CONSUMER DECISION MAKING FOLLOWING A FAILED SERVICE ENCOUNTER: A PILOT STUDY

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ABSTRACT

This paper contributes to the current understanding of consumer decision making by studying the relationship among several post-purchase behaviors. An experimental design is employed to examine the relationships between the manner in which a business handles a complaint and respondents' subsequent attribution, word-of-mouth (WOM) and repurchase decisions. Results indicate that complaint handling positively impacts the valence and likelihood of WOM as well as respondents' overall evaluation of the service experience. However, complaint handling did not significantly effect respondents' repurchase decisions. Respondents who believed that the cause of the service failure was unstable (service would be better the next time) had higher repurchase intentions. Stability attributions did not influence WOM valence. Finally, repurchase intention was strongly influenced by the valence of WOM respondents provided.

INTRODUCTION

Dissatisfaction is important to marketers because of its impact on consumers' subsequent postpurchase behavior (Bolfing 1989; Gilly and Gelb 1982; Swan and Oliver 1989; Richins 1983; Singh 1990). These postpurchase activities, which include continued patronage (loyalty), discontinued patronage (exit), complaining and word-of-mouth (Day and Landon 1977; Singh 1990), have serious implications for the interested parties to marketing exchanges. For example, consumers may use WOM as a source of information. Marketing managers are interested in loyalty and exit decisions because of the much greater cost involved in attracting than retaining customers. Further, public policy makers may use complaint information as an input into consumer protection or other business-related legislation.

While the issue of consumer dissatisfaction is of importance to all marketers, some underlying characteristics of services make the topic especially critical to services marketers. First, services are, to a greater degree than goods, intangible (Zeithaml et al. 1985). That is, services cannot be touched, tasted, felt, seen or sensed like physical objects. Levitt (1980, p. 83) observes that "the most important thing to know about intangible products is that customers usually don't know what they are getting until they don't get it. Only then do they become aware of what they bargained for. Only on dissatisfaction do they dwell. Satisfaction is at it should be, mute. Its existence is affirmed only by its absence." Given this consumer focus and attention on unsatisfactory elements of service experiences, it is especially critical that services marketers develop a better understanding of consumer reactions to failed services.

Second, the intangibility of services also makes it difficult or impossible to test them or try them out in advance (Zeithaml et al. 1985). Therefore greater reliance is placed on WOM information (Levitt 1980; Haywood 1989). Considerable evidence indicates that WOM is used as a means of reducing risk in the purchase of a variety of services such as legal, medical and child care (Haywood 1989).

Third, services are performances with customers, service workers and managers acting out roles (Solomon et al. 1985). Scenes in this exchange drama have been termed "service encounters." These are "the dyadic interactions between a customer and a service provider" (Surprenant and Solomon 1987). As a result, services are more likely to require complaining to (or in the presence of) the service provider. People may be hesitant to do this because of what Tesser and Rosen (1975) refer to as the MUM effect. The MUM effect is a tendency on the part of communicators to give feedback which is pleasant for the recipient and to limit communicating unpleasant information. At times bad news may be withheld, while at other times it

may be distorted to make it appear to be more positive. A number of explanations for this effect have been examined (Bond and Anderson 1987). Two explanations which have received some support are: 1) the effect is an aversion to private discomfort, and 2) the effort is a public display.

In the first explanation people keep mum to avoid personal discomfort (negative affect) from conveying bad news. In the second explanation people keep mum to protect their public image (e.g. they don't wish to be labelled as a "whiner"). Bond and Anderson (1987) found support for the explanation that people are less likely to deliver negative information when they are visible to the receiver. This would suggest that complaining may be an underutilized response to service failures, while exit and negative WOM may be more heavily relied upon.

The notion that people may distort their evaluations of a service encounter (e.g. respond that "everything is O.K." when it is not) is critical to marketers. It gives the service provider an unrealistic picture of the service performance and could lead to poor decision making. For all the reasons cited above, a deeper understanding of consumer postpurchase decision making is tremendously important to services marketers.

RESEARCH QUESTIONS

While it is acknowledged that individual consumers may engage in multiple responses to unsatisfactory experiences (e.g. complaining and exiting), most research has tended to focus on identifying and/or predicting which option is selected (Bolfing 1989; Folkes, Koletsky and Graham 1987; Singh 1990; Richins 1987).

A limited body of research has investigated more dynamic issues concerning how consumer and managerial actions following initial responses to unsatisfactory experiences impact subsequent consumer decisions (Bitner, Booms, and Tetreault 1990; Gilly and Gelb 1982; Westbrook 1987). These studies examined the effect of complaint handling on repurchase and, to a lesser extent, WOM and attribution decisions. For the most part, however, research has failed to consider relationships between postpurchase activities. The purpose of this paper is to extend postpurchase research by examining a number of questions including:

* How does quality of complaint handling relate to attributions consumers make for service failures?
* How are consumer attributions for service failure related to repurchase intention?
* How is complaint handling related to the overall evaluation of a service?
* How is providing WOM related to the giver's repurchase intentions?
* How is complaint handling related to a consumer's decision to engage in WOM?
* How is complaint handling related to the valence of a consumer's WOM?
* How are consumer attributions for service failures related to the valence of WOM?

LITERATURE REVIEW

While little research has studied the above questions directly, some areas of the consumer behavior literature are relevant for developing hypotheses. Specifically, we will briefly review the areas of complaining, attributions and word-of-mouth.

Complaining

Postpurchase complaining behavior represents consumer directed actions to redress problems associated with a product purchase or usage. Some studies have found that complaint behavior is related to dissatisfaction with the specific product experience situation (Bearden & Teel 1983; Folkes, Koletsky and Graham 1987). Other research has found that differences between complainers and non-complainers could be partly explained by demographic variables. Complainers tend to have higher incomes, have more education, have professional jobs and are younger (Moyer 1984; Zaichowsky and Liefeld 1977).

Research which has examined dissatisfied consumers' response alternatives suggests that the complaint option is generally chosen when consumers perceive that business will be responsive and when the problem is more severe (Richins 1983). A number of factors have also been identified as "barriers" to complaining. These include: cost (time, money, energy),

uncertainty about rights and obligations, intimidation, difficulty in obtaining facts and the MUM effect described earlier (Best 1981).

While extant research has provided considerable insight into the when, why and for whom complaining is selected as the response to a product failure, it does not adequately address the issue of how organization handling of complaints impacts further consumer postpurchase actions. Some exceptions are Bitner, Booms, and Tetreault (1990), Gilly and Gelb (1982), and Technical Assistance Research Programs (TARP, 1979).

Bitner, Booms, and Tetreault (1990) found that firms which respond effectively to unsatisfactory service encounters may cause the customer to remember the event favorably. Gilly and Gelb (1982) observed that the higher the degree of satisfaction with a business's complaint response, the greater the likelihood of a repurchase. Studies by TARP (1979) indicate that just listening to customer grievances, even if the problem is not resolved, may increase repurchase intentions.

Attribution Theory

Another antecedent which has received support in predicting consumer complaint responses is attribution theory (Folkes 1984; Folkes, Koletsky and Graham 1987; Richins 1983). Attributions are the causal inferences consumers make for product failures (Folkes 1984). These attributions are often made despite limited and/or incorrect information.

Attributions are comprised of three dimensions: stability, locus and controllability (Folkes 1984). Stability reflects whether a cause is fairly permanent ("They never have enough cashiers at this supermarket") or relatively temporary ("The hotel is just having a bad day"). Locus refers to whether the cause of the failure rests with the consumer, the business, or some other third party. For example, if you order a steak well-done when you really prefer it medium you may accept responsibility for not enjoying your meal. However, if you order the steak medium and it arrives well-done you will likely hold the restaurant responsible. Controllability examines whether or not an individual or a firm could have prevented the cause. For example, a bank may be generally perceived as able to control the length of waiting lines by hiring additional tellers. However, long lines which result from the aftermath of a natural disaster may not be perceived as controllable.

Complaint Handling and Attributions

Folkes, Koletsky, and Graham (1987) found that controllability over the cause of the failure and the stability of an event influence consumer complaining and repurchase decisions. In their study of late departing flights, they found that the more the airline was perceived to have control over the flight delay the greater the anger felt by the customer towards the company. Controllability was also linked positively to incidence of complaining and negatively with repurchase intentions. More stable attributions caused customers to express greater anger, leading to an increased desire to complain and lower intentions to repurchase. Due to the nature of the study, effect of locus of cause was not examined.

One might expect that complaint handling could also cause consumers to reconsider the attributions they formed from the initial service encounter. For example, a delayed flight may result in initial attributions that the airline is incompetent (i.e. a firm locus, stable, controllable attribution). However, if the consumer was to complain and the airline apologetically and convincingly explained that a freak storm was responsible for the delay (i.e. an "other" locus, unstable, uncontrollable attribution) then this additional information might cause the customer to reevaluate his/her initial attributions.

Gilly and Gelb (1982) found that the higher the percentage of monetary loss reimbursed, the greater the degree of satisfaction with complaint response. One might also expect that as monetary loss is reimbursed, or as other retributions are made, the stability attribution may change (Bitner, et al. 1990). A customer might reason that a business which fully reimburses dissatisfied customers would not be in business for long if it had to constantly give refunds. Generally, it could be expected that as complaint handling improves, attributions for service failures will be perceived to be less stable. This leads to the first hypothesis,

H1: Quality of complaint handling is

negatively related to stability of attributions for service failure.

Folkes, Koletsky, and Graham (1987) observed attributions for a product failure prior to complaining and found stability to be inversely related to repurchase intentions. It follows that a consumer's post-complaint attributions will similarly effect repurchase intentions. That is, if a consumer, based on information gleaned from a complaint, determines that the service will be better in the future then s/he is more likely to repurchase the service, suggesting:

H2: More unstable attributions will lead to higher repurchase intentions.

Complaint Handling and Overall Product Evaluations

Though product failures often result in negative affect (e.g. anger) towards a firm, well-handled complaints may contribute a positive affective component to the customer's overall experience (Bitner, Booms, and Tetreault 1990; Gilly and Gelb, 1982). Westbrook (1987) found that the pleasant affect experienced in the postpurchase period may contribute positively to overall satisfaction appraisal. Therefore, in addition to influencing attributions, we hypothesize that complaint handling may directly effect product evaluation.

H3: Quality of complaint handling is positively related to evaluations of overall product experience.

Given that the resolution of a complaint may be a significant component of a service encounter, it would seem reasonable that WOM communications about an unsatisfactory experience might also be effected by the nature of the resolution. This issue will be considered in the following section.

Word-of-Mouth (WOM)

Consumer WOM refers to both positive and negative communication between consumers about characteristics of a business and/or its goods and services. WOM is an important source of both normative and informational influence (Brown and Reingen 1987). Arndt (1967) found that respondents who received positive WOM were more likely to purchase a new food product than those who received negative WOM. Studies of professional services clearly show that WOM referrals are among the most important source of gaining clients (Beltramini 1989; Webster 1988). Day and Landon (1977) found that the action most frequently reported by consumers who were dissatisfied with the purchase of a durable good was to tell friends about it and urge them not to purchase the product. It has also been observed that dissatisfied customers represent "a hidden network that spreads negative messages undoing the efforts of costly customer acquisition programs" (Band 1988, p. 24). TARP (1979) concluded that dissatisfied customers will spread negative WOM to 10-20 friends.

WOM is also solicited. Consumers frequently rely on nonmarketer sources of information such as opinion leaders or people they know are familiar with a product (Price and Feick 1987). However, as Brown and Reingen (1987) observe, little is known about the stimulants of WOM. It has been found that the tendency to spread negative WOM is positively related to the severity of the problem (Richins 1983). Folkes (1984) concluded that attributions of controllability, firm locus and stability were related to a "desire to hurt the firm's business." One way for a customer to operationalize this desire would be to engage in negative WOM. Finally, Richins (1987) observed that a consumer's level of social interaction influenced their propensity to engage in WOM.

While considerable effort has been expended tracing how receivers are influenced by WOM, little, if any, research has considered the impact of providing WOM on the deliverer. Self-perception theory (Bem 1964) suggests that if one publicly discloses his/her position it increases commitment to that position. Dissonance theory (Festinger 1957) implies that individuals strive to reduce inconsistent cognitions. It would therefore be expected that individuals who engage in WOM will act consistently with their recommendations.

H4: Individuals who provide negative WOM will have lower repurchase intentions than

individuals experiencing the same situation but not giving negative WOM.

Previously it was suggested that complaint handling may influence WOM decisions. Westbrook (1987) found that positive and negative dimensions of affect are independently and positively related to the frequency of WOM. Further, he observes that more exceptional experiences (those involving stronger affective elements) may lead to greater WOM frequency. This suggests that to the extent that complaint handling contributes strongly to either positive or negative affect, it will lead to a higher incidence of WOM.

H5: Well-handled and poorly-handled complaints will result in a greater amount of WOM than medium-handled or no-complaint situations.

Complaint handling may also be examined in terms of its effect on the valence of WOM transmissions. A well-handled complaint may contribute positive affect to the product experience. It is therefore expected that subsequent WOM will be more positive.

H6: The valence of WOM will be positively related to quality of complaint handling.

METHODOLOGY

Design and Experimental Conditions

The sample consisted of two hundred and two undergraduates from a large southwestern university. A 4 x 2 between-subjects design was utilized. The two treatments were complaint handling (CH) - four levels (well-handled, medium-handled, poorly-handled and no-complaint) and WOM - two levels (presence and absence). The complaint handling manipulations are presented in the Appendix.

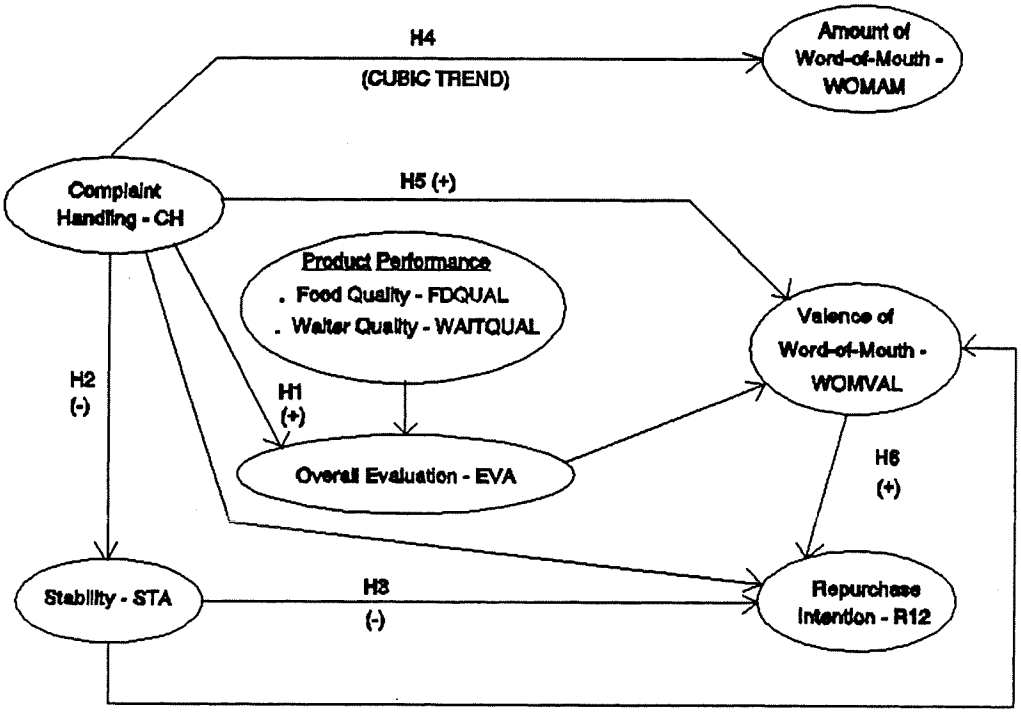
The hypotheses were tested in a study which examined postpurchase decisions following an unsatisfactory restaurant encounter. A restaurant situation was used because restaurant experiences are frequently the subject of both complaints and WOM. It was also important to select a situation with which the subjects (upper division marketing majors) had some experience (Resnik and Harmon 1983).

Complaint Handling (CH) Manipulation. The experimental design employed role-playing scenarios to create the four CH conditions. While scenarios have notable limitations, they offer a convenient and valid means of manipulating variables and controlling the research process. Scenarios have been used in both service encounter (Bitner 1990) and postpurchase research (Resnik & Harmon 1983). The complaint handling manipulations were pre-tested on a similar group of subjects (students). Mean scores to the question, "How well did the manager handle the complaint?" were as expected. The scenario was pre-tested to ensure that the situation (not including the complaint) represented an unsatisfactory encounter. The scenarios varied in terms of the output given the complainant (e.g., nothing versus a free dessert versus a free meal) and the response style of the restaurant manager (e.g., pleasant versus rude).

Word-of-Mouth (WOM) Manipulation. Operationally, the WOM manipulation involved presenting half the subjects with questions concerning the likelihood of the subject engaging in WOM and the valence of the subjects' recommendations to friends about the restaurant. The scenario was constructed to control for locus and controllability attributions. That is, the information in the scenarios implied a firm locus and controllable causes for the service failure.

Measures and Procedure. The likelihood of engaging in WOM was measured on multiple-item ten-point semantic differential scales anchored by "very likely" and "very unlikely" (e.g., How likely is it that you would talk to a friend about your experience at this restaurant?). Valence of WOM (WOMVAL) was also measured on multiple-item ten-point semantic differential scales (e.g., How likely is it that you would recommend this restaurant to a friend?). The stability attribution (STA) was measured on multiple-item seven-point semantic differential scales anchored by "much better" and "much worse". The scales reflected future expectations about the food,

Figure 1
Hypothesized Relationships with Specification of Model Variables in WOM Conditions



service and overall quality of the restaurant (e.g., "If you went back to this restaurant, do you think that the food would be" followed by the seven-point scale). Repurchase intention (RI) was measured using a ten-point semantic differential scale which asked subjects to indicate their likelihood of going back to the restaurant (from "very likely" to "very unlikely"), and a dichotomous choice scale. Satisfaction with the food (FDQUAL), the waiter's service (WAITQUAL), and the overall restaurant experience (EV) was each measured on seven-point semantic differential scales anchored by "very poor" and "very good" (e.g., How would you rate the quality of the waiter's service at this restaurant?).

The experiment was conducted during the first 10-15 minutes of eight scheduled class periods over a four-day period. Each class contained between twenty and thirty students. Students were told to read the scenario and complete the items in the questionnaire.

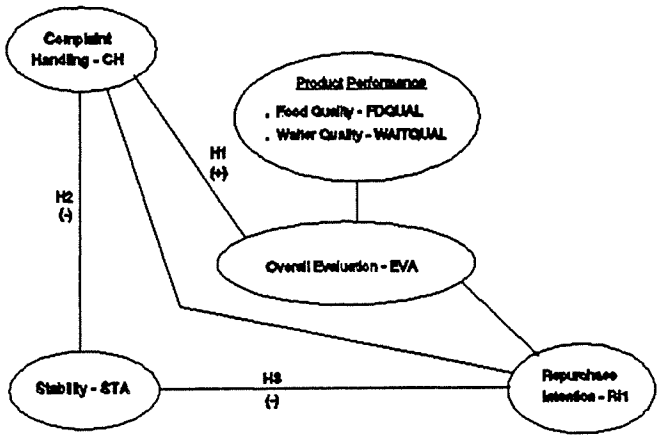
RESULTS

Overview

The hypotheses were addressed through several independent multiple repression models. Models M1 and M2 involved variables that were relevant for subjects in both the WOM conditions. For these models testing involved the entire sample size of 203. Models M3-M6 involved identifying the effects of variables in either one of the two WOM conditions. As such testing involved only the relevant sample of subjects.

Overall, the models tested the relationships displayed in Figure 1 and Figure 2. Many of the hypotheses tested are embedded in models which include other variables of interest for which no

Figure 2
Hypothesized Relationships with Specification of Model Variables in NO WOM Conditions



hypotheses were offered. The hypothesized paths in the models are indicated by signs (+, -, cubic, quadratic) denoting the expected nature and direction of the relationships.

A preliminary analysis of the correlations among the key continuous variables (STA, EV, WOMVAL) indicated that multicollinearity could be an issue in the regression analysis. In cases of multicollinearity the order in which the nonorthogonal variables enter the model will affect results of hypotheses testing. This is because all common variance is attributed to the variable which entered the model first, resulting in a higher Type I error rate. A more conservative approach is to test the unique contribution of each nonorthogonal factor, i.e., to test the variance explained by a variable after all other variables have entered the model (Celsi and Olson 1988). This minimizes the Type I error rate and provides the strongest test for each relationship. Accordingly all F-values reported correspond to unique variance explained.

Model M1: Stability Attributions

This model dealt with H1. Specifically, it was hypothesized that as the quality of complaint handling improved, attributions for service quality would become less stable. Table 1 presents the results of the regression analysis. A small, but significant impact of complaint handling quality on the stability of attributions was found {$F(3,198) = 3.65$, $p < .05$; $R2 = 5.2\%$}, providing support for H1.

Pairwise contrasts among the four levels of complaint handling indicated that two of the six contrasts were significant at the corrected (for multiple tests) α-level of 0.008. Specifically,

(a) attributions in the well handled complaint condition were less stable than in the poorly handled complaint condition {5.01 vs 4.45; $f(1, 198) = 8.3$; $p = .003$}.

(b) attributions in the well handled complaint condition were less stable than in the situation where no complaint was offered {5.01 vs 4.48; $f(1, 198) = 7.6$; $p = .006$}.

Further, the mean values for stability attributions were all in the hypothesized direction. Mean values for all the relevant variables in the study are presented in Table 2.

Table 1
Results of Regression Analysis

Model	M1	M2	M3	M4	M5	M6
Criterion Variable	STA	EV	WOMAM	WOMVAL	RI1	RI2
Covariates						
CH	3.65[a]	6.92[b]	2.28[a]	3.93[b]	1.89	1.15
EV				84.57[c]	32.13[c]	1.82
FDQUAL		55.53[c]				
WAITQUAL		10.52[c]				
STA				1.39	8.78[c]	10.85[c]
WOMAM						
WOMVAL						80.76[c]
Model F-value	3.65[a]	26.03[c]	2.28[a]	19.55[c]	17.35[c]	40.66[c]
d.f.	3,198	5,196	3,100	5,93	5,89	6,91
Model R^2 (%)	5.2	40.0	6.0	51.2	49.4	72.8
Trends						
Quadratic			5.51[a]			
Cubic			6.69[b]			

Entries in the table are F-values that correspond to unique variance explained. For example, for the model M2, i.e, EV = β_0 + β_1 CH + β_2 FDQUAL + β_3 WAITQUAL, the values in the column under M2 correspond to F-values for the test of each of the βs when the variable is entered into the model last.

a - $p < 0.05$; b - $p < 0.01$; c - $p < 0.001$.

Model M2: Overall Evaluations

This model addressed H3. Specifically, it was hypothesized that the quality of complaint handling would impact overall service evaluation (EV). The model also tested for the impact of the two dimensions of product experience - quality of food (FDQUAL) and quality of waiter's service (WAITQUAL). Results in Table 1 provide strong support for the impact of CH on EV ($F(1,196) = 6.92$; $p < 0.01$). Together the three variables explained 40% of the variance in the evaluation measure. Further, as shown in Table 1, both FDQUAL and WAITQUAL were significantly related to EV.

Model M3: The Amount of WOM

This model tested H5, where it was proposed that well-handled and poorly-handled complaints

Table 2
Means of Variables by Complaint Condition

(A) Conditions of NO WOM

Variable[1]	Complaint Handling Condition			
	Well (n=24)	Medium (n=23)	Poor (n=25)	No (n=23)
EV (1-7)	3.83	2.82	2.68	2.78
STA (1-7)	5.13	4.59	4.53	4.67
FDQUAL (1-7)	3.25	2.82	2.96	2.95
WAITQUAL (1-7)	2.33	1.86	1.92	1.91
RI1 (1-10)	5.66	3.30	3.40	4.00

(B) Conditions of WOM

Variable	Complaint Handling Condition			
	Well (n=26)	Medium (n=22)	Poor (n=25)	No (n=25)
EV	3.42	2.95	2.64	3.04
STA	4.88	4.74	4.38	4.34
FDQUAL	3.03	3.09	3.12	2.76
WAITQUAL	2.07	1.77	1.92	2.04
WOMVAL (1-10)	4.38	3.38	2.34	3.54
WOMAM (1-10)	8.15	7.68	8.44	7.52
RI2	4.26	3.59	3.08	3.60

1 - Numbers in parentheses represent the range averaged over the number of items in each scale, with higher numbers denoting positive evaluations, e.g., a higher number on FDQUAL represents a more favorable evaluation and a higher number on RI1 represents a higher repurchase intention.

would result in greater amounts of WOM than complaints that were medium-handled or in the condition where no complaint was registered. Table 2 displays the means for the WOM amount measure by complaint handling condition. Testing this hypothesis involved extraction of the trend components. Planned contrasts were used to test the quadratic (this was performed without the no-complaint situation) and cubic trends. While the quadratic trend was significant {$F(1, 100) = 5.51$; $p < .02$}, support for H5 comes from a significant cubic trend {$F (1, 100) = 6.79$; $p < .01$}.

Model M4: Valence of WOM--WOMVAL

This model specification addressed H6 and dealt with the antecedents of the WOMVAL. Specifically, H6 hypothesized that the valence of WOM would be positively related to quality of complaint handling. Results in Table 1 indicate that the three variables included in the model accounted for 51% of the variance in WOMVAL {$F (5, 93) = 19.55$; $p < .001$}. Overall evaluations and complaint handling were significantly related, in hypothesized directions, to WOMVAL, providing support for H6. However, stability of attributions did not appear to relate to WOMVAL.

Model M5: Repurchase Intention in Conditions of No WOM (RI1)

This model tested the impact of CH, EV and STA on Repurchase Intentions in conditions of no WOM. Results in Table 1 indicate that EV, CH and STA account for 49.4% of the variance in the RI1 measure {$F (5, 89) = 17.35$; $p < .0001$}. Further, EV and STA were significantly related to RI1. However, CH was not directly related to RI1 {$F = 1.89$; ns}.

Model M6: Repurchase Intentions in WOM Conditions - RI2

Model M6 tested the impact of WOMVAL, in addition to STA, EV and CH, on RI2. Results in Table 1 indicate that the four variables accounted for 72.8% of the variance {$F (6, 91) = 40.7$; $p < .001$} in RI2. Comparing M5 and M6 suggests that an additional 23.55 percent of the variance was explained due to WOMVAL. Further, individual variable analysis suggested the following:

(a) WOMVAL was significantly related to RI2 {$F (1, 91) = 80.76$; $p < .001$).

(b) STA was significantly related to RI2 {$F (1, 91) = 10.85$; $p < .001$}.

(c) CH was not related to RI2, as in M5.

(d) EV, in contrast to conditions of no WOM, was not related to RI2.

The results from M5 and M6 together provide support for H2 and H4. That is, individuals who provide negative WOM had lower repurchase intentions than individuals experiencing the same situation but not giving negative WOM. Further, more unstable attributions led to higher repurchase intentions.

DISCUSSION

In the present study various dimensions of consumer postpurchase decision making were explored. A conceptual framework was presented which considered a dynamic view of consumer postpurchase decisions.

Results from an initial empirical examination of the framework suggest that the manner in which complaints are handled impacts further consumer decisions. These decisions include: causal attributions (stability), overall service evaluation and the valence and likelihood of WOM. However, complaint handling did not directly impact repurchase intention. It is worth noting, however, that while well-handled complaints resulted in more positive WOM (than either a poorly or medium handled, or no-complaint condition) the overall valence of the WOM was still negative (below the scale mean). This is consistent with a negativity bias explanation (Kanouse 1984).

Simply stated, the "negativity bias" suggests that unfavorable product-related information appears to have a stronger influence on consumer decision making than positive information (Arndt 1967; Kanouse 1984; Weinberger and Romeo

1989). Research summarized in Kanouse (1984) suggests that consumers find negative information less ambiguous, and easier to recall. The power of negative experiences is also recognized by services marketers. This is illustrated by the management of Disneyland and their 74:1 "doctrine." Disney management has determined that, on average, each customer has 74 interactions with Disney personnel and operations during a visit to Disneyland. They believe that any one bad encounter can turn a positive experience into a negative one. This is also consistent with Levitt's (1980) explanation that in the case of intangible products consumers may focus on negative aspects of the experience.

The nature of subjects' WOM had a significant impact on their repurchase intentions. Subjects who indulged in negative WOM had lower repurchase intentions than those subjects incurring the same service experience but not providing negative WOM. This result supports a consistency or dissonance theory explanation (Bem 1964; Festinger 1957). That is, subjects who provide negative recommendations about a service are less likely to repurchase the service.

When the previous results are combined with the impact of complaint handling on the subjects' likelihood of engaging in WOM (i.e. a well-handled or poorly handled complaint led to greater likelihood of WOM than a medium or no complaint condition) some interesting issues emerge. As noted previously well-handled complaints had a positive impact on subjects' repurchase intention and likelihood of engaging in WOM. However, it was also observed that overall WOM, even in conditions of well handled complaints, is likely to be negative. Thus, handling complaints well, may increase negative WOM about the service. This has interesting managerial implications which will be addressed in the following section.

Limitations of this research must be noted. First, the study was conducted in a laboratory setting (scenarios) with student subjects. Although the scenarios were pretested to be appropriate for this setting, the results need to be replicated in a more generalizable setting. Second, methodological issues regarding the use of regression under conditions of multicollinearity need to be kept in mind. While a strict test of hypotheses using a most conservative testing approach was employed, there exists the danger of committing Type II errors. Third, only one service was studied. This limits the generalizability of the findings. Future research that considers multiple service settings that represent maximally different types of services (e.g., insurance, restaurant, health care) would provide a stronger test of the relationships proposed in the study. Subject to these limitations, the results of the study suggest the importance of, and the need for, continued research into consumer post-purchase decision making.

MANAGERIAL IMPLICATIONS AND FUTURE RESEARCH DIRECTIONS

The results of this study bring to the surface a number of issues relevant to marketing managers generally and services marketers in particular. Three issues will be discussed here.

The first issue is rather complex. It was found that well-handled complaints positively impacted respondents' stability attributions (caused respondents to believe that future services would be better) and their overall evaluation of the service encounter. However, well-handled complaints also led to a greater likelihood of the respondents engaging in WOM. This latter point is important because even well-handled complaints resulted in substantially negative WOM. This supports a strategy of "doing it right the first time." It may be better to invest resources in improving the initial service encounter (e.g., training front-line employees) rather than directing them towards fixing failed encounters. When services do fail, handling complaints effectively but not remarkably may be the best approach.

The second issue concerns the importance of managing consumer WOM. This study found that respondents tend to behave consistently with the WOM they give. This implies that marketers should try to influence consumer post-purchase activity. For example, one national franchise specializing in oil changes recognizes this. They have a sign in their office that reads "If you are happy with our service, tell your friends. If you are unhappy with our service, tell us." One way of influencing consumer WOM is to reward customers who provide referral business. This

might increase trial by prospective customers and create greater brand loyalty from current users.

A third managerial implication concerns understanding and managing consumer attributions. If a service is the firm's fault, effort should be taken to correct the problem so that the cause is not perceived to stable. However, if the firm is not responsible for the service failure (e.g., bad weather caused the plane to be delayed) and the cause is unstable (it was a freak storm), it is important that this be communicated to the customer. This is because attributions impact consumers' evaluation of their service experience and subsequent repurchase decisions (Bitner, Booms and Tetreault 1990).

While some future research issues have been alluded to, two areas are of particular importance. These are defining and operationalizing complaint handling and measuring WOM.

What constitutes a well-handled complaint? Intuitively one might expect that the more you give a customer when responding to their complaint the more satisfied they would be with the resolution. Recently however, Goodwin and Ross (1990) introduced the concepts of distributive and procedural justice to the complaint handling literature. Distributive justice refers to the distribution of outcomes while procedural justice refers to the steps taken in making allocation decisions. Consumer evaluations of complaint handling may be linked to their evaluation of these two justice concepts. Further research, both conceptual and empirical, is needed to better understand these concepts and their relationship to consumer satisfaction with complaint handling.

The second future research direction relates to the study of WOM. For the most part, including this study, WOM is measured by self-reports based on anticipated or recalled conversations. Other methods, notably network analysis (see Brown and Reingen 1987) may provide richer WOM data. In network analysis subjects provide researchers with the names of the people that they have talked to. Researchers may then interview these people for pertinent information including who they have conversed with about the subject of interest. Such a sequential approach provides the researcher with a complex network of WOM participants. In the end, the nature and extent of WOM (displayed in the network structure) and the impact of WOM (how each of the members in the network behaved) may be known.

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APPENDIX: SCENARIO AND COMPLAINT CONDITIONS

Imagine that it is Friday afternoon and you are approaching the end of what feels like a particularly long week. In an effort to get the weekend off to a good start you and your date have made an 8:00pm reservation at a rather elegant restaurant. This will be your first time there.

Upon arrival at the restaurant you are shown to your table. The table is in a nice corner of the restaurant with a view of the mountains.

Throughout the evening your waiter appears somewhat distracted. It took 15 minutes for him just to take your drink order and he was not very helpful in explaining the items on the menu or recommending entrees.

The steaks you and your date ordered were both overcooked. The potato, vegetables and bread were all good.

NO COMPLAINT:

After the main course you relax for a while, have a cup of coffee, pay the check and leave.

WELL-HANDLED:

After the main course, the restaurant manager comes by and asks how you enjoyed the meal. You describe your experience and explain that neither the food nor the service

was to your liking. The manager apologizes and without hesitation picks up the check and tells you that there will be no charge for the meal. In addition, he provides each of you a free dessert and beverage of your choice.

AVERAGE-HANDLED:

After the main course, the restaurant manager comes by and asks how you enjoyed the meal. You describe your experience and explain that neither the food nor the service was to your liking. The manager then apologizes and offers each of you a free dessert.

POORLY-HANDLED:

After the main course, the restaurant manager comes by and asks how you enjoyed the meal. You describe your experience and explain that neither the food nor the service was to your liking. The manager responds by telling you that they get very few complaints at the restaurant. He adds that while he is sorry that you has a bad experience, perhaps the problem was that you were in too much of a hurry.

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