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The Role of Redress in Consumer Online Purchasing

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Abstract

Redress is a post-purchase complaint procedure that necessitates some form of compensation for consumers who lodge complaints about a defective product or poor level of service. Its importance in relation to offline business activities has received some research interest, and it is widely accepted that redress has a significant influence on consumer trust in that environment. However, redress has yet to be adequately understood in connection to online purchasing, and research into its role in this context has been sparse. This paper focuses on the influence of redress procedures on the decisions of consumers to purchase online, through an analysis of the perceptions of a selected group of online consumers and merchants.

Keywords: B2C e-business, redress, online purchasing, consumer, trust

1 Introduction

This paper presents a study of the influence of redress procedures on the decisions of consumers to purchase online. The study focuses specifically on online consumers and merchants located in Melbourne, Australia, and on the influence of the availability of redress on consumer decisions to purchase online.

Redress refers to the process of an aggrieved consumer submitting a complaint to rectify a problem in a transaction, and has been widely discussed in relation to service recovery (Mattila & Wirtz 2004), consumer complaint behaviour (CCB) (Day 1980; Singh 1988), and customer relationships (Payne & Frow 2004). Some websites such as eBay and Amazon are exceedingly popular and well used by consumers. Other shopping sites are less so. Some argue that this variation in popularity and use of online shopping sites results from consumer expectations about products, price and choice (Falk, Sockel & Chen 2005), expectations (Elliot & Fowell 2000) or simply because of website usability (Chen & Macreadie 2005).

2 Redress in B2C Online Purchasing

In business transactions, redress is an action taken by a dissatisfied consumer who complains about a defective product or inadequate level of service (Richins & Verhage 1985). That

individual will benefit if the complaint is handled satisfactorily. Mitchell (1993) refers to redress as the provision of after-sales support aimed at handling complaints and dispute resolution, as well as the establishment of refund and return policies. In e-business transactions, redress refers to dispute settlement in cross-border purchases over the Internet (Edwards & Wilson 2007). According to the Organisation for Economic Co-operation and Development (OECD) (2006), redress is the mechanism through which consumers can engage to resolve disputes and seek remedies from merchants in online transactions. In this research, the following definition provided by Ha and Coghill (2007) is used: redress is a process that offers consumers access to internal complaint handling procedures and services to resolve disputes and problems that occur during online transactions.

Researchers have shown that the provision of redress in offline business transactions can serve particularly as an influential mechanism for improving consumer confidence (Magnini, Ford, Markowski & Honeycutt 2007). Furthermore, redress has received growing attention in conventional offline business, and is increasingly being regarded by merchants as an important opportunity to improve consumer trust (Komunda & Osarenkhoe 2012). Redress has also been cited as a key element in Consumer Complaint Behaviour (CCB) (Day 1980; Singh 1988). CCB is centred on dissatisfaction with a product or service which leads to any of three complaint behaviours: 1) private responses (such as negative word of mouth); 2) seeking redress (for example, from the merchant); and 3) third-party responses (such as legal action) (Day & Landon 1977). The findings of a study by Huang and Chang (2008) in the context of CCB point to redress as an obvious recourse of action sought by dissatisfied consumers following a purchase transaction that has gone wrong.

Huppertz (2007) has shown that the availability of redress is essential to address consumer dissatisfaction because it presents an opportunity to respond to consumer complaints effectively and to improve a company's ongoing relationship with them. La and Choi (2012) emphasise that the act of redress offers merchants a second chance to restore consumer trust and to improve their reputation. Blodgett, Wakefield and Barnes (1995, p. 31) have commented that 'retailers and service providers should encourage customers, who are dissatisfied, to seek redress so that they will then have a chance to remedy those problems and retain those customers' business'. Moreover, consumers always re-evaluate their total satisfaction in relation to a merchant's efforts and initiatives to handle any problems they encounter. Thus, from the merchant's perspective redress is a business opportunity to influence consumer decisions to purchase. Consequently, it matters how the merchants manage the redress process and use this to influence consumer decisions to purchase.

However, while the availability of redress procedures has been shown to impact offline shopping, the influence of redress in the online purchasing environment remains uncertain. In relation to B2C online purchasing, the impact of redress remains abstract in response to how consumers would respond or what the influence of redress is on their confidence and trust when purchasing online. Thus, clear understanding of the impact of the availability of redress on consumers in the B2C online purchasing environment is still lacking.

Previous studies (Gefen & Straub 2003; Lim et al. 2006) argue that building and retaining consumer trust in B2C e-business are challenging. For example, a consumer's perceived risk has been found to act as one of the biggest barriers to online purchasing decisions (Zhang,

Tan, Xu & Tan 2012). Redress is shown to be significant in managing the risk that is perceived to be inherent in e-business (Kim, Ferrin & Rao 2008). The availability of redress is considered to be essential to building and retaining consumer trust, and to establishing consumer confidence that merchants are reliable in an online context (Magnini et al. 2007). Redress also represents an opportunity to address problems and consumer concerns around risks. Having a redress policy and set of procedures available is necessary for merchants who want to gain or to reinstate consumer trust. Swire (2009) claims that consumers are often unaware of how redress will play a supporting role when they make a purchase from an online merchant. Huang and Chang (2008) have also revealed how redress reinforces consumer trust has been less clearly established in B2C e-business settings. Having redress procedures in place is an essential element of trust development and eventually the intention to purchase in B2C e-business.

During the early years of B2C e-business there was a view that a lack of adequate security in the transaction was the major barrier to purchasing online (McCole, Ramsey & Williams 2010). Much of the research focus was on the role of trust between the business and the consumer (Lu, Zhao & Wang 2009; Kong & Caisy Hung 2006). Those initial barriers have been well researched, both in practice and within a legal context. However, the availability of redress procedures in the online purchasing context has received less attention among researchers. Despite the attempts at advancing redress in a B2C e-business environment, its uptake in Europe (European Commission 2011), Australia (Australian Government Treasury 2009) and the US (OECD 2007) remains at a developmental stage. The adoption of redress procedures has yet to adequately directly attend to consumer issues and is considered to be a costly (Gwith 2006), complicated and time consuming procedure (Edwards & Wilson 2007).

There is therefore clearly a need to better understand the role of redress in B2C online purchasing. The awareness and understanding of the availability of redress procedures in online purchasing and its value as a strategic initiative to foster a climate of confidence and trust in consumers is not evidentially strong. The scope of this research is to explore how the availability of redress procedures influences the decisions of consumers in the B2C online purchasing environment.

3 Research Methodology

This study employs a research methodology based on an interpretive philosophical perspective (Klein & Myers 1999) to generate a descriptive understanding of how redress plays a role in consumer online purchasing.

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 - 28 November 2008, followed by Focus Group discussions which were held from 7-15 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 1994). 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).

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, Castleberry & Tanner 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.

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 data collection process should end once a saturation point is reached after which no new issues emerge (Strauss & Corbin 1998).

4 Discussion of Findings

Interpretive analysis of the interview and Focus Group led to the identification of the themes outlined below which characterise the participants' experience with and understanding of redress in relation to online purchasing.

4.1 Risk Free Purchase Transaction

The consumers interviewed in this research were mindful that online purchasing is not completely safe and that risks are always present. With this awareness, consumers must assume that minimal risk is involved in order to purchase products or services online. The prevalence of such risk often weakens consumer purchasing confidence and trust in the merchant insofar as financial loss might occur or products ordered might not be delivered.

This study revealed that consumers want to be certain that a procedure of redress is at least available to them in case there is a problem with the transaction, to avoid the risk of monetary loss with no provision for compensation. The consumer participants in this research believed that an adequate level of assurance and guarantee through a process of redress demonstrates that merchants are committed to ensuring a safe and satisfactory online purchasing environment. One of the consumers commented:

If assurance was offered it would make me think of it as more reliable and I'd be more confident shopping from the website. Yes, it normally does if it is clearly stated that if you don't like it we will change it. You have more confidence with the purchase because you know you are not wasting money on it. You know you can trust them.

The consumer participants were determined not to proceed with a transaction if a merchant offered no redress procedures because the risks of purchasing would then be too high. In such cases, consumers are uncertain about what might happen to their purchases and do not know what assurance is provided by the merchant. The consumer participants shared the view that merchants are accountable to consumers and should offer a minimum level of redress before purchasing takes place. In the event that a merchant does not fulfil their obligations in relation to a transaction these participants believed that such problems should be handled by the merchants and adequate compensation provided.

4.2 Perceived Merchant Accountability

Actions undertaken by merchants to respond to complaints and address mistakes demonstrate not only a commitment to deliver a satisfactory purchasing experience, but also that merchants are accountable in offering appropriate redress support to consumers. The consumer participants believed that this also reflects a merchant's competency and experience in doing business. More importantly, consumers can rely on such merchants to uphold consumer rights when problems occur.

A merchant's professional attitude was equally important to the consumers interviewed. The actions taken by a merchant in response to a problem, and the adequacy and responsiveness of these in addressing consumer complaints, demonstrate a merchant's attitude. This was also seen as an opportunity for merchants to regain consumer confidence and trust. As stated by one consumer:

That will encourage me because I knew that you were doing your best to resolve a certain thing and whatever the outcome that would encourage me to stick with you. At least you had the right attitude as a seller. Again, that will encourage me because you were professional and responsible in doing what you are doing.

The findings captured from this study further underscore that, if merchants always took the initiative to demonstrate their commitment to consumer satisfaction in online purchasing – for example, to recompense customers for mistakes or to offer satisfactory solutions – they would better convince consumers that purchasing online is safe and involves minimal risks.

4.3 Perceived Merchant Reputation

The consumers in this study were confident to buy from a recognised name because they believed that such merchants are committed to maintaining their trustworthy status and image. It was believed that these merchants are unlikely to damage their own reputation by acting unethically or dishonouring transactions. This commitment provides consumers with a sense of certainty and assurance in online purchasing.

This research revealed that consumers spend time and effort carefully searching for peer references, especially those who have had a satisfactory purchasing experience, or any important source of information that verifies a merchant's track record. The objective is to take advantage of the available recommendations and feedback to make the right purchasing decision about which merchants are reputable and trustworthy. While consumers recognise

the risks pertaining to online purchasing transactions, they were of the view that such risks could be mitigated by the positive feedback of peers. According to one of the consumers:

You can go into the chat room and plenty of forums where people discuss where they bought this and where they bought that. Go by the people experience; someone says, "I got great service" and that increases your trust level. You are more likely to trust the company if you see other people having a positive experience...

The consumers in this study generally agreed that they are confident to proceed with a purchase, even without the availability of proper redress procedures, when it involves inexpensive purchases that would only result in insignificant loss were a problem to arise. The prevalence of redress processes is diminishing because consumers are increasingly relying on peer feedback and recommendations when evaluating a reputable merchant. Furthermore, redress policy and procedures are seen as common protocols adopted by all merchants which in reality have little effect on a merchant's reputation.

4.4 Product Price and Availability

Cheaper product price was shown to be an attractive element that draws consumer attention to purchase online because consumers can take advantage of immediate cost savings. This financial benefit persuades consumers to accept the perceived risks relating to online purchasing and the possibility that their purchases may be compromised. Therefore, the benefits gained from low prices are seen to outweigh the perceived risks. For example, the consumer participants considered that there is a trade-off between the price paid and the quality of the product received.

However, the findings also revealed that the benefit of low prices leads consumers to pay little attention to the protections or redress procedures available, and to have little concern over merchant trustworthiness or reputation. The consumer participants believed that redress is a common practice among merchants in online purchasing, so lower price offers or immediate cost savings appeared to be more beneficial and more influential on purchasing decisions. In addition, redress was seen as a complicated process and consumers were not optimistic about how it could improve purchaser confidence or influence product price. One consumer noted:

I don't think it [redress] is necessary to be visible when presenting the overall experience to the first-time buyer. When I go online to purchase from the merchant, the first thing that interests me: first the product price ... I don't judge a vendor based on their redress policy.

Product availability was also seen as an important factor that convinces consumers to purchase online from unknown merchants that may pose a higher risk because, when purchase options are limited, merchants that have the products available will win over consumer decisions to purchase. In contrast, this research also illustrated that if purchase options are limited and the product is urgently needed, consumers are prepared to pay a higher price. In such instances, trust and confidence are no longer consumers' main concern, and they show little interest in redress. The participants expressed the view that the availability of redress could offer protection but could not fulfil an immediate need for a product.

4.5 Accessible and Effective Complaint Handling

This research showed that when problems occur in online purchasing, merchants have the opportunity to regain consumer trust and to reinstate purchaser satisfaction by demonstrating their commitment to consumer satisfaction and to addressing the problems through appropriate redress procedures. This may help to mitigate any damage caused to consumer trust and confidence. More importantly, this is likely to prevent further dissatisfaction arising beyond the original complaint. Two particular findings in relation to complaint handling need to be made.

First, a satisfactory outcome achieved through the available redress procedures is an opportunity to demonstrate a merchant's accountability and effectiveness in handling problems. Such responsive actions show that merchants are not ignoring problems or denying their responsibility. The consumer participants in this study considered that this was the most important form of redress support that needs to be offered. This study revealed that consumers do not consider that the risk factors pertaining to online purchasing hinder their purchasing confidence or prevent them from returning to particular merchants. Instead, they were concerned about receiving effective redress support, in exchange for accepting that mistakes sometimes happen, to ensure that they incur minimal loss. One of the consumers stated:

Because organisations might have large numbers of orders and they can't get every order correct, I will come back ... if you sent me a faulty product and you can go through the whole process and refund my money, yes, you got my trust and I will do business with you again.

Second, the consumer participants noted that accessible and responsive complaint handling through redress procedures allows them to voice their dissatisfaction and to gain the immediate attention of the merchants. Accessible and responsive complaint handling processes were thus seen as an important part of redress in reinstating consumer confidence. The consumers were found to have greater trust in immediate redress support offered than in the promises made in a merchant's written policies. In particular, responsiveness in addressing problems and complaints helps to demonstrate the effectiveness of a merchant's complaint policy and procedures when implemented.

4.6 Low Risk Purchase

The merchant participants in this research shared their experiences and perceptions concerning the importance of offering consumers a low-risk purchase transaction and ensuring secure transactions. They were aware that consumers assume that online purchasing poses a greater risk because it is difficult to predict the consequences of online transactions which leaves them in a vulnerable situation. As a result, merchants have to ensure that the online purchasing environment is totally secure.

The merchants shared the view that the use of secure transaction systems determines the level of perceived risk. They contended that secure payment systems and ordering processes offer the key to success, because this security is the first criteria consumers consider in purchasing decisions. For example, online payments are usually processed through a third-party provider, meaning there are additional steps in the payment process during which the process can fail. Therefore, access to a secure ordering and payment process has a positive influence on consumers, reducing the perceived risk and maximising safety in online purchasing. In this

study, the merchants did not cite redress as playing an important role in ensuring secure, low-risk online purchasing. As stated by one of the merchants:

We on the website tell the customer what we are doing and this is to decrease fraudulent application. When they place the order we obviously have the SSL certificate on the site and we tell the customer we have that, part of that also includes the site seal and when they go to pay by credit card...

4.7 Ensuring Purchase Fulfilment

Among the merchants interviewed, a common opinion expressed was that delivery of a satisfactory purchasing experience is their primary business objective. The merchants did not want to risk disappointing consumers, and they made every attempt to satisfy consumers' initial purchasing expectations. The merchant participants believed that the consumer's aim in engaging in online purchasing is to fulfil their needs and wants, especially if the products purchased are not available offline or cannot be obtained locally. In this scenario, when problems occur in the transactions financial compensation is never the right solution to satisfy the consumers. The merchants agreed that an effective approach to retaining their business standing is to deliver what consumers ordered and expected to receive. One of the merchants commented:

If consumers order the product and they have a problem with the product, they want us to resolve the problem, not give the money back. It is very rare that people want their money back, but they might want a replacement and I will genuinely send the replacement without even arguing....

The merchants interviewed in this research stated that, in order to deliver a satisfactory purchasing experience, they must consider various ways to exceed consumer expectations. These participants believed that consumers are confident to purchase from particular merchants because they believe these merchants will deliver the products they want.

The merchants also observed that consumer purchase fulfilment is not always satisfied through the availability of redress procedures such as compensation, because this is not part of consumer purchase expectations, beyond the desire to receive what they have ordered. Thus, redress has a lesser role to play in fulfilling consumers' purchasing expectations.

4.8 Shipping Cost and Delivery Time

One of the main objectives of purchasing online is to enjoy cost savings by paying a cheaper price. As a result, consumers may decide not to purchase online if excessive shipping fees are involved. A consumer may decide to purchase from an offline store if a similarly low product price is available, to avoid unnecessary shipping and handling fees. In this regard, when shipping fees are high, consumers tend to believe that such fees are used as a means to increase the merchant's overall profit margin rather than representing the actual cost of shipping the products to consumers. As a result, consumers were reluctant to believe that having products shipped to them is a service worth paying for. One of the consumers stated:

I agree [that] shipping and how fast I am going to get it and how much I am going to pay for it is a big thing. I just bought some stuff before from the [United] States. My friend and I split the shipping cost and we have saved the big amount on the purchase to divide the shipping by two.... So that is the thing that I look at – how much is it going to cost me and how long is it going to take [to get to] me.

Consumers who are prompted to take advantage of a cheaper price might save on shipping costs, but the delivery time might be longer than usual. So in such cases a more feasible decision might be to buy offline if the product is needed immediately. However, this trade-off also depends on the types of product purchased because different product types will require different delivery times.

4.9 Enjoyable Shopping Experience

Consumers are often excited about purchasing online because they enjoy the emotional appeal and entertainment value of the online purchasing experience. Therefore, the success of online purchasing depends in part on the provision of a more entertaining purchasing experience which influences consumer attitudes towards purchasing online. The more often consumers return to an online merchant, the more enjoyable their purchasing experience tends to be. In this study, the availability of redress and merchant trustworthiness were both found to have little influence on consumer online purchasing decisions because merchants have successfully captured consumer purchase interest and satisfaction through the buying process rather than through their redress procedures. The perceived entertaining experience is thus considered to be one of the key factors in increasing an ongoing purchasing relationship between consumers and merchants. One of the consumers commented:

There's several websites like bargainoftheday.com.au or less.com.au that midnight to midday have got new products and it's only available for one day ... when at the stage of run out the sign flashes ... going, going. Oh God! Do I really need it? But it doesn't look really important. If other people are buying it so it must be running out so I got to have it. This worked me out a few times. Now I can't and I just don't go to those websites. It still comes through the emails but I have to resist it: Don't open! Don't open!

5 Conclusion

The results of the study show (See Figure 1) that the availability of redress appears to be not as significant as previously thought or as in a conventional (offline) business environment. Though it has an indirect influence in the purchasing decision, other factors seem to have more important roles in the purchasing decision and to have a more direct influence on consumers in their decisions to purchase online (Figure 1). The model in Figure 1 is a representation of the research outcomes derived from the data analysis in this research. It provides a summary which differentiates the direct and indirect influences of the decision to purchase online and shows the indirect influence of redress on trust and its impact on merchant reputation.

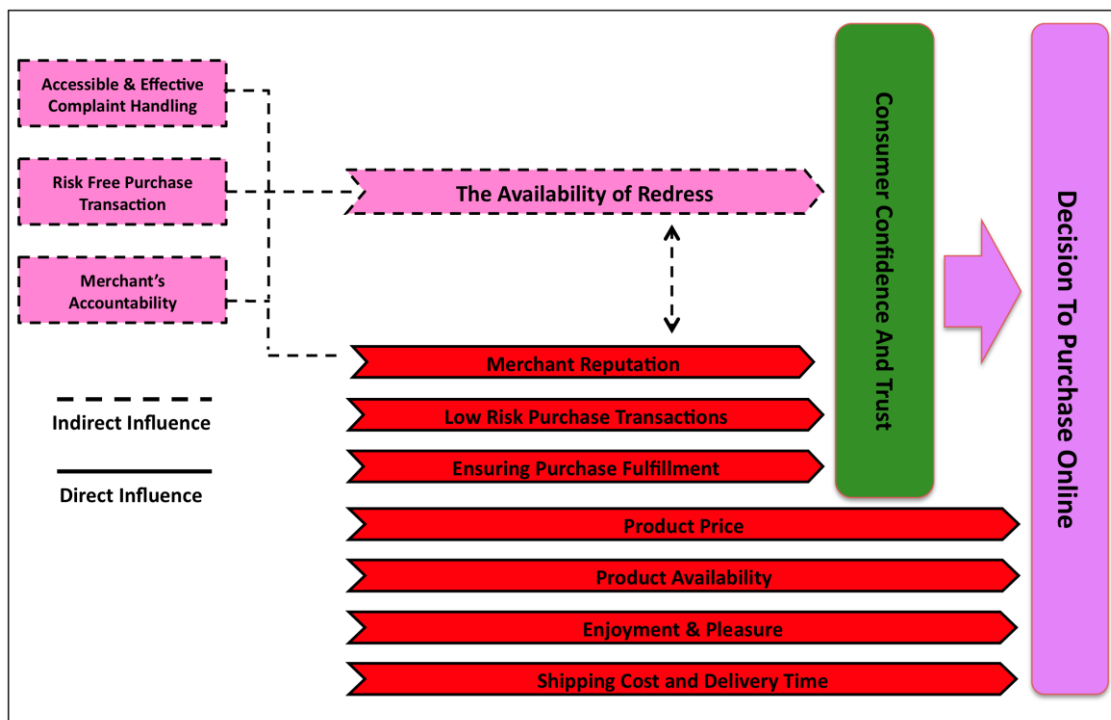


Figure 1: Influence of Redress on Consumer Decisions when Purchasing Online

The availability of redress was found to have an impact only in three circumstances. It can and does indirectly influence consumer confidence and trust in B2C online purchasing and therefore impacts on their decision to purchase if, and only if, one of the following three circumstances exists:

1. When problems occur in the online purchasing process and subsequently consumers require immediate access to a complaint handling system. In these circumstances consumers want an accessible and effective complaint handling system. If redress is not available in this situation, or consumers have to face complicated procedures, they will be likely to lose confidence and trust in the merchant concerned. However, this research revealed that these situations are less likely to be an issue when lower prices contribute towards the consumer decision. Consumers seem to only force the issue of compensation or redress of funds for higher value goods, which suggests that the availability of redress is only important when the consumer wants compensation.
2. When risk is perceived to be present in the purchasing process consumers desire protection from financial loss. Consumers want access to redress when there is an identified need for merchants to offer an assurance and guarantee to consumers that their transaction will be risk free and that they will be well protected. This does not seem to apply in all cases as this requirement tends to be tempered by product price and availability, and fast delivery at a reasonable fee. As risk always exists in online purchasing, consumers regularly assess the protections available to them, especially when a product is at a high price.

3. When redress initiatives are offered that allow consumers to assess the merchant's accountability in offering a satisfactory online purchasing experience. The availability of redress helps to persuade consumers that merchants are not evading their accountability to deal with complaints, and are committed to fulfilling their obligations and ensuring the consumer's best interests. This study identified that, while redress was generally perceived to be an important issue by consumers, real in purchase transactions only become an issue when the value of the goods purchased is high.

This research also demonstrated that the availability of redress indirectly impacts merchant reputation, but that the reputation of merchants has a direct impact on trust. It was also discovered that low-risk purchasing transactions and assurances of purchasing fulfilment have a direct influence on trust as part of the role of trust as a key influence on the decision to purchase online.

This study found that product price, product availability, shipping cost and delivery time, as well as having a fun and enjoyable purchasing experience, directly influence consumer decisions to purchase online in the same way that trust does. The findings revealed that a consumer's decisions to purchase are essentially influenced by the presence of immediate cost savings. Consumers displayed little concern about the availability of redress, and will tolerate the potential risks associated with online purchasing.

In conclusion, there were variations in the factors that point to different explanations and understandings of the indirect influence of redress on consumers and the role of redress in online purchasing. However, the indirect influence of redress clearly plays out through three main contexts. If most purchases are fulfilled satisfactorily, consumers will likely have little or no concern about redress. And in such cases redress would then have a less influential role in determining consumer trust and online purchasing.

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