THE EFFECT OF PERCEPTION OF COMPLAINT MANAGEMENT SYSTEM ON PURCHASE INTENTION: THE MEDIATING ROLE OF PERCEIVED VALUE

S. K. Chadha*, Purva Kansal**, Suriti Goel***

Abstract   *Services have high level of heterogeneity where it is very difficult to standardize and control the quality of the services delivered. The performance of services is subject to high variability that makes it very difficult for the customer to choose among the variety of services available from a host of service providers. As a result, the customer before availing the service is highly skeptical and considers various parameters so that he does not have to repent later. One of the parameters is the effectiveness of the complaint management systems. The customer needs to be sure that in case of a default in the service offering, he gets an efficient redressal from the service provider that in turn will increase his value from the service. This perception of effective complaint management system will in turn affect the purchase intention of the customer. It is within this backdrop that the current research was undertaken to study the effect of perception of complaint management system on purchase intention. The study was undertaken for the telecommunications and online retail industry on a sample 300 taken from five cities.*

Keywords: *Complaint Management System, Perceived Value, Purchase Intention, Services*

INTRODUCTION

Services have a higher degree of perceived risk due to its various unique features: intangibility, inseparability, heterogeneity and perishability (Zeithaml, Parasuraman, & Berry, 1985). These characteristics are quite different from the tangible goods and therefore, they assume a different set of risks as compared to the goods. The marketers of services face some problems that the goods marketers don't have to face.

One of the features of services is heterogeneity. It implies variability in the performance of services (Zeithaml et al., 1985). The services are not standardized every time. Therefore, one cannot expect the same service performance each time one uses a service. The quality of the service varies from one service provider to another service provider and from one customer to another or from one day to another day. There is no constancy in the service offering which you can count upon or communicate to the customer (Knisely, 1979).

Due to this variability or non-standardization of services, the customer is always doubtful about its performance. Therefore, before he avails any service, he wants to be sure about the right performance of service. The customer can face many problems after availing the service. These problems can be related to the default in the functioning of the service, overcharging of the price, low social status in the peer group after using the service, any physical harm caused after using the service or wastage of time in using the service. These potential problems or risks are classified as perceived purchase risks (Dholakia, 1997; Featherman & Pavlou, 2003; Jacoby & Kaplan, 1972; Peter & Tarpey Sr, 1975; Stone & Grønhaug, 1993). The perceived purchase risks are of size types namely: performance risk, financial risk, privacy risk, physical risk, psychological and social risk, and time and convenience risks.

Also, along with the right performance, he wants to make sure that if in case, he faces any problem with the service in the future, he would get a proper solution to his problem by the service provider. The customer will always have the risk of proper redressal in case of any default in the performance of the service. This risk acts as a barrier to his purchase. Therefore, the service provider should make his complaint management system very effective in order to maintain that confidence level with the customers.

The risk of default of redressal by the service provider is known as the perceived redressal and recourse risk. This term was coined by Zuraidah Sulaiman (Sulaiman, 2013) This risk is concerned with the likelihood of resolution of post-purchase problems by the seller. Perceived Recourse

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  * Professor, University Business School, Panjab University, Chandigarh, India.

  ** Associate Professor, University Business School, Panjab University, Chandigarh, India. Email: purvakansal@pu.ac.in

 *** Research Scholar, University Business School, Panjab University, Chandigarh, India. Email: goelsuriti.ubs@gmail.com

and Redress Risk is a risk of the consumer that in case of a default or problem in the product/service, the seller's remedial actions will fail to result in satisfaction. This risk is in the pre-purchase context. It is the perception of the customer before his purchase. If the customer perceives that the perceived recourse and redressal risk is high, he will also anticipate that the value which he would derive after using the service would be low. This is because perceived value is the ratio of perceived benefits to perceived price. Therefore, if the customer feels the complaint management system of the seller to be inefficient, he would also perceive low benefits of his service as compared to price paid.

This redressal provided by the service provider is very important for the customer before he decides to avail or not to avail that service. If he is not confident enough about the proper complaint handling procedures of the service provider, he would resist to avail that service. Therefore, the perceived recourse and redressal risk has an impact on the purchase intention of the customer. Purchase intention refers to the intention of the consumers to purchase the product and to patronize the firm (Shao, Baker, & Wagner, 2004). If the customer feels that the service provider would not provide a proper redressal to his complaints or problems, he would think twice before availing that service. Or maybe he doesn't avail that service at all. Therefore, the perceived recourse and redressal risk has to be quite low in order to increase the value of the service being offered and also to have a positive purchase intention.

REVIEW OF LITERATURE

Perceived Recourse and Redress Risk

Perceived Recourse and Redress Risk is a risk of the consumer that in case of a default or problem in the product/service, the seller's remedial actions will fail to result in satisfaction (Sulaiman, 2013). Current study was undertaken with an objective to investigate the relationship between Perceived Recourse and Redress Risk (PRRR) and purchase intention. Internationally the most significant work in terms of perceived recourse and redress risk has been done by Zuraidah Sulaiman (Sulaiman, 2013). This researcher was amongst the first to develop comprehensive multiple-item measures to capture the construct of perceived recourse and redress risk. Zuraidah Sulaiman proposed 8 main dimensions of PRRR. These are:

1. Invalid/Not Available - A very important part of consumers' expectations regarding the recourse and redress procedures is that the contact details provided by the seller/retailer are valid and correct.

2. Unreturned/No Response - Another expectation, which a consumer forms about the recourse and redress

assurance, is that when a consumer calls or e-mails the seller/retailer in case of any problem, he would get a response to his complaint.

3. Transferred - A consumer expects that whenever he calls the customer complaint support lines, his calls should be answered immediately and should not be transferred from one person to another.

4. Rudeness - Another expectation which a consumer forms about the recourse and redress procedures of a company is that that whenever he contacts the support staff, he should be treated in a polite, considerate and humble manner.

5. Inaction - The consumers want a redressal action to be taken for their problems. This forms a part of another expectation of the consumer recourse and redress procedures.

6. No action due to company policy- Sometimes the support personnel of the company make an excuse that the "company policy" does not allow them to take the necessary remedial actions for the problem encountered by the customer. This also forms another expectation of the recourse and redress procedures of the company.

7. Extended Delay - In a complaint, the customer usually assumes a particular response time in receiving the service recovery, but he becomes dissatisfied when this acceptable time becomes an unnecessary delay.

8. Incompetence/Wrong Solution - If a customer has any problem with the product; he expects that that he will get correct and clear answers from the support staff of the company. This also forms another expectation in the recourse and redress procedures.

If the customer has such type of risk, he will create a perception in his mind that the seller's company is ineffective in handling the complaints of the buyers. This negative perception about the seller will lead to the frustration of the customer and therefore, he will always be skeptical before availing the service from the service provider. As a result, the perceived recourse and redress risk acts as a barrier to purchase. The customer assesses the efficiency of the complaint management system of the company through the perceived recourse and redress risk.

Perceived risk has a significant and negative impact on perceived value (Agarwal & Teas, 2001; Snoj, Pisnik Korda, & Mumel, 2004; Julian C. Sweeney, Soutar, & Johnson, 1999). That is, if the customer, prior to purchase, feels that he can face some problem in the service which he will avail, he will perceive the value derived from that service to be low and vice-versa. Perceived value is what consumer considers a utility in terms of what he gives and what he gets in return (Zeithmal 1988). A similar definition was given by (Liljander & Strandvik, 1993) who said that value is the

ratio of perceived benefits to perceived price. Many other researchers have given similar definitions of perceived value (Lapierre, 2000; McDougall & Levesque, 2000; Oliver, 1999; Sirohi, McLaughlin, & Wittink, 1998).

Perceived value has a positive and significant impact on purchase intention (Eggert & Ulaga, 2002; Kuo, Wu, & Deng, 2009; Lin, Sher, & Shih, 2005; Petrick, 2002; Wang, Lo, & Yang, 2004) Purchase intention is the intention of the consumers to purchase the product and to patronize the firm(Shao et al., 2004). Post-purchase intention is the tendency that the customers will buy the product again from the same shop and will also share their positive experiences with others(Cronin, Brady, & Hult, 2000). According to Bennett and Harrell (1975), confidence plays an important role in increasing the purchase intentions. When a person has high confidence in a product or service, his intentions to purchase also increases. Risk and confidence are inversely related (Howard & Sheth, 1969).

Conceptual Model and Hypothesis for the Study

The conceptualization of the relationship construct is shown in Figure 1. This particular framework suggests that complaint management system has a number of dimensions i.e. Invalid/Not Available, Unreturned/No Response, Transferred, Rudeness, Inaction, No Action, Extended Delay and Incompetence/Wrong Solution. These CMS dimensions have a significant relationship with purchase intention and perceived value mediate their relationship. The following hypothesis is offered for the variables being studied.

Complaint Management SystemDimensions (PRRR)

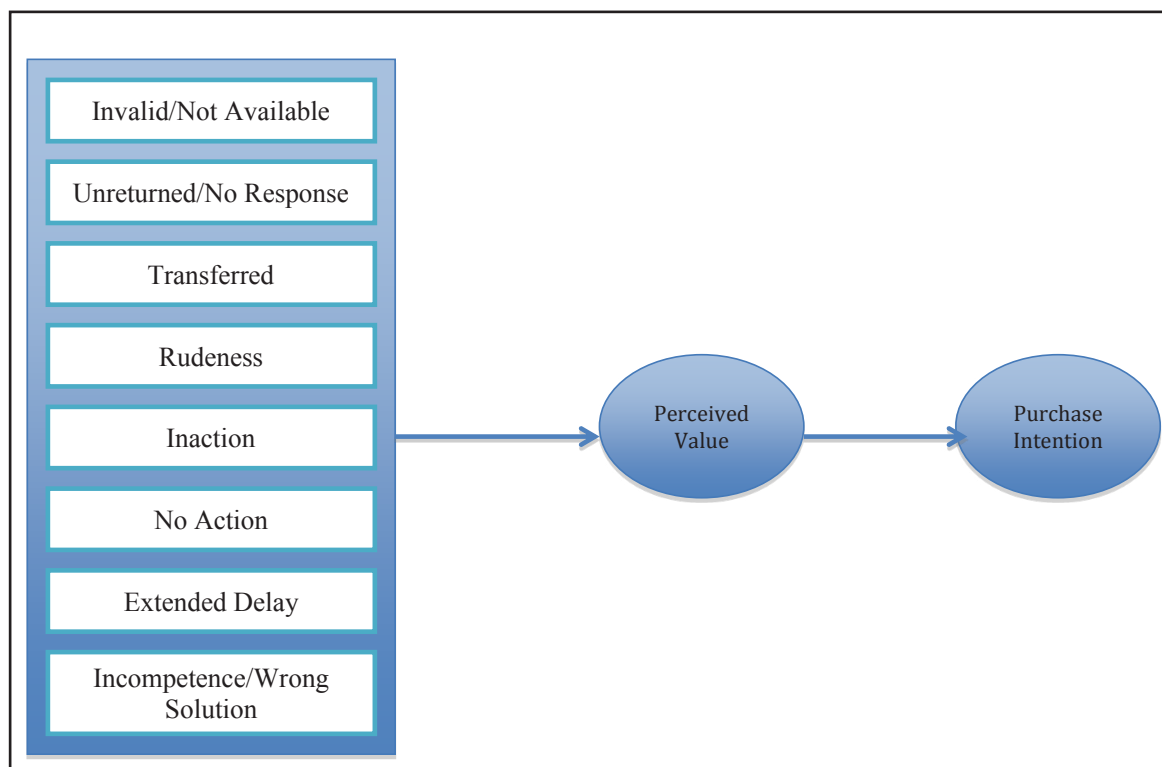Based on review of literature following hypothesis was proposed and tested in the study:

Fig. 1: Conceptual Model

H$_a$: There is a mediation effect of Perceived Value in the association between Complaint Management System and Purchase Intention.

RESEARCH METHODOLOGY

The current study was undertaken with an objective to study the effect of complaint management system on purchase intention and also to study if perceived value mediates this

relationship. In order to test the above hypothesis a descriptive research design was adopted. As the study undertaken is related to complaint management systems, therefore, the initial attempt was made to study the different categories of service industry about which the customers complain the most. A content analysis was done to note down all the service categories for which customers have complained on the Indian complaint forums. For this purpose, Alexa ranking was used to choose a customer complaint website. According to Alexa, the website which ranks on the top in

terms of consumer complaints is www.consumercomplaints.in. It had an Alexa global rank of 8975 and India rank of 689.

All the complaints related to service industry were noted. After this, a frequency table was prepared and the frequencies were noted for all the categories of services. It was found that the top two service categories for which the customers had complained the most were online retail and telecommunications. Therefore, these two industries were decided to be chosen for further study.

SELECTION OF CITIES

It was decided to choose Chandigarh and two Tier-2 cities of Panjab and Haryana each. In Panjab, Amritsar, Jalandhar and Ludhiana were the Tier-2 cities and in Haryana, there were only two cities which were Gurgaon and Faridabad. In Punjab, among Amritsar, Jalandhar and Ludhiana; Jalandhar and Ludhiana were chosen based on convenience. Since Haryana had only two Tier-2 cities i.e. Gurgaon and Faridabad, so both of them were chosen for the study. A sample of 60 customers from each city was chosen who were intending to avail any of the two services. Among the 60 customers, 30 were those who were intending to avail online retail service and 30 were those intending to avail the telecommunications service.

A structured, non-disguised questionnaire was used to study the relationship between complaint management system and purchase intention. The scale developed by Zuraidah Sulaiman (Sulaiman, 2013) was used to define the 8 dimensions of complaint management system (PRRR). Purchase Intention was defined as the dependent variable and perceived value as the mediating variable. The data for these constructs was collected with help of structured scales from Juster purchase probability scale (Brennan & Esslemont, 1994; Juster, 1966) and Sweeney and Soutar perceived value scale (Jillian C. Sweeney & Soutar, 2001). To analyze the data, Structural Equation Modeling in AMOS was used.

DATA ANALYSIS AND INTERPRETATION

In the initial stage of the data analysis to test the adequacy of the data set descriptive statistics were generated. The statistics indicated that out of the total sample size of 300, 46% of the respondents were males and 54% of the respondents were females. Furthermore, majority of the respondents were found to be unmarried (79%). This could also be due to the fact that majority of the respondents who participated in the survey were in the age group of less than 25 (67.3%) while only 23% were in the age group of 25-34 years. Education status of the respondents was evaluated across 5 categories and it was found that majority belonged to three categories

i.e. 22.7% of the respondents were post graduates, 31% were graduates and 41.7% percent were undergraduates. Majority of the respondents belonged to less than 30,000 per month income group. The skewness of the data could be explained on basis of younger segment responding/ participating in the survey. Further skewness towards younger segment could be explained n basis of screening question which allowed only people who had experienced some sort of service failure to participate in the study. The general trend indicated that the age group of less than 25 was more verbose about their dissatisfaction than the older respondents. However, attempt was made to get participation from all age groups.

The respondents who participated in the study also indicated that most preferred method of complaining was over the phone. 42.7% of the respondents preferred to complain to the customer care while 19.7% preferred to complain through email, 16% went to the store or the outlet and only 7.3% decided not to take any action. The results indicate a changing trend in the Indian customers where they are not hesitant to express their dissatisfaction. Therefore, making the data collected adequate for CMS study.

In terms of behavioral analysis it was found that out of the total of 300 respondents, 47% of the respondents were repeat purchasers or consumers of the service while 37% of the respondents were found to be first time purchasers. Therefore, indicating that the results of the study would indicate the market perception of both the segments. The data also indicated that as the value of the purchase increased the expectations of the customer from the provider also increased in terms of complaint handling. The dissatisfaction rate rose significantly as the value of the purchase increased. Further the analysis indicated that most of them who had complained were satisfied with the complaint handling procedure of the retailer (61%) and willing to avail the service again (53%). Despite this only 20% were absolutely sure of purchasing the service again or staying with the service provider. These statistics indicated that there were some other forces which influenced the purchase intention of the customer.

A two-step analysis was performed in order to first assess the measurement model and then to examine the hypothesis by fitting the structural model. However, before SEM could be applied on the defined model the constructs in the model were tested through confirmatory factor analysis (CFA). The analysis of factor structure was done with help of confirmatory factor analysis (CFA). This was conducted in AMOS 20 using maximum-likelihood estimation (MLE) procedure to estimate the models parameters where all analyses were conducted on variance and covariance matrices. Following the past research Confirmatory factor analysis was done on the independent and mediating variables (Hair, 2010). CFA was done to test the convergent and Discriminant validity of the scales and to delete the unreliable indicators. The

Original CFA model tested CMS construct with 7 dimensions and perceived value with 4 dimensions (Model 1). Each one of these dimensions was a multi item construct. For the analysis the composite of the each item was used.
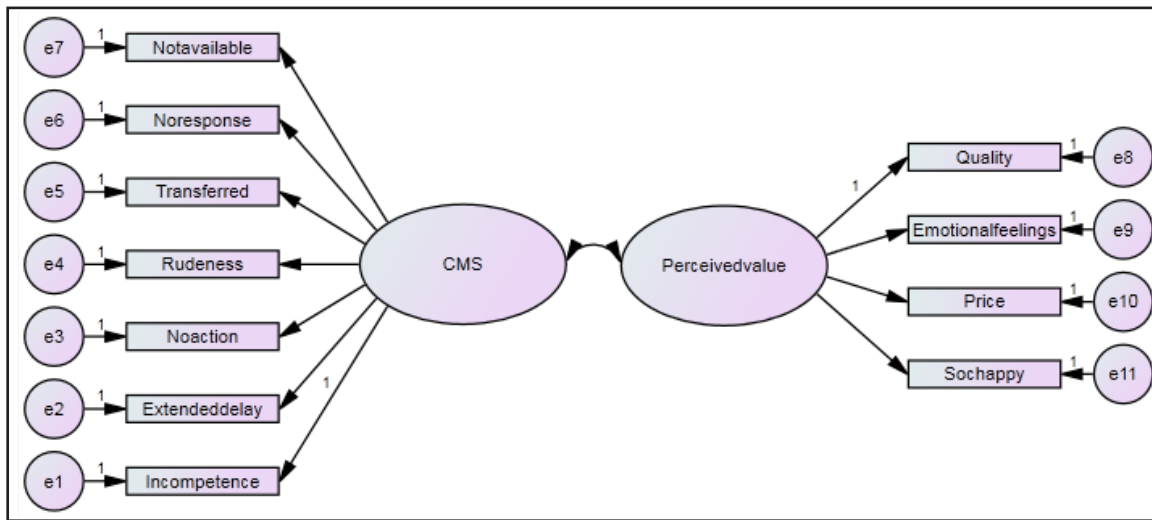
Model 1: Initial CFA Model

The results of the CFA model indicated that the proposed model converged however the model fit indices were less than satisfactory. The GFI for the model was 0.912, AGFI was 0.865 and RMSEA was 0.088. In order to improve the model fit indices the covariance and the modification indices were evaluated and the CFA model was modified to include covariance between the error terms e1 to e7; e1 to e4; e3 to e4 and e4 to e7. The modification of the CFA model was done in a step wise manner until satisfactory model fit was achieved. The final model is outlined in model 2. The fit indices of the final CFA model indicated that the CFA model was an adequate fit (table 2); the normed chi square (2.15) was evaluated which was found to be within acceptable limit of 1 to 3. Therefore, model was acceptable as per parsimonious indices. As per absolute indices the RMSEA was at (0.06) which was within the acceptable limit and GFI was at 0.95. Therefore, the absolute fit indices were also good. Incremental fit indices indicated moderate to good fit for the model that AGFI was 0.92. A model can be accepted if it passes at least 3 fit indices (Jaccard J. & K., 1996). Therefore, the constructs in the model was accepted to proceed with Structural equation modelling.
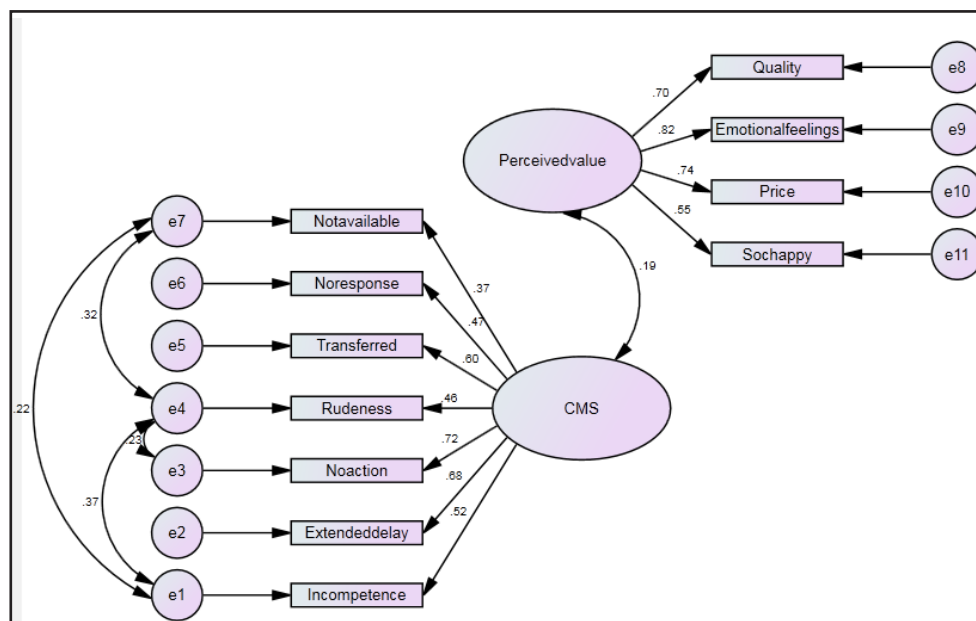
Model 2: CFA Model
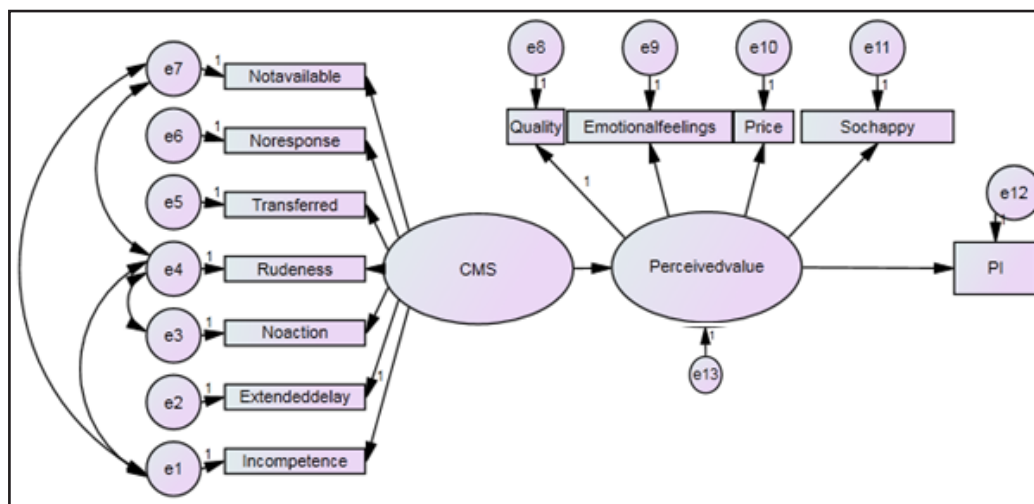
Table 2: Model Fit Measures for CFA Model 1

MODEL FIT INDICES	Values	Std. Values
CMIN/Df	2.15	Less than 5
GFI	0.954	Closer to one is a better fit
AGFI	0.922	Closer to one is a better fit
CFI	0.950	Closer to 1 but greater than equal to 0.90
NNFI (TLI)	0.929	Closer to 1 is better fit cut off is 0.80
REMSEA	0.062	Less than 0.1

Source for Std. Value Hair Jr, J., Black, W., Babin, B., Anderson, R. & Tatham, R. 2010.

SEM: An introduction. *Multivariate data analysis: A global perspective*, 629-686.

The initial structural model was defined in terms of variables as reflective construct to test the convergence and model fit (model 3). The model tested the relationship of 7 dimensions of PRRR i.e. not available, no response, transferred, rudeness, no action, extended delay and incompetence with perceived value. In the first step the overall convergence of the model was tested.

The model fit indices (table3) indicated that the normed chi square (1.96) was evaluated which was found to be within acceptable limit of 1 to 3. Therefore, model was acceptable as per parsimonious indices. As per absolute indices the RMSEA was at (0.057) which was within the acceptable limit and GFI was at 0.95. Therefore, the absolute fit indices were moderate. Incremental fit indices indicated moderate to good fit for the model that AGFI was 0.92. A model can be accepted if it passes at least 3 fit indices (Jaccard J. & K., 1996). Therefore, the constructs in the model was accepted for testing of hypothesis in Structural equation modelling. It was decided to treat perceived value construct as an endogenous variable and hence a error term was introduced on the variable.

Model 3: SEM based on the CFA Model

Table 3: Model Fit Measures for SEM Model 2

MODEL FIT INDICES	Std. Values	
CMIN/Df	1.96	Less than 5
GFI	0.95	Closer to one is a better fit
AGFI	0.92	Closer to one is a better fit
CFI	0.95	Closer to 1 but greater than equal to 0.90
NNFI (TLI)	0.932	Closer to 1 is better fit cut off is 0.80
REMSEA	0.057	Less than 0.1

Source for Std. Value Hair Jr, J., Black, W., Babin, B., Anderson, R. &Tatham, R. 2010. SEM:

An introduction. *Multivariate data analysis: A global perspective*, 629-686.

The proposed hypothesis tested for mediation of perceived value in the relationship between CMS and Purchase intention. The results of the Model 3 indicated that the model was a good fit and the fit values were within the limit of moderate to good. All hypothetical links of the model 3 were tested. The results indicated that the model was a good fit and the paths being tested were significant (table 4). The regression weights indicated that though all the paths being tested were significant yet the affect of the variables was not. 1 unit increase in the CMS led to 0.176 unit increase in the perceived value of the service by the customer other things constant. Furthermore, one unit increase in perceived value could increase the Purchase intention of the customer by 0.401 units (other things being constant).

Table 4: Regression Results for the SEM

Path being Tested			P value	Std. Regression Weights
Perceivedvalue	<---	CMS	0.019	0.176
Incompetence	<---	CMS		0.523
Extendeddelay	<---	CMS	***	0.681
Noaction	<---	CMS	***	0.724
Rudeness	<---	CMS	***	0.459
Transferred	<---	CMS	***	0.599
Noresponse	<---	CMS	***	0.474
Notavailable	<---	CMS	***	0.364
Quality	<---	Perceivedvalue		0.696
Emotionalfeelings	<---	Perceivedvalue	***	0.827
Price	<---	Perceivedvalue	***	0.742
Sochappy	<---	Perceivedvalue	***	0.549
PI	<---	Perceivedvalue	***	0.401

The results of the study indicated that the relationship between CMS and purchase intention was mediated by perceived value and that investment in the complaint management systems could help organizations increase perceived value of the services being catered and also influence the purchase intention. The model was tested for pre purchase behaviour and was tested for both first time purchasers and repeat purchasers. The results of the study in the context of the unit of analysis indicate that the it is very important for the service provider to create a positive image for the CMS in the minds of the consumers. A negative perception could influence the perceived value of the customer and the purchase intentions negatively.

CONCLUSION

The current study attempted to assess the mediating role of perceived value between the relationship of CMS and purchase intention. The sudy was in the pre-purchase context where the researchers wanted to analyze whether the customer before availing any service forms mental images in his mind about the purchase and perception of complaint management system of the service provider. The post purchase phenomenon is very common. But it is very important to assess this relationship in the pre-purchase context because once a customer becomes dissatisfied, it gets very difficult to turn him into a repeat purchaser. So it is very important to make a positive image of the complaint management systems of retailers so that the customer doesn't get sceptical before his purchase.

The results of the study indicate that there is a significant relationship between complaint management system and purchase intention. Also, perceived value mediates this

relationship. Therefore, if the customer's risk of recourse and redressal is less, he will assume more value which will be realised from the purchase. If the customer anticipates a higher value from the potential purchase, he will have higher intentions to use that service.

The current study would help the service companies in understanding the various dimensions of complaint management systems that the customer values. Also it emphasizes the need to make the complaint management systems effective before the purchase itself leaving no gap for the customers to complain in future. This would lead to more value foe the customer and he will be more willing to use the service.

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