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An Empirical Study Of Service-based Customer Dissatisfaction: Sources And Consequences

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Abstract

Customers who had experienced some dissatisfaction with a dining experience in a sit-down restaurant were surveyed. The study focused on the source and degree of their dissatisfaction, what, if anything, they did about their problem, how satisfied they were with the outcome of their actions, and their likelihood to return to that restaurant as well as the impact of situational and personal factors.

There was a strong and significant relationship between customers' satisfaction with the outcome of their actions and the likelihood of their returning to that restaurant. The results strongly suggest that restaurants respond to complaints and do so in a manner that satisfies the complaining customers if they desire to have their future business and avoid negative word-of-mouth. Personal and situational factors investigated in this study have, however, largely (with a few exceptions) failed to show significant impacts on customers' dissatisfaction level and the causes and consequences due to the dissatisfaction.

Introduction

Businesses today are coveting satisfied customers as very valuable resources. Customer satisfaction and continuous improvement are two of the cornerstones of the quality movement that is rapidly being accepted by firms as a strategy for long-term survival. When customers are not satisfied they sometimes complain, but often just silently disappear in the direction of competitors.

This paper will focus on the causes of dissatisfaction in a service-oriented business (sit-down restaurants) and will explore what consumers do when they are dissatisfied and how they react to the business response. Specifically, the sources and conseqnences of customer dissatisfaction in including sources of dissatisfaction, degree of dissatisfaction, action taken by customer, outcome of the complaint, and likeliness to return will be examined.

In addition, the study will also investigate the impact of situational and personal factors on customer dissatisfaction and related behaviors. It will also offer the philosophy and evidence that feedback, whether positive or negative, will not only aid firms in retaining customers but assist in providing input into the process of continuous improvement that will help in attracting new customers. A schematic model summarizing the relationships among the variables examined in this study is presented in Table 1.

Related Literature

Customer dissatisfaction occurs when a consumer perceives that product and/or service performance is worse than expected (Peter and Olson 1993). The frequency of dissatisfaction varies by type of product, but occurs an average of approximately one-third of the time (Engel, et al. 1993). The reason why this statistic should be alarming to business is that evidence shows that customers who are not fully satisfied with a brand are less likely to repurchase it than are satisfied buyers (Loudon and Della Bitta 1993). Therefore, unresolved dissatisfaction can add up to lost sales opportunities.

In a survey of nearly 700 upper-level executives, Reip (1988) reports that customer complaints are used as the leading indicator of quality. Marketers need to recognize that complaints, which are reactions to dissatisfaction, are actually opportunities (Plymire 1991). In fact, Reip (1988) advocates that firms [1] accept consumer complaints, [2] analyze the complaints for maximum information, [3] eliminate the cause of the problem if possible, [4] feed back complaint information to appropriate personnel, and [5] report the results. In this spirit, complaints are utilized as a way of learning about problems so that they can be stopped now as well as avoided in the future.

Among the goals of measuring customer satisfaction and monitoring complaints is the retention of customers. Research has shown that improving customer retention by just five percent can increase profits between 25 and 85 percent (Harari 1992). This is true because it is generally considered much less expensive to hold onto present customers than to attract new ones (Engel, et al. 1993). It might pay management dividends to encourage complaints and deal with them in a manner that produces customer satisfaction and the resulting patronage and cost savings.

It is necessary to put the importance of consumer complaints into proper perspective. Research shows that very few persons who are dissatisfied actually complain and the likelihood of complaining increases with the severity of dissatisfaction (Richins 1983). As a result, for every person who complains there are 26 others who feel the same way but did not voice a complaint (Loudon and Della Bitta 1993). This suggests that the complaints which are received may well represent just the tip of the iceberg.

What is harmful is that unattended or inappropriately handled complaints can not only affect the future patronage of dissatisfied customers but can have a major influence on the buying behavior of others (Brown and Beltramini 1989). This latter phenomenon occurs because of negative word-of-mouth. Research shows that over half share their experiences with friends or family (Brown and Beltramini 1989) and that each dissatisfied customer will discourage between five to 15 others (Harari 1992). What is disconcerting here is that customers tell twice as many people about bad experiences as good ones (Loudon and Della Bitta (1993). These facts, alone, should raise the awareness of management toward the importance consumer complaints.

Businesses need to establish procedures in order to effectively deal with consumer complaints. According to Vanderleest and Borna (1988), the activities that define a good complaint management program include appointing a complaint coordinator, identifying causes of complaints, and establishing written policies so that all employees can be clearly instructed about how to handle complaints.

How an employee approaches the dissatisfied customer, however, seems to have an impact on how likely the matter will be resolved to the latter's satisfaction. Barbanel (1989) advocates that employees have the right mental attitude, convey openness and receptivity, practice active listening, project empathy, ask questions, and put the customer in contact with someone else if they cannot resolve the problem themselves. Chaudhry (1993) also advocates listening to the complaint while separating themselves from it as a way to calm a dissatisfied diner. In a restaurant setting he notes that servers and managers need to understand these approaches so that they can immediately turn a bad situation around.

A number of other methods can be used to handle customer complaints. Many firms offer a toll-free number. General Electric opened an "answer center" for consumer complaints and inquiries. Since then customer satisfaction at GE has increased 93 percent (Rossell (1987).

If firms genuinely try to resolve complaints, rather than using the process as window dressing, favorable results will often occur. Grimm (1987) concluded that studies show about 55-60 percent of complaints are resolved to the consumer's satisfaction. In another study Thompson (1989) found that 54 percent of dissatisfied customers who felt that their complaint had been solved intended to buy from the retailer again. Rossell (1987) concluded that if complaints were handled satisfactorily 70 percent would continue to buy from the company if the purchase was under $100, while 54 percent would continue business with the firm if the purchase was over $100.

How the complaint is handled might have a bearing on the customer's satisfaction. Clark, et al. (1992) found that consumers who received a free-good response indicated that their image of the firm significantly improved. On the other hand, when only a letter was received their image of the firm changed little. When no response was received the complainer's image of the firm became significantly more negative. In addition, Bolfing (1989) found that when firms set up barriers in the complaint handling process and developed an aloof attitude customers turned to more harmful negative word-of-mouth. It can be concluded that it is better to do something about complaints than nothing but if one does something it should be sincere and meaningful.

Among other objectives, this study will attempt to determine if these findings apply to the service industry -- in particular sit-down restaurants where food, atmosphere, and service are crucial.

Research Methods

One hundred forty seven randomly-selected adult customers living in a western metropolitan area in the United States of America were interviewed with a telephone survey. Of the adults contacted, 102 of them qualified for participation in the survey by having experienced a problem in dining at a sit-down restaurant.

The plus-one method of random digit dialing was employed in conjunction with the white pages of the local telephone directory to reach a household's phone number. The telephone book page, column, and vertical entry numbers were chosen randomly with the use of a random number table. When the target entry was found, then a one was added to the corresponding telephone number in order to also reach voluntary and involuntary

unlisted numbers, thereby reducing sampling frame error. Once the telephone was answered the most convenient adult was talked to. If the call was not able to take place (because of busy signal, answering machine, etc.) a one was added to the previous telephone number until a completion was made. Then, a new page, column, and entry number was chosen for the next call.

The average respondent took between four and six minutes to complete the survey. The focus of this descriptive study was to determine the nature and degree of dissatisfaction, what action was taken, the degree of satisfaction with the restaurant's response, and the likelihood of returning to that restaurant.

Results and Discussion

Sample Characteristics

A summary of the sample characteristics is shown in Table 2. The respondents were more likely to be female, between the ages of 18 and 55, not likely to have attended college, having annual household incomes above $20,000, gainfully employed in white collar jobs.

Sources, Consequences, and Degree of Dissatisfaction

Respondents were asked to think of a situation where they were dissatisfied with a dining experience. If more than one case existed, they were asked to recall the clearest or most significant incident.

Respondents were first asked to describe the source(s) of that dissatisfaction. The results (see Table 3) indicate that food quality or taste and efficiency or promptness issues were most likely to be the cause of dining dissatisfaction. The friendliness or courteousness of staff was a distant third source of dissatisfaction.

Respondents were then asked what they did as a result of their dissatisfaction. The results, summarized in Table 4, indicate that they mostly complained to the server, told other people (i.e.: friends), did nothing, never went back, or complained to management. Those persons who passed along the negative word-of-mouth told an average of 3.7 persons.

Additional analysis noted that some sources of dissatisfaction were significantly related to other variables. For instance, whether one was dissatisfied with food quality was related to the frequency that they dined out (Cramer's V= .325, $p<.03$) and the outcome of their complaint (Cramer's V= .542, $p<.02$). Whether or not one was dissatisfied with the staff's friendliness or courtesy was related to whether they complained to management (Phi= .212, $p<.04$), never returned to the restaurant (Phi= .365 ($p<.001$), and the respondent's gender (Phi= .225, $P<.03$). In the latter case, women were much more likely to be dissatisfied with the staff's friendliness or courtesy. Finally, whether or not one was dissatisfied with the facility cleanliness or atmosphere was positively related to whether or not they returned to the restaurant (Phi= .296, $p<.005$).

Respondents were asked to indicate their overall degree of dissatisfaction they experienced on a scale from 1 (minor) to 5 (extreme). The average level of dissatisfaction

experienced was 3.83 (SD= 0.99), which is well above the neutral response. The magnitude of this dissatisfaction can be further explained by additional analysis.

Respondents' degree of dissatisfaction was significantly higher for those who indicated some dissatisfaction with food quality/taste (T- test= 2.18, p<.04), friendliness/courteousness of staff (T-test= 2.25, p<.03), and facility facility/cleanliness (T-test= 3.07, p<.005) versus those who did not indicate dissatisfaction with those areas. Further, those that were more dissatisfied were significantly more likely to complain to management (T-test= 2.47, p<.02) and not go back (T-test=5.72, p<.001).

Complaint Outcome and Satisfaction

Slightly less than 60 percent of these respondents actually complained about their dissatisfaction. The results, shown in Table 5, indicate that the two most common outcomes of their complaint were either nothing or an apology--neither of which was financially compensating. The next most common complaint outcomes were a replacement meal, a free meal, free drinks, free dessert, a gift certificate, or a refund.

Respondents who did complain were asked to rate how satisfied they were with the outcome on a scale from 1 (absolutely dissatisfied) to 5 (absolutely satisfied). The mean satisfaction rating was 2.93 (SD= 1.44) which is slightly below the neutral level. Further analysis indicates that there is a significant inverse relationship between one's satisfaction with the outcome of their complaint and their initial degree of dissatisfaction (Pearson r= -.304, p<.02). That is, those with higher levels of dissatisfaction were likely to be less satisfied with the outcome of their complaint.

Those who were not satisfied with the outcome of their complaints were asked what would have satisfied them. The results showed no clear patterns, but included that a free meal, discount/refund, or more of a personal touch (apology, explanation, acknowledgment, politeness) would have been appreciated.

Likeliness To Return To The Restaurant

The respondents were asked how likely they would be to return to the restaurant where they were dissatisfied. On a scale from 1 (highly unlikely) to 5 (highly likely), the mean score was 2.28 (SD= 1.37) which indicates that they were not likely to return. Further analysis, however, sheds some meaningful light on this issue.

Persons who experienced a problem with friendliness or courteousness of staff (T-test=2.31, p<.03) and facility cleanliness or atmosphere (T-test=2.78, p<.01) were significantly less likely to return than persons who did not experience difficulty in those areas. Further, those persons who told other people about their experience were much less likely (T-test= -2.51, p<.02) to return than those who told nobody. The negative effects, therefore, appear to multiply because those who are not likely to come back also discourage others from patronizing the restaurant.

There appears to be a silver lining in some of the results. The more satisfied the customer was with the outcome of their complaint the more likely they would return to the restaurant (Pearson r= .619, p<.001). This suggests that future patronage can be greatly influenced by restaurant policies dealing with whether and how well they handle customer complaints.

Impact of Personal Factors

Six personal factors are examined in this study. They are gender, age, educational level, occupation, income, and frequency of dining out. ANOVA and chi-square analyses were used to examine the impact of these personal factors on the sources and the consequences of customer dissatisfaction (i.e., sources of dissatisfaction, degree of dissatisfaction, action taken by customer, outcome of the complaint, and likeliness to return). With only a few exceptions, the results from these analyses seem to suggest that, by and large, personal factors do not have significant impacts on these variables.

Specifically, a significant result was found between frequency of dining out and complaints regarding food quality (Chi-square= 10.761, $p<.029$). One gender was also found to have a significant impact on complaints regarding the friendliness and courtesy of staff (Chi-square= 5.176, $p<.023$). In addition, one educational level was found to be marginally related to the action of complaining to the server about their dissatisfaction (Chi-square=10.884, $p<.054$). All other analyses regarding the impact of personal factors proved not to be statistically significant.

Impact of Situational Factors

Two situational factors examined in this study are the particular meal served (breakfast, lunch, or dinner) and the cost of the meal (four meal cost categories). ANOVA and Chi-square analysis were again used to test the relationship between each of these situational factors and the five sets of variables manifesting the sources and consequences of customer dissatisfaction. None of these relationships were found to be statistically significant. These results appear to indicate that neither the particular meal served, nor the cost of the meal has any significant bearing on the sources of dissatisfaction, the degree of dissatisfaction, the action taken by customer, the outcome of the complaint, and the likeliness to return.

Conclusions

In today highly competitive marketplace satisfied customers are a valued commodity. However, the more the marketers learn about customer complaints and dissatisfaction the more it becomes apparent that companies are sometimes their own worst enemies. Most dissatisfaction can be prevented by product quality control or pleasant, attentive service to the customer. In this survey the sources of dissatisfaction primarily focused on those two dimensions.

No restaurant can be expected to satisfy all customers all of the time. As long as people are involved either as preparer, server or customer, human error has the potential to occur. When the customer is dissatisfied s/he is likely to express their dissatisfaction to the server or management. In some cases the customer does nothing at the time of the problem, but passes negative word-of-mouth onto others or simply never goes back to the "scene of the crime." If the customer chooses to be silent and simply refrain from future patronage there is little the restaurant can do after the fact. In this case prevention is the major solution, but the server can encourage the customer to vent their dissatisfaction at the end of the meal by asking in a sincere manner if the food and service was satisfactory to

them. This might prompt an otherwise silent, but dissatisfied, customer to complain. In this case the restaurant has a chance to redeem themselves by trying to remedy the problem or offer compensatory action.

Whenever a customer complains about being dissatisfied the restaurant should look at this as an opportunity not only to regain future patronage but as an opportunity to detect problems that hopefully can be prevented for future customers. Unfortunately, not all businesses view complaints as an opportunity. What is also troubling is the proportion of restaurants who receive a complaint who do absolutely nothing about it. Their lack of attention most likely assumes that if the problem is forgotten it will go away. These results indicate that what will likely go away are the customers and they will probably try to influence their friends to stay away too.

In a sense, then, the destiny of whether restaurants or other firms retain or lose dissatisfied customers rests largely on their own shoulders. The adage that an ounce of prevention is worth a pound of cure may be appropriate here. If a problem, however, was not prevented from occurring it likely will benefit the firm to resolve the problem on the spot rather than leaving it to fester and potentially cause the customer not to return. It may well cost the firm less to try to satisfy a complaint (and therefore, keep the customer) than to engage in marketing activities directed toward finding a replacement customer. That certainly is food for thought.

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TABLE 1
Schematic Summary of Variables and Relationships among Variables

Dissatisfaction Chain

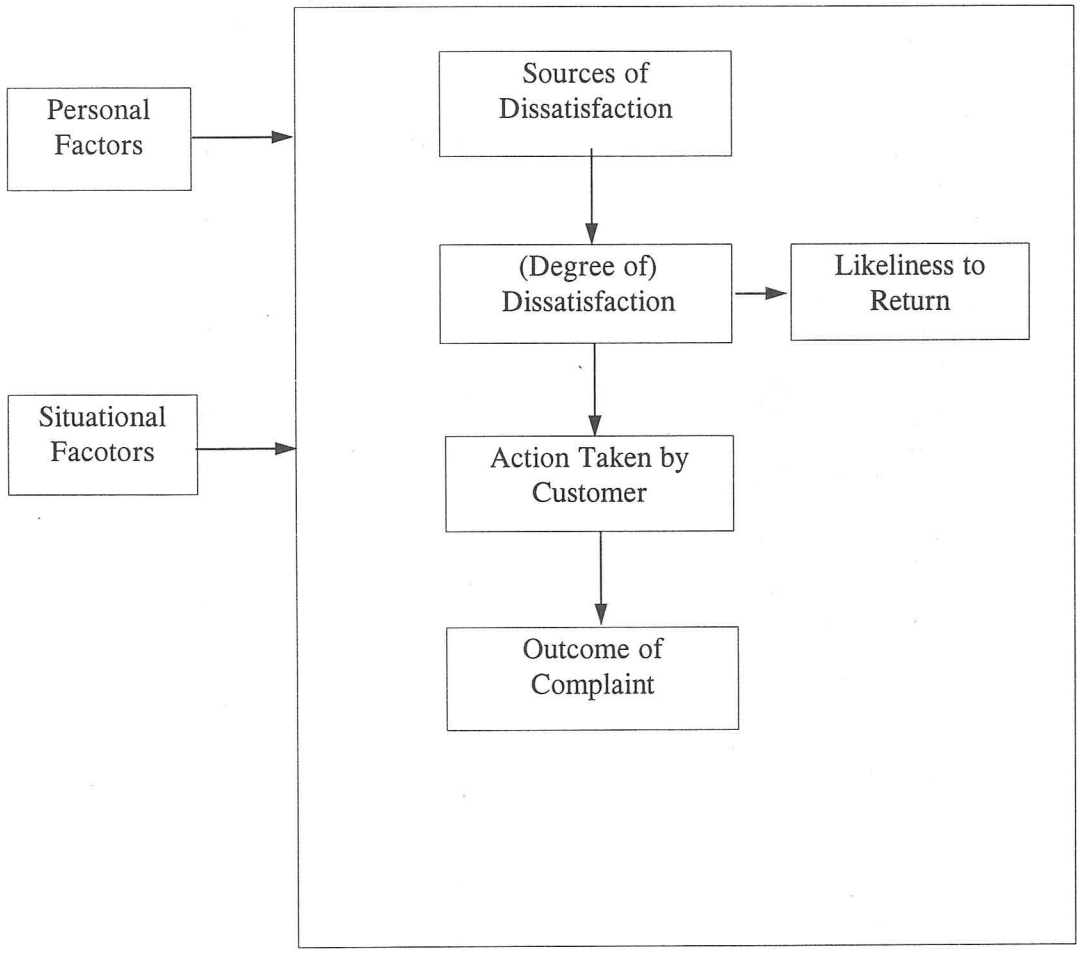

TABLE 2
Characteristics of the Sample

Demographic/Levels	Number	Percentage
Gender:		
Male	44	43.1 %
Female	58	56.9
Age:		
< 18	3	3.0
18-30	36	35.6
31-55	51	50.5
> 55	11	10.9
Education Completed:		
Elementary	4	3.9
High School	34	33.7
Vocational School	14	13.9
1-2 Years College	19	18.8
3-4 Years College	19	18.8
> 4 Years College	11	10.9
Household Income:		
< $20,000	23	24.0
$20,000 - 50,000	53	55.2
> $50,000	20	20.8
Occupation:		
Secretary/Clerk	16	16.0
Executive/Manager	12	12.0
Homemaker	10	10.0
Technical	8	8.0
Student	8	8.0
Sales	8	8.0
Self-Employed	5	5.0
Retired	5	5.0
Medical	4	4.0
Driver	4	4.0
Unemployed	4	4.0
Education	3	3.0
Other	13	13.0

TABLE 3
Sources of Dissatisfaction

Sources	Number*	Percentage
Food quality/taste	45	31.7 %
Efficiency/promptness	43	30.3
Friendly/courteous staff	28	19.7
Facility leanliness/atmosphere	17	12.0
Other	9	6.3

* Respondents were allowed to mention >1 source.

TABLE 4
Action Taken by Customer

Action Taken	Number*	Percentage
Complained to server	36	22.8 %
Told other people	29	18.4
Did nothing	29	18.4
Never went back	25	15.8
Complained to management	22	13.9
Complained in writing	13	8.2
Other action	4	2.5

* Respondents were allowed to mention >1 action taken.

TABLE 5
Outcome of the Complaint

Outcome	Number	Percentage
Nothing	13	21.3 %
Apology	13	21.3
New meal	8	13.1
Free meal	8	13.1
Free drinks/dessert	8	13.1
Gift certificate	4	6.6
Refund	3	4.9
Other outcomes	4	6.6