers are encouraged to improve their reputation in external complaint organizations and carefully address the complaints made at these organizations.

Next, companies could try to encourage silent complainers to voice their complaints, as their repurchase intention is otherwise relatively low. Dissatisfied customers who do not complain to the firm are potentially problematic for several reasons. First, the company loses the opportunity to retain the customer. Second, the firm’s reputation can be damaged through negative word-of-mouth behaviors (e.g. Richins, 1983). Additionally, silent complainers were described as organizational ‘opportunity costs’ (Fornell and Wenerfelt, 1987), because in them the firm misses an opportunity to improve after failure and identify the source of a problem. The firm is left without valuable feedback about the customer’s negative experience. Therefore, e-commerce management should encourage dissatisfied customers to complain so that one will have the chance to address the problems and retain these customers. For example, an e-tailer may implement a standard procedure to
send an email shortly after a purchase has been made to inform whether or not the consumer is satisfied.

We conclude by stating that service recovery in an online setting can make the difference. Consumer satisfaction with complaint handling is essential for the future of online businesses. Furthermore, customers should be encouraged to complain internally and it should be an easy and straightforward task. Management should make the internal complaint process easy. If the complaint process is uncomplicated, silent complainers might also be stimulated to report their dissatisfaction. Holloway and Beatty (2003) mentioned that among those respondents choosing not to complain to the online company following a service failure experience, the primary reason given was that complaining was too much trouble. This should be particularly straightforward in Internet retailing, as technology plays a key role in facilitating consumer complaints (Bitner et al., 2000). Online complaining is expected to require minimum effort and be less-time consuming. Other options for customer feedback include toll-free numbers, email, a real-time chat room, etc. (Holloway and Beatty, 2003). Harrison-Walker (2001) recommended facilitation of complaint management through the adoption of call centers staffed by specialists trained to resolve individual customer problems, and also efficient company website design. Overall, the complaints should be made as simple as at ‘a click of a button’.

4.5.3 Limitations and future research

We must acknowledge some limitations of this study. First, regarding internal complaints, we have treated complaints made via the website and directly to the company as one group. External complaints to online and offline organizations were also grouped as one. However, splitting these groups could result in an even better understanding of complaint behavior online and offline. Furthermore, the sample size for external complainers is rather small in this study. What is more, we have no information about the number of Internet transactions of the respondents. Future research could therefore address these issues. Second, although we included a large set of countries in this study, the
results are limited to European countries. Future research could examine whether our findings can be replicated in other countries, preferably outside Europe. Third, although the sample size of our study is very large, the number of observations for some combinations of country and complaint behavior groups was very small. This is true in particular for the silent complainers and external complainers. Hence, further research projects which include larger samples of silent complainers and external complainers are called for. Finally, our dependent variable refers to repurchase intentions on the Internet channel in general. An interesting line of research would be to study repurchase intentions for a specific e-tailer. Nonetheless, our study adds valuable new empirical insights into consumer online complaint behavior and repurchase intentions, and suggests a number of managerial implications and directions for future research.
Appendix III

Questionnaire Eurobarometer 60.0, September 2003

The following questions from the Eurobarometer questionnaire were used: 62, 63, 72 (a,c), 79 from the ‘Internet Purchases’ section, D.8, D.11 from the ‘Demographics’ section and question 1 about the respondents’ nationality. The original numbering from the Eurobarometer questionnaire is presented in brackets.

Question 1 (Q. 62)
Have you ever bought anything on the Internet?

1. Yes
2. No
3. Don’t know

Question 2 (Q. 63)
How often do you buy things on the Internet?

1. Once a week or more often
2. Once a month
3. Once every 3 months
4. Once every 6 moths
5. Once a year
6. Less often
7. Don’t know

Question 3 (Q. 72a)
After making an Internet purchase, have you ever had reason to complain?

(IF YES) To whom did you complain?
1. Yes, directly to the website online
2. Yes, to the organization owning/running the website (offline)
3. Yes, to a consumer organization
4. Yes, to a (nationality) government body
5. Yes, to another organization, association
6. Yes, but I did nothing about it
7. No, no complaint
8. Don’t know

**Question 4 (Q. 72c)**
Were you satisfied or dissatisfied with the way your complaint was handled?

1. By the website online
2. By the organisation owning/running the website (offline)
3. By a consumer organization
4. By a (nationality) government body
5. By another organization, association

**Question 5 (Q. 79)**
Do you think you are going to shop on the Internet in the next three months?
1. Yes
2. No
3. Don’t know

**Question 6 (Q. D.8.)**
Gender

1. Male
2. Female
Question 7 (Q. D.11.)
How old are you?

Question 8 (Q. 1.)
What is your nationality? Please tell me the country(ies) that applies(y).
(Multiple answers possible)

1. Belgium
2. Denmark
3. Germany
4. Greece
5. Spain
6. France
7. Ireland
8. Italy
9. Luxemburg
10. Netherlands
11. Portugal
12. United Kingdom (Great Britain, Northern Ireland)
13. Austria
14. Sweden
15. Finland