IMPACT OF CUSTOMER COMPLAINING BEHAVIOUR ON DEFECTION BEHAVIOUR: AN INVESTIGATION ON RETAIL FORMATS IN INDIA

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Abstract

The purpose of the study is to examine the effect of complaining behaviour on defection behaviour based on demographics (gender, age, marital status, education and, income level) of the dissatisfied customers of retail stores. A structured questionnaire was successfully distributed to 600 respondents, who had made purchases from sixty retail formats operated in Delhi and Gurugram belonging to the domain of Shopping Malls, Hypermarket, Supermarket, Department Stores, Discount stores and Category Killers through systematic stratified sampling for the collection of data. Out of 377 valid ones questionnaires for analysis, a set of 89 respondents have shown dissatisfaction about the retail store products and services and have taken in this study (N=89). Multiple regression analysis with forward selection was employed to predict the effect of complaining actions on defection behaviour based on demographics (gender, age, marital status, education and, income level) of the dissatisfied customers of retail stores. The study has found a significant effect of complaining actions on defection behaviour of dissatisfied customers of retail stores based on their education qualification and income level. However, gender, age and marital status of dissatisfied customers did not moderate the the relationship between complaining actions and switching behaviour. The recommendations for managers are also discussed.

Keywords: Retail Store; Dissatisfaction; Complaining Behaviour; Defection/Switching Behaviour.

1. Introduction

Understanding the complaining and defection behaviour of dissatisfied customers of retail stores has long been an important agenda of marketers and researchers. Where, customer satisfaction leads to store loyalty, sales, growth and image of firm, conversely dissatisfaction leads to complaining and defection behaviour of customers. Bolfing (1989) discussed that about 44 per cent of customers are dissatisfied with service and they expressed their complaints directly to the firm. However, dissatisfied customers frequently share their negative experiences also with friends and relatives, which may negatively affect the sales performance and profitability of company (Day et al., 1981). So it has become essential for any service provider to understand customer complaining behaviour for the reason of its relationship with negative word-of-mouth communication, reduced repurchase intentions and switching behaviour (Lovelock, 1996; Tax and Brown, 1998; Johnston, 2001; Lam et al., 2004) and further negative word-of-mouth communication may damage the firms, because such messages are more likely to be believed (Gruber et al., 2009). That’s why, the Study on consumer complaining behaviour is always measured a significant concern for the survival of any business (Kau and Loh, 2006) and has been received growing attention in the service areas (Heung and Lam, 2003; Ndubisi and Ling, 2006; Yuksel et al., 2006).

Several empirical researches on consumer complaining behaviour was conducted on American and European consumers (Broadbridge and Marshall, 1995; Johnston, 1998; Huefner and Hunt, 2000; Lerman, 2006; Bunker and Bradley, 2007) and studies in Asian countries are deficient, so interest of researchers have been shifted on Asian consumers (Kau et al., 1995; Phau and Sari, 2004; Ndubisi and Ling, 2006; Yuksel et al., 2006). But for the developing country like India, the researches on customer complaining and defection behaviour towards retail sector is lacking, because prior researches on these issues were focuses on Western countries, reason being, organised retail sector was growing steadily and constituted of only 0.08 per cent of total retail sector in India till 2008 (Srivastava, 2008; Sengupta, 2008). While the organised retailing makes 70-80 per cent of the total trade in developed countries, so the share of organised retail in the Indian market is still very low (Mishra, 2009). Thus, the present study was conducted to examine the effect of complaining behaviour on defection behaviour based on demographics (gender, age, marital status, education and, income level) of the dissatisfied customers of retail stores. Donoghue and de Klerk’s (2006) described about the actions of dissatisfied consumers in Asian countries, are more likely to involve in private action due to collectivistic culture as compare to a country of individualistic culture such as United States of America.

2. Review of Literature

The study on complaining behaviour began in the 1970s and still continues in present scenario of retailing. Hirschman (1970) introduced a model of complaint behaviour categorizes the responses of dissatisfied consumers into three consequences: exit (stop the purchasing of product), or voice a complaint (attempt to repair or improve the relationship through communication), or remain loyal (continue to purchase the product), later on Day and Landon (1977) conceptualised two level ordered classification of complaining behaviour: first level was “no action to action”, while second level classified into “public or private action”. In added way Singh (1990) proposed the most likely typology of consumer complaint behaviour: (1) public
voice: reflecting actions directed toward the seller; (2) private voice: involving negative word-of-mouth communication to friends and relatives and exit behaviour (switch brand/seller); and (3) voice to third party: relating to actions directed toward external agencies like through media (e.g. Aawaz Pehredaar at CNBC channel in India “a programme related to consumer rights and Aawaz Pehredaar programme ask direct to company about the matter of dissatisfaction and problem resolving steps taken by company) and various consumer forms or taking legal action (Singh and Pandya, 1991; Blodgett and Granbois, 1992; Liu and McClure, 2001). Generally a consumer has the possibility of four types of complaint-making behaviour when feels dissatisfied and customer also hurt the corporate image of company and these four possibilities are exit silently, negative word-of-mouth communication, direct complaint to company, and complaint to a third party (Davidow and Dacin, 1997). Out of these four possibilities, direct complaining to company offers a golden opportunity to retailers to resolve the complaints of customers, improve the situation and win back again to your customers, that’s why company’s encourage their consumers to put compliants in complaints box and uses various tools of customer feedback towards the services and products to measure the overall experiences of customer towards the retail store, because without customer feedback, firms will not be aware about their problems, and may not improve the performance of company (Heung and Lam, 2003). Furthermore Ramsey (2003) argues that response time is very crucial when dealing with complaints, Thus, no complaints should go unattended for more than 24 hours, but if a retailer resistance to listening and responding to customer complaints increases the likelihood that consumers will complain in the form of negative word-of-mouth to family, friends and third parties (Zhang and Daugherty, 2009; Wang, 2011; Lang, 2011). During the study of customer complaining behaviour literature, demographical factors have been identified as predictors of certain complaining behaviour (Boote, 1998; Heung and Lam, 2003; Ndubisi and Ling, 2006) such as gender, age, education and income levels (Kau et al., 1995; Broadbridge and Marshall, 1995; Boote, 1998; Hogarth et al., 2001) and found that complaining behaviour is inversely related to age, and positively linked to education and income levels (Heung and Lam, 2003), while gender, age and income were not found significant towards complaining behaviour by (Al-Foqahaa, 2010). Furthermore in the addition to above findings, factors related to consumers such as personality factors, personal values, attitudes, culture, knowledge and experience of consumers are most likely to influence complaining behaviour decisions (Donoghue and de Klerk, 2006). Choudhary and Beale (1988) found that among the plus size women, fit and sizing caused the most dissatisfaction. Shopping for clothes involves making decisions about one’s appearance and is part of an overall life pattern that reflects attitudes towards stores and fashion as well as complex values and interests such as aesthetics and materialism (Tatzel, 1982) and dissatisfaction of older women was higher among the large-size group of apparel outlet, when studying availability of size, pricing, colours, style selection and fitting (Kind and Hathcote, 2000). Chebat and Slusarczyk (2005) pointed out that emotions may also play a important role in determining the consumers complaint behaviour and influence individual’s thinking, decision-making, and complaining actions (Gratch and Marsella 2004). Past research has shown that several factors used to characterize the retailer-customer interface, including durability of products, price of products, product complexity, poor product quality, slowness of service providers, lack of staff competence may influence consumer complaining behaviour (Bei et al., 2001; Crie, 2003; Gruber et al., 2006).

Switching behaviour has been posited as an economic phenomenon where a customer stops patronizing a particular service provider (Stewart, 1998). Keaveney (1995) identified critical
reasons that led to customer-switching behaviour in retail sector such as inconvenience, pricing, failure in service encounter, employee responses, ethical considerations, attraction by competitors, and involuntary switching, moreover negative emotions are considered as powerful factors to promote the switching behaviour (Zeelenberg and Pieters, 2004). A number of researchers have examined that how switching costs and barriers influence customer switching behaviour towards a particular service provider and why dissatisfied customers do not move from one service provider to another, even they may be dissatisfied (Dick and Basu, 1994; Patterson and Smith, 2003). Jackson (1985) describe the switching cost as the sum of economic, psychological and physical costs or switching costs are “customer perceptions concerning time, money and effort associated to the change in service providers” (Jones et al., 2000) or switching costs are defined as the customers’ perception towards the extent of additional costs to finish the current relationship and such perceived costs prevent the customer shifting to competitor’s offers (Yanamandram and White, 2006). Lam et al. (2004) divided switching costs into five categories: money, time, effort, new technology, and uncertainty or the direct costs that consumers associate to the processes of switching from one provider to another (Burnham et al., 2003). de-Wulf and Odekerken-Schroder (2003) found that the switching cost is a significant antecedent of both attitudinal and behavioural loyalty of store customers, moreover switching costs have a significant negative impact on consumers’ store switching behaviour. Switching cost has a significant effect on repurchase intention (Jones et al., 2000) and it is an antecedent of switching intentions and switching behaviour (Bansal and Taylor, 1999). So on the basis of reviewing the literature of customer complaint behaviour it has discovered that customer are likely to complain only if the perceived benefits: products exchange & refunds, other monetary benefits, and the satisfaction derived from the complaining action exceed the complaint efforts: time, mental effort, cost, and stress involved in complaining.

The relationship between complaining and switching behaviour of customer was also discussed in several studies and a study done by (Nakibin et al., 2011) found that only 5 out of 10 dissatisfied customers complain about their experiences, and these customers are more demanding and less loyal than ever before and believe that if they complaint, organization may not responds. The cost to attracting new customers’ is five times more than retaining existing customers and a customer who has had a conflict resolved by a company will tell about five people, on the other side a dissatisfied customers may tell four to ten more people about their bad experiences (Thwaites and Williams, 2006; Morrission and Huppertz, 2010). Griddin (1995) said that maintaining existing customers led to a reduction of costs more than five times as much as attracting new customers, suggesting that preventing switching behaviour of customers is most important aspect. On the other side switching barriers term define as “when customer switch to new service providers, then relational benefits associated with original provider will be discontinued”. Some of the factors that can increase switching barriers are search costs, transaction costs, learning costs, loss of loyal customer discounts, loss of established habits and relationships, and risk of the unknown service provider (Fornell, 1992; Kuikka and Laukkanen, 2012). Patterson and Smith (2003) studied switching barriers on customer tendency to stay with service providers and identified: search costs, loss of special treatment benefits, setup costs, risk perceptions, attractiveness of alternatives, and loss of social bonds as switching barriers. Gwinner et al. (1998) developed a typology of relational benefits which includes: confidence, social and special treatment benefits. Confidence benefits refer to a customer’s psychological state of comfort or feelings of security, reduced nervousness, and trust in the service providers.
Social benefits deal with the emotional part of the relationship and include feelings of understanding, familiarity and even friendship between customers and employees, while Special treatment benefits combine economic and customization benefits. Economic benefits include discount or price breaks for long-term customers and non-monetary benefits such as faster service or time saved in searching for another provider, while customization benefits include customer perceptions of preferential treatment, extra attention, and availability of special services which may not available to non-relational customers.

3. Materials and Methods

Conforming to the reviewed of extant literature, no study, to our knowledge has examined the effect of complaining actions on defection behaviour based on demographics (gender, age, marital status, education and, income level) of the dissatisfied customers of retail stores. Confirming the reviewed findings of prior researches on complaining and defection behaviour of dissatisfied customers, the following hypothesis was developed.

There is significant effect of complaining action on defection behaviour based on demographics of the dissatisfied customers of retail stores.

A structured questionnaire was successfully distributed to 600 respondents, who had made purchases from sixty retail formats operated in Delhi and Gurugram belonging to the domain of Shopping Malls, Hypermarket, Supermarket, Department Stores, Discount stores and Category Killers through systematic stratified sampling for the collection of data, reason being Delhi and Gurugram as the area has a high migrated and heterogeneous residents with various dimensions such as religious, caste, traditions, social hierarchy, language, literacy, education, occupation and income etc. Out of 377 valid ones questionnaires for analysis, a set of 89 respondents have shown dissatisfaction about the retail store products and services. Based on the objective of study, the complaining actions of dissatisfied customers (N=89) were categorized in public and private complaints action and each of complaint action contains “two items” and defection behaviour contains “seven items”. The five-point Likert Scale was used to with 1 indicating “strongly disagree” and 5 indicating “strongly agree” examining the customers complaining actions and defection behaviour. SPSS (Version 17.0) was used for analysis in this study. Internal consistency analysis was used to access the reliability of measurements. Cronbach’s $\alpha$-value is commonly used for this purpose and $\alpha$-value must be higher than 0.7. (Nunnally, 1978). Multiple regression analysis with forward selection was employed to predict the effect of complaining actions on defection behaviour based on demographics (gender, age, marital status, education and, income level) of the dissatisfied customers retail store stores. Mean values were used to find the importance of complaining behaviour of respondents.

For the purpose of the study 89 (out of 377) respondents (23.60 per cent) were identified who indicated their ‘post dissatisfaction’ level above the average.
Table 1: A summary of demographic profile of dissatisfied customers of retail stores

<table>
<thead>
<tr>
<th>Basic Classification</th>
<th>Total Numbers of Respondents (Percentage)</th>
<th>Total (N= 89)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td>Total (N= 89)</td>
</tr>
<tr>
<td>Male</td>
<td></td>
<td>55 (61.80)</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td>34 (38.20)</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Young-Middle Aged &lt; 45 years</td>
<td></td>
<td>78 (87.64)</td>
</tr>
<tr>
<td>Elderly &gt; 46 Years</td>
<td></td>
<td>11 (12.36)</td>
</tr>
<tr>
<td>Highest Level of Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UG or below</td>
<td></td>
<td>37 (41.57)</td>
</tr>
<tr>
<td>PG or above</td>
<td></td>
<td>52 (58.43)</td>
</tr>
<tr>
<td>Marital Status</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td></td>
<td>40 (44.94)</td>
</tr>
<tr>
<td>Married</td>
<td></td>
<td>49 (55.06)</td>
</tr>
<tr>
<td>Annual Income (In Rupees)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low-Middle income &lt; Rupees 10 lakhs</td>
<td></td>
<td>31 (34.83)</td>
</tr>
<tr>
<td>High Income &gt; Rupees 10 lakhs</td>
<td></td>
<td>58 (65.17)</td>
</tr>
</tbody>
</table>

Table 1 shows that the ratio of post dissatisfied male (61.80 per cent) and married (55.06 per cent) respondents was higher as compared to their counterparts. Majority of the dissatisfied respondents were belonging to young-middle aged (87.64 per cent) group. There were more respondents holding PG or above degree (58.43 per cent) who were not satisfied after making purchase in the retail stores under this study.

Table 2: Internal consistancy analysis, Mean, Standard deviation of complaining and defection behaviour of dissatisfied customers retail stores (N=89)

<table>
<thead>
<tr>
<th>Variable No.</th>
<th>Description</th>
<th>No. of items</th>
<th>Cronbach’s Alpha</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1</td>
<td>Post Dissatisfaction Behaviour</td>
<td>6</td>
<td>0.8837</td>
<td>3.74</td>
<td>2.614</td>
</tr>
<tr>
<td>V2</td>
<td>Private Complaints</td>
<td>2</td>
<td>0.8519</td>
<td>3.14</td>
<td>0.991</td>
</tr>
<tr>
<td>V3</td>
<td>Public Complaints</td>
<td>2</td>
<td>0.8242</td>
<td>3.69</td>
<td>1.868</td>
</tr>
<tr>
<td>V4</td>
<td>Defection Behaviour</td>
<td>7</td>
<td>0.8931</td>
<td>3.57</td>
<td>1.062</td>
</tr>
</tbody>
</table>

Internal consistency was used to assess the reliability of the measurements (four constructs). The alpha values range from 0.8242 to 0.8931, which indicates an internal consistency with the alpha value of more than 0.80, so no items were dropped from above list. These results are therefore acceptable and are a reliable measure of the constructs. Dissatisfied customers tend to prefer public complaints instead of private complaints (mean=3.69, Std. Dev. 1.868).

4. Results and Discussions

Moderation Effects of Gender, Age and Marital Status on Defection Behaviour

Regression analysis was employed to determine the moderation effects of demographic variables (gender, age, marital status, education and income level) on the relationship between dissatisfied complaint actions and defection by running ten distinct multiple regression models to test the
hypothesis: two for ‘gender’ based defection, two for ‘age’ based defection, two for ‘marital status’ based defection, two for ‘education’ based defection and two for ‘income’ based defection behaviour of dissatisfied retail stores customers under study (Table-3 and 4).

The results in Table-3 shows that gender, age and marital status of the respondents do not moderate the relationship between dissatisfied complaint actions and defection behaviour. For both public and private complaints, customers’ defection behaviour does not depend on gender, age and marital status. For both male and female retail customers belonging to any of the age group and marital status, the likelihood of exit without complaining to the store is much higher and they do private complaints and defection irrespective of gender, age and marital status.

Table 3: Regression analysis of complaining and defection behaviour of dissatisfied customers of retail stores.

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Moderation Effects of Gender, Age and Marital Status on Defection Behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
</tr>
<tr>
<td></td>
<td>R</td>
</tr>
<tr>
<td>Complaining Facets</td>
<td>.418</td>
</tr>
<tr>
<td>Private Complaints</td>
<td>.161</td>
</tr>
<tr>
<td>Public Complaints</td>
<td>.149</td>
</tr>
<tr>
<td>R²</td>
<td>.174</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>.155</td>
</tr>
<tr>
<td>Overall model: F (2, 89) – ratio</td>
<td>9.121**</td>
</tr>
</tbody>
</table>

Annotations: The dependent variable is customers’ defection behaviour by gender, age and marital status; *p ≤ .05; and **p ≤ .01

Moderation Effects of Education and Income level on Defection Behaviour

The analysis result in Table-4 shows that, the Beta values for public complaint by undergraduate or below education is 0.148 and for private complaint is 0.161, which are not significant at 0.05 per cent level of significance. This indicates that undergraduate or below education does not moderate the relationship between complaining actions and defection behaviour of dissatisfied retail customers. However, the Beta values for public complaint by post-graduation or above education is 0.281 and for private complaint is 0.334, which are significant at 0.05 per cent level of significance. This indicates that post-graduation or above education moderates the relationship between both complaining actions and defection behaviour, who not only speak about dissatisfaction to friends but also complain to the store manager.
Table 4: Regression analysis of complaining and deflection behaviour of dissatisfied customers of retail stores.

<table>
<thead>
<tr>
<th>Predictors</th>
<th>Moderation Effects of Education and Income on Defection Behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UG or Below</td>
</tr>
<tr>
<td></td>
<td>R</td>
</tr>
<tr>
<td>Complaining Facets</td>
<td>0.361</td>
</tr>
<tr>
<td>Private Complaints</td>
<td>0.161</td>
</tr>
<tr>
<td>Public Complaints</td>
<td>0.148</td>
</tr>
<tr>
<td>R²</td>
<td>0.130</td>
</tr>
<tr>
<td>Adjusted R²</td>
<td>0.110</td>
</tr>
<tr>
<td>Overall model: F (2, 89) – ratio</td>
<td>6.425**</td>
</tr>
</tbody>
</table>

Annotations: The dependent variable is customers’ defection behaviour by educational qualification and annual income; *p ≤ .05; and **p ≤ .01

Further, the Beta value for public complaint by low-middle income is 0.124, which is not significant at 0.05 per cent level of significance. This indicates that low-middle income does not moderate the relationship between public complaint and defection. Put simply, the defection of customers who complain to the store about their dissatisfaction does not depend on low-middle income level, but the Beta estimate 0.369 for private complaint is significant at 0.05 per cent level of significance. It shows that low-middle income moderates the relationship between private complaint and defection behaviour.

Further, the Beta value for public complaint by high income level is 0.310, which is significant at 0.05 per cent level of significance. This indicates that high income moderates the relationship between public complaint and defection. Put simply, the defection of customers who complain to the store about their dissatisfaction depends on higher income level. But the Beta estimate 0.133 for private complaint is not significant 0.05 per cent level of significance. It does not show that higher income moderates the relationship between private complaint and defection. It also shows that the lower income earners are more likely to defect without complaining than the higher income group. This may be because the latter group is more likely to get quality purchases from the stores than their lower income counterparts. Generally, retail customers tend to prefer a quiet defection if they suspect that they may not get the desired attention. Unfortunately such level of attention often accrues to customers who bring big revenues to these retail stores. Thus, hypothesis was partially supported as no effects were found of gender, age and marital status whereas educational qualification and income level of the respondents have affected the complaining response and defection behaviour.

5. Conclusion and Recommendations

The study found a significant effect of complaining action on defection behaviour of dissatisfied customers of retail stores based on their education qualification and income level. However, gender, age and marital status of dissatisfied customers did not moderate the the relationship between complaining action and switching behaviour. The result showed that dissatisfied male
and female customers belonging to any of the age group and marital status, the likelihood of exit without complaining to the store is much higher and they do private complaint and defection irrespective of gender, age and marital status. Overall they are generally less likely to complain before switching from the store. The study also found that the dissatisfied customers of retail stores, who has post-graduation and above level of education are complain to both store manager as well as to friends, relatives and third party and switch to another store, While undergraduates or below education does not moderate the relationship between complaint and defection. Further, result also shows that low-middle income group customers does not moderate the relationship between public complaint and defection, while high income level group customers moderate the relationship between public complaint and defection. The study also finds that higher income group customers, those are dissatisfied with products and services of retail store are more likely to defect after complaining to store manager than low-middle income group.

So as the recommendations of the study, managers need to understand that “zero complaint” or if the complaint box is unfilled then it’s not the acceptable benchmark to measure the customer satisfaction because dissatisfied customers exit silently and they might do the complaint or negative word-of-mouth to friends and relatives and other customers could be influenced by them and they too may develop negative perception towards the store and in the long run private complaints might bring disaster for store in the terms of decrease in revenue, growth and increase in negative store image. Retail stores managers are requisite to interact with store customers time to time and ask them about their experiences at this store and motivate them to give us feedback regarding their shopping experiences at store, So that further improvements in store services may done. Managers must also give the impression to customers that “Your complaints are viewed positively (by the retail store) as a scope of improvement. Manager and others employees of store must show a clear recognition and appreciation to those customers, who complaint about their problems in store and make them satisfied about to resolve the problem with in a short span of time. Since 5 per cent reduction in customer defection resulted in a 25 per cent increase in earning rates (Reichheld and Sasser, 1990).

References


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