How Complaint Handling Procedures Influence Consumer Decisions to Shop Online?

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Abstract
When online shopping increases, the number of risks and complaints associated with online transactions will also rise. The importance of maintaining and improving Business-To-Consumer (B2C) e-business competitiveness by adequately addressing consumers’ complaints has been acknowledged. Yet the issue of how the complaint handling procedures are used to influence consumers’ decisions to shop online has yet to be adequately understood. This study focuses on the influence of complaint handling procedures on consumers’ decisions to shop online from both the online consumer and merchant perspectives. The authors found that complaint handling procedures have more impact on consumer confidence and trust and therefore affect their decision to shop online, especially when accessible and responsive complaint handling procedures are required.

Keywords: B2C, consumer complaint, e-business, online, purchasing, shopping.

1 Introduction
This paper presents a study of the influence of complaint handling procedures on the decisions of consumers to shop online. The study focuses specifically on online consumers and merchants located in Melbourne, Australia, and on the influence of merchants’ complaint handling procedures on consumer decisions to shop online.

According to the National Australia Bank online retail sales index, in the twelve months to June 2013, Australian online retail spending totalled AUD$13.9 billion (NAB, 2013). With the growth of online shopping, it is important to understand what influences a consumer’s decision to purchase from an online merchant or to shop on a website that is not within their physical reach. However, as e-business activities increase, the number of complaints related to online transactions also rises. The Australian Competition and Consumer Commission (ACCC) has identified that online shopping contributed the second-highest number of complaints. In 2012 ACCC received 8275 complaints about online shopping, up from 5012 in 2011 (ACCC, 2012). In 2012, the Federal Trade Commission reported there were 22,572 consumer complaints reported from ten
countries between January 1 and December 31. Australia was the second highest after the United States.

In truth, consumer complaints constitute valuable feedback in that they provide opportunities for merchants to understand and to rectify issues occurring in online shopping (Luo, 2007). However, in B2C online shopping, it does not adequately address the issue of how the role of complaint handling procedures is used to influence consumers’ decisions to shop online. This issue represents a gap in the literature. The objective of this current research is to address the identified gap by providing a theory-based understanding about the role of complaint handling procedures from both the online consumer and merchant perspectives.

2 Consumer Complaint

Bearden and Teel (1983) suggest that consumer complaints are actions resulting from the emotions of dissatisfaction. Owing to monetary costs, frustration, anxiety and tension, consumers begin to withdraw from the transactions (Oliver, 2010). A complaining consumer usually feels that he or she has been harmed and cheated by the merchant through defective or otherwise unsatisfactory products purchase or poor services. This encourages the consumer to expect restitution will be offered for the damage caused and unsatisfactory experience. Just as a consumer who feels dissatisfied with the shopping transaction, is likely to complain and will expect to receive a refund or replacement for a new product from the merchant (Goodwin & Ross, 1989).

Hughes and Karapetrovic (2006) show in their research of ISO 10002: 2004 that complaints handling procedures need to look beyond the problems that occur instead of merely addressing individual complaints and compensating consumers. Since it has never been easy to retain ongoing consumer relationships in the online environment, satisfaction with the merchant complaint handling procedures was therefore more vital in online shopping than offline (Shankar et al., 2003). Xu and Yuan (2009) assert that those consumers’ complaint handling procedures and expectations need to be fair and responsive. This is because consumers show higher levels of post-complaint satisfaction than those who perceive the response was sluggish and unfair (Patterson et al., 2006).

3 Complaint Handling Procedures

3.1 Complaint Responsiveness

Complaint responsiveness is the merchant’s willingness to address a transaction failure in a timely manner, to provide a complaint handling mechanism and compensation (Tax et al., 1998). This takes into account the efforts of the merchant to ensure that there is no breakdown in customer service, when it comes to responding to consumer concerns and complaints. Furthermore, merchant commitment to consumers is demonstrated by promptly resolving and dealing with complaints in a way that is fully satisfactory to the consumer (Anderson & Swaminathan, 2011; Davidow, 2003). This commitment refers to the strength of the ongoing relationships with the consumers.

Hong and Lee (2005) argue that if responsiveness to complaint appears to be effective and genuine, consumers are more satisfied than they would have been if no complaint had occurred at all. The study conducted by Bitner and Bernard (1990) shows that it is
not necessarily transaction failures that cause dissatisfaction because consumers accept that sometimes problems occur that are not within the merchant’s control. However, it is the merchant’s responsiveness to respond promptly to complaints and to effectively compensate for the problems caused. As underscored by Poleretzky, Cohn and Gimnicher, “In the physical world, if I make a customer unhappy, they’ll tell five friends, on the Internet they’ll tell 5,000” (1999, p. 76). Complaints are now publicly shared on social network sites, (anti)brand communities, review sites and (micro) blogs. The opportunity for consumers to voice their complaints to a broader public poses new challenges for merchants (Hennig-Thurau et al., 2010). Due to the rise of web 2.0, complaining has changed from a private phenomenon into a public phenomenon (Ward & Ostrom, 2006). Before the era of participatory media, complaints were expressed in one-to-one communication which gave merchants some level of control in terms of recovery strategies. This has changed now as complaints are diffused over the Internet (Van Noort & Willemsen, 2012). This would suggest the importance of getting back to the complaints as fast as possible.

3.2 Effective Complaint Handling

An effective complaint handling procedure means that consumers’ expectations have been met or exceeded. This will demonstrate to the consumer that the merchant not only cares about the consumer but will take all necessary steps to meet the consumer’s expectations (Black & Kelley, 2009).

Effective complaint handling not only improves consumer confidence, but it also helps to build a long-term relationship in B2C e-business (Stauss & Seidel, 2004; Tang, 2007). Huppertz (2003; 2007) asserts that resolving problems effectively is likely to influence consumers to make repeat purchases from those merchants. Magnini et al., (2007) also claim this offers an opportunity to convince consumers that the merchants’ efforts are genuine. Effective complaint handling is continuing to receive increased attention, in part owing to rising consumer expectations and competitive marketplace responses. Merchants compete in changing market conditions and need to understand the way in which consumers react to transaction failure and how they respond to different approaches of complaint handling (Siddiqui & Tripathi, 2010). Knowledge of consumer expectations during complaint handling thus holds important implications for the merchants. Because merchants not only need to know whether they meet, exceed or fall short of consumer expectations, they also need to know which elements of the complaint handling procedure consumers evaluate (Gruber, 2011; Stauss, 2002).

Moreover, the Internet enables consumers to express their problems easily with a product or a service purchased. When merchants actively listen, provide explanation and note down the problems, these perceptions of complaint efficacy convince consumers that voicing complaints will solve the problems and improve their sense of confidence in online shopping (Susskind, 2005). Consequently, it is crucial that complaint handling procedures are forceful and effective, because research has shown that failed complaint handling actions have caused consumer-switching behaviour (Alvare et al., 2010). In most industries consumers do not bother complaining (Gruber, 2011; Homburg & Fürst, 2007) and the absence of complaints is, therefore, not a true indication of effective complaint management. As consumer complaints are a valuable source of important market intelligence, merchants should incorporate these into their
business strategies (Priluck & Lala, 2009). Therefore, effective complaint handling requires thoughtful procedures for resolving problems and handling disgruntled consumers. This would go a long way in effectively handling consumer complaints, providing appropriate solutions, and ensuring customer satisfaction and confidence in online purchasing (Tripathi & Siddiqui, 2010).

### 3.3 Complaint Accessibility

Complaint procedures should be accessible to all complainants, regardless of circumstances. Accessibility involves consumer awareness of the procedure’s existence and functioning as well as available options to lodge a complaint that is clearly explained to consumers. The supporting information should be easily accessible in a clear instruction (Volkéry et al., 2012; Ang & Buttle, 2012).

The concern of access to complaint procedure was discussed decades before the advent of e-business (Day & Landon, 1977). This study believes that complaint accessibility offers a perception of a merchant’s commitment to solving problems and consumers are confident that their efforts are not likely to be wasted. Conversely, there are consumers who decide not to complain because they do not believe the complaint outcomes would sufficiently compensate the problems (Donoghue & Klerk, 2009) due to complicated complaints procedures (Xu & Yuan, 2009). For example, a consumer is uncertain on where/or how to communicate the complaint or, even worse, if a consumer doubts the merchants’ interest in receiving the complaint (Schwartz, 2006). This is because merchants tend to personalize complaints, seeing them as personal attacks, so they prefer to avoid the issue or simply make it difficult to get a complaint resolved (Homburg & Fürst, 2007). Take the case of a consumer who made a purchase online and the product has not arrived after two weeks. Then the consumer is required to complete lengthy forms and then email to the customer service department, and told to look up a call centre number if the product does not arrive in seven working days. Is this complaint procedure unnecessarily complex (Prasongsukarn & Patterson, 2012)?

Online complaints commonly take place on public platforms (e.g. forums, company Facebook profiles, Twitter) which experience a constantly increasing participation of information-seeking consumers and hence present a far-reaching influence on merchant reputation (Tripp & Grégoire, 2011). For example, a United Airlines customer complaint went viral on YouTube (titled ‘United Breaks Guitars’) and was estimated to have cost the airline $180 million (Huffington Post, 2011). The fast real-time ripple effect of reputation damage raised urgent needs to address the challenges of consumer complaint handling procedure and implementation (Woodside & LaPlaca, 2014).

It is therefore very important that easy-to-use and non-confrontational methods of eliciting feedback are essential for a successful complaint handling procedure (Hansen et al., 2010). It should take account of the needs of different social groups and, even in an era of rapidly increasing online shopping, recognize that there are many people without the necessary skills required to complain online (Brewer, 2007). Merchants and consumers can agree with the importance of accessible complaint handling procedure in order to have a fair opportunity to exchange information, to present their views, to retain the option of representation, and to meet face-to-face, if possible (Ponte, 2001). Complaining is an inherent part that merchants cannot afford to overlook.
Figure 1: The Role of Complaint Handling Procedures in Influencing Consumer Decision to Shop Online

Figure 1 presents an overview of the role of complaint handling procedures based on existing research and how they influence consumers’ decision to shop online. This model highlights the three key factors (complaint responsiveness, effective complaint handling and complaint accessibility) that are important in understanding the role of complaint handling procedures influencing online shopping decisions by consumers. This model forms the basis for data collection activities in this research and for generating the findings. It is important to note, however, that although all three procedural aspects are likely to influence consumers’ decision to shop online. This model will be refined, altered and amended through the finding before it emerges as the representation of research outcomes.

4 Research Methodology

This study employs a research methodology based on an interpretive philosophical perspective (Klein & Myers 1999) to generate a descriptive understanding of how complaint handling procedures influence consumers’ decisions to shop online.

Two types of data collection were utilised to facilitate in-depth understanding of the topic: individual face-to-face interviews were conducted between 7 October to 28 November 2008, followed by Focus Group discussions which were held from 7 and 15 November 2011, as a means of confirming the interview findings. Strauss and Corbin's (1998) grounded theory analysis was drawn upon to analyse the interview data. This method analyses interview data to derive themes that become evident through iterative textual interpretation. Transcript-based analysis was used to analyse the findings gathered from the Focus Groups to generate the primary source of data for analysis which is presumed to best capture reality (Krueger, 1998). Both methods of analysis were utilised to allow the interpretation to emerge from the study participants, and understanding of the research context to be inductively derived from the empirical data (Bowen, 2008). Consequently, the findings provide a rich and meaningful interpretation of ordinary events that create a convincing picture of the real situation in the study (Huberman & Miles, 2002).
Data collection was undertaken with two groups of participants: online consumers (Buyers) and online merchants (Businesses/Sellers). In this context, consumers are individuals who purchase products through the Internet (Weitz et al., 2001), while merchants sell goods and services directly to the end consumers via the Internet (Davis & Benamati, 2003). The participants were selected based on their ability to directly address the research goals during the discussions, their relevant experience in online shopping and their understanding of what online shopping involves. In this research, semi-structured interviews with open-ended questions were carried out with 15 online consumers and six online merchants, and two online consumer Focus Groups were conducted with six participants in each group. Interviews and Focus Group discussion typically lasted 45 to 60 minutes.

For the interview stage, consumer participants were selected from among postgraduate students enrolled in the College of Business, RMIT University, and were approached in person. Selection of the target sample of students was influenced by the work of Drennan et al., (2006), who claim that university students are more likely to be online shoppers. In selecting the sample of merchants, a list of potential participants was compiled from a number of Melbourne online shopping directories such as onlymelbourne.com.au and www.shopbot.com.au. For the Focus Group sessions, consumers who were invited to participate had to fulfil the eligibility criteria mentioned above before being selected for participation. Furthermore, determining how many subjects to interview or to involve in the Focus Group was based on the issue of data saturation – the researcher did not pursue further data collection at this point because no new or relevant data emerged, and all concept categories were well developed, with linkages between categories well established (Strauss & Corbin, 1998).

5 Research Findings

Analysis of the interview and Focus Groups led to identifying of the themes outlined below which characterise the participants’ experience with and understanding of complaint procedures with reference to online shopping.

5.1 Consumer Interview: Accessible and Responsive Complaint Handling

Accessible and responsive complaint handling positively influenced consumer confidence and showed that they perceived trust in merchants from two perspectives. Firstly, a satisfactory outcome from having complaint procedures accessible and acting responsively on them was an opportunity to demonstrate the merchants’ accountability in handling problems. Responsive actions showed that merchants did not just ignore the problems or deny their responsibility. Consumers interviewed did not consider that the risk factors would hinder their shopping confidence or stop their return to merchants. Instead they were concerned about receiving responsive complaint support in exchange for accepting that mistakes happened and minimum loss was involved. One of the consumers stated that:

*If you have shown your attitude and responsiveness to fix this problem it doesn’t only gain my trust and confidence, but this is a very trustworthy company. It makes mistakes but it can also improve them and do better and why couldn’t I trust them and use their services more....*
Secondly, the interviewees noted that accessible complaint handling allowed them to voice their dissatisfaction and to gain immediate attention from merchants. These are part of the important procedures to reinstate confidence, they claimed. In particular, responsiveness in solving problems and answering complaints helped to demonstrate the effectiveness of the complaint procedures when implemented. Alternatively, an irresponsible action leaving the problems unattended was likely to worsen consumer confidence and to escalate their perceived risks. The findings corroborate the ideas of Donoghue and de Klerk (2009) and Kim et al (2009), who found that it is important that merchants address complaints without any delay. One of the consumers commented:

**People make mistakes and you can’t expect them to be 100% perfect. If they try to resolve the situation to my satisfaction I will give them a second chance.**

This study also shows that uncomplicated complaint procedures and policies that are acted upon is all that consumers want from the merchant. At least consumers will have less concern and frustration, for example, not knowing what, where or how to complain. With these practices, consumers perceived merchants were prepared to fulfil their promises. As a result, they were convinced that the merchants were trustworthy in assisting consumers, especially when problems occurred in transactions. Again, the findings of the current study are consistent with those of Donoghue and de Klerk (2009) who show that uncomplicated complaint services are important. The perceptions of complaint efficacy influence consumers to believe that the effort to voice complaints will reclaim their initial shopping confidence (Susskind, 2005).

As a result, there is a need to show what the existence of a complaint policy and set of procedures can accomplish, especially when consumers were seeking assurance and protection for their own purchase interest. Alternatively, consumers were likely to lose their online shopping confidence and their trust in merchants if the existing complaint procedures failed to fulfil its role as promised.

### 5.2 Merchant Interview: Accessible Recompense Practice

Accessible recompense practice was essential, for the merchants to demonstrate their accountability to communicate and to care for consumers in online shopping. This recognition of accountability gave the merchants, the opportunity to respond to problems occurring, to reclaim their trustworthiness and to reinstate consumer purchase confidence. Alternatively, if they failed to exercise this practice, problems occurred then the outcome was likely to cause distrust and unsatisfactory online shopping experience among consumers. The findings support the existing literature which argues that inaccessible and difficult complaint procedures will reflect on merchants as irresponsible and untrustworthy (Stauss & Seidel, 2004; Gregg & Scott, 2006). One of the merchants commented:

*You definitely need those contact options and you need to respond promptly, or message service, whatever. Otherwise when someone calls up and they can’t get through then…basically is like you were dealing with someone in the garage and that was not going to impress consumers.*

Merchants also believed that they should not impose any constraint on consumers when seeking compensation. It was important to show that merchants did not take the issue lightly because it could be the last resort to regain business trustworthiness. Therefore,
merchants must ensure that consumers have sufficient support, for example, to initiate a convenient and flexible complaint approach that allow consumer to communicate the problems or just to express their dissatisfaction. This is consistent with Svantesson and Clarke (2010) who found that merchants have the obligation to offer accessible contacts instead of trying to avoid their responsibilities by imposing ambiguous complaint policies and could therefore confuse consumers. One of the merchants noted:

I think it is as simple as having a channel through which the consumers can speak to you...you just have to give people the confidence that if they call or e mail there will be a response. It is for them to choose.

A flexible complaint procedure and policy is, according to the merchants interviewed here, an advantage that allows them to respond to the problems and to pacify unhappy consumers immediately. It is essential to have this recompense practice accessible because a merchant cannot always anticipate what can happen in a transaction and when it will happen. Merchants believed that a flexible complaint procedure was a common practice expected by consumers. It is a win-win situation, they stated, because it allows merchants to prove their dependability and commitment and at the same time to enhance consumer confidence. Offering complicated and confusing complaint procedures was unlikely to benefit anyone in the transaction. These findings support existing research regarding complaint procedure, which claims merchants should focus on accessibility, flexibility and uncomplicated procedures (Pizzutti & Fernandes, 2010). The research also shows that complaint responsiveness helps to promote merchant responsibility and improves consumer satisfaction (Bloemer et al., 2008).

5.3 Focus Group Discussion: Accessible and Responsive Complaint Handling

The Focus Group discussion showed that consumers were unlikely to completely withdraw from the transaction when merchants demonstrated their responsiveness to address the problems through appropriate complaint procedures. Therefore, apologies from the merchants did not necessarily cause a negative image of their business, but may in fact help to mitigate damage caused to consumers’ trust and purchasing confidence. On the other hand, merchants who failed to respond were likely to result in additional consumer dissatisfaction beyond the original complaint. One of the consumers noted:

That was this comic book merchant that I purchased the book from and they sent me the wrong one. I emailed them a notice and they sent me an extremely comical reply that also served to reassure me the correct one will be shipped at no cost and I can keep the wrong one. That made me feel very loyal to that vendor because I enjoyed both the humorous response and great responsibility because it’s a very small company and that made me sure I will return to them for my future comic book needs.

The Focus Group discussion showed that consumers did not trust the current complaint handling procedures and they did not feel confident about obtaining support from the merchants. Consequently, consumers showed little confidence in complaint outcomes that would sufficiently compensate their unsatisfactory shopping experiences. There was no benefit gained and it was impractical to waste unnecessary effort, time and cost, especially when it involved an inexpensive purchase. Several previous studies have
shown that consumers were inclined to complain when benefits rose and cost declined (Cho et al., 2002), when anticipated effort to complain was low (Huppertz, 2003). One of the consumers claimed:

*It’s just too hard sometimes because you don’t have the time to deal with it. If you need to return the books you have to pack it and post it. Whether they pay for the postage or not it doesn’t matter, but physically it is a lot to do.*

The Focus Group discussion also showed that frustrated consumers were impatient, they expected an immediate answer and compensation without delay from the merchants. It was found that, as long as merchants were competent to offer an immediate response to the problems, then this action was sufficient to give consumers a positive complaint experience. In a post-failure situation, consumers appeared to be more emotional than they were in offline transactions (Casado-Diaz et al., 2007). Therefore, accessible and responsive complaint handling procedures in a post-failure situation would significantly reflect the distinct competency of the merchants and would have the most influence on consumer satisfaction and confidence. One of the consumers noted:

*Amazon policy is that if the shipper has failed to deliver then you can contact customer service and they will reship the entire orders at no cost. Amazon would have replied to that and say “I am really sorry and it has obviously gone missing and we will ship you a new one.*

This study shows that accessible and responsive complaint handling procedures is a win-win strategy for the consumers and merchants. Consumers were confident and trusted the merchants, not only because responsive complaint procedures were introduced or problems were resolved responsibly, but also in the way merchants had competently demonstrated their concern for consumers.

### 6 Conclusion

The results of the study show (See Figure 2) that the influence of complaint handling procedures has more impact on consumer confidence and trust than in the decision itself to shop online, especially when an accessible and responsive complaint handling procedure is required. The model in Figure 2 indicates that the role of complaint handling procedures in having a direct influence on consumer decisions to shop online appears to be not as significant as previously thought. This was shown to have an influence on consumer confidence and trust in B2C online shopping and therefore impacts on their decision to shop online.

Although effective complaint handling did not evidently emerge from the data, accessible and responsive complaint handling from the interview and Focus Group discussion sufficiently emphasized when a transaction failed, consumers expect merchants to take all necessary steps to respond, compensate and meet their expectations. This also demonstrates that complaint accessibility and responsiveness has an indirect impact on complaint effectiveness.
In this study, consumers did not appear to deliberately consider the importance of an accessible and responsive complaint handling procedure prior to making a decision to shop online. It is therefore argued here that a complaint handling procedure does influence consumers in online shopping, in this case trust in the merchant, only as an afterthought. When problems occurred in the transactions and when this then subsequently affected consumer confidence and trustworthiness to shop online. In that case, an accessible and responsive complaint handling procedure was needed to respond to the problems, and to reinforce merchant trustworthiness and responsibility in dealing with the situations and care for consumers’ best interests. Therefore, accessibility to and responsiveness of complaint handling procedures became an important element in future shopping online and appears then to have a direct influence on consumer confidence and trust when shopping online. However, this study also shows that if most purchases are completed satisfactorily, consumers will likely have little or no concern about complaint handling procedure. And in such cases complaint handling procedure would then have a less influential role in determining consumer confidence and trust in online shopping.

In the three years between the first set of interviews with consumers and the Focus Groups of consumers in this research, attitudes were shown to be consistent. The emphases on accessible and responsive complaint handling procedures are always a concern to the consumers. It can be suggested that online shopping is growing and consumers have more buying power to shop not only locally but also internationally. There are more choices available online and comparisons are easier. However, when shopping online internationally, consumers want to have at least adequate complaint options and accessible procedures against faulty goods or where goods delivered do not match the descriptions advertised.

This research has contributed to the body of knowledge through an understanding of how an accessible and responsive complaint handling procedure influences consumer decisions to shop in the online environment. It addresses the lack of an explicit theory and understanding of complaint handling procedure in the current B2C e-business research community and business practice. From a practical standpoint, this research identified accessible and responsive complaint handling procedures, and the relative
impact of each on consumer trust and shopping intentions. Such an understanding may allow online merchants to better incorporate the availability of accessible and responsive complaint procedures into their business strategies by focusing on the circumstances identified in this study.

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