

COMPLAINT AS A PROBLEM-SOLVING MECHANISM

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When consumers experience problems with purchases the most frequent mechanism for their solution is complaint to the seller. This case study describes and attempts to evaluate the working of the complaint mechanism in handling the problems of purchasers of selected household appliances. The complaint mechanism was found to be commonly used and effective in handling matters defined by consumers as problematic, and consumers often seemed to obtain more generous concessions than the law required of the seller. The latter's response was liberal because management defined generous dealing with customers as consonant with long-run commercial interest, and because staff experienced both official and unofficial pressures to grant customers' requests.

I. INTRODUCTION

Complaint is the major mechanism for handling consumer problems,¹ yet the literature on this mechanism in the consumer area is relatively sparse and until recently covered only a few special situations, such as automobiles and insurance (Whitford and Kimball, 1974; Ross, 1975). This omission has recently been partly filled by the publication of two major national surveys of consumer problems. The more useful, though methodologically weaker, was a survey of 2,419 consumers in 34 cities performed by the Center for the Study of Responsive Law under a grant from the Carnegie Foundation (Best and Andreasen, 1977).² A second study (King and McEvoy, 1976), based on 2,513 interviews with respon-

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1. Modes of handling problems, to which law is relevant, by means other than litigation are discussed in the scholarly literature on "dispute settlement" (see, e.g., Abel, 1973; Felstiner, 1974; Galanter, 1976). We use the label of "problem-solving" to describe the functions of the complaint mechanism because a consumer claim that is accepted by the seller does not satisfy the definition of dispute as the assertion of conflicting claims (Abel, 1973:226-27).
2. Problems in the Best and Andreasen (1977) study include selecting the interviewing staff from an activist consumer group, "Call for Action," and training them only at a brief convention. The interviewees were subjected to extensive probing that appears to have magnified the importance of very minor defects and problems.

dents selected through a national probability sample, appears to have been well planned and less colored by ideology, but the data presented tend to aggregate complaints about quality and condition of merchandise with unrelated complaints of less interest in the present context (e.g., unavailability of advertised goods, or distasteful advertising). However, these surveys taken together suggest a broad picture of the extent of consumer dissatisfactions, the presentation of problems as complaints, and the effectiveness of this presentation as viewed by the claimants. The study to be described complements the national surveys by looking in depth at complaint handling in a specific situation and viewing the process through data obtained from the seller as well as from consumers. Although the situation selected is a mass-market retailer, and therefore potentially representative of a broad share of the appliance market, we will try to show some specific conditions that differentiate it from other markets and thus indicate some limits to the generalizability of these results.

II. METHOD

This study centers on complaint handling at "Western Television and Appliance Company," one of the major distributors of television sets and appliances in a Denver metropolitan area of more than one million people. The company can be described as a "mass" rather than a "class" retailer: it is the second-largest seller of television sets and the fourth-largest seller of major home appliances in the metropolitan area, a market that includes giants like Montgomery Ward and Sears as well as discounters like Woolco and K-Mart. Western Television and Appliance Company operates six open-floor showrooms in suburban locations and a main store in a central industrial area near the intersection of two freeways. Its advertising is typical of the mass-market retailer: large display ads in the local newspapers and television spot commercials proclaim an almost continuous succession of special sales and savings events.³ Salesmen are paid a small hourly salary, but most of their income is derived from commissions on sales. Management takes pride in adhering to business ethics, and techniques we observed on the sales floor were not especially high-pressured. The company operates an electronics service department; service on most mechanical appliances is performed by an independent agent of the manufacturer.

The initial source of information for the study was interviews

3. Company personnel reported that consumers often replace existing appliances that are operating but obsolescent. The need for a new appliance in this situation is not pressing. Sales and special events furnish the consumer with a reason for making a purchase then.

with a number of well-placed observers of the complaint mechanism, both at Western and elsewhere in the television and appliance distribution system. We held numerous interviews with the president and top management of Western. Employees of major suppliers were interviewed, including General Electric, Zenith, Maytag, and Kitchenaid, as were managers of most of the largest dealers in television sets and appliances, and representatives of consumer help agencies, both in the Denver area and in national headquarters in New York and Washington.

A second source of information was observations. Research personnel attended sales and promotion meetings of Western's top management group. The senior author traveled with delivery, installation, and repair crews, and with service representatives of a major appliance manufacturer. Observations were made in the warehouse and on sales floors in all stores, and informal interviews were conducted with sales, delivery, and service personnel during the observation periods.

A third source of information was review of documents pertaining to complaints, which supplemented field observations of complaint processing. Western's files of exchange and damage forms were studied, and files of complaint letters from the local Better Business Bureau were analyzed.⁴ Our staff was permitted to overhear the handling of service and complaint telephone calls at the offices of Western and two other merchants.

The fourth source of information was a survey of Western's customers. To simplify questioning the universe was restricted to those who had purchased either a leading brand of clothes washer or a leading brand of color television set during the previous four years, the sample being weighted to stress more recent purchasers.⁵ A pretest of 102 cases was followed by a main survey of 398, conducted by a contracting market research service. The questionnaire covered the manner of purchase and experience with the items purchased, the use of the complaint process, at-

4. Exchange and damage forms were an innovation undertaken to inform management of the fact of and reasons for replacement of allegedly defective goods. At the time of the study, 58 forms had been completed. At the Better Business Bureau, all complaints from 1974 against the nine largest retailers of appliances and television sets in the metropolitan area were reviewed and tabulated. There were several hundred complaints altogether, but only 41 written complaints about appliances and television sets, 23 of which concerned a single retailer which was subsequently expelled from membership in the Bureau.

5. We drew a systematic sample from delivery files in the ratio of 1/300 for the period from 8 months to 4 years prior to the study, and 1/10 for the period from 3 to 6 months prior to the study. The completion rate was 40 percent, the loss due in part to the age of the addresses. Length of time of ownership (up to 4 years) seemed to have little effect on the experience of problems with the purchases, and the experience of the sample was analyzed as a whole.

titudes towards appliances and merchants, and perception of legal rights with and without specific warranties.

III. THE COMPLAINT MECHANISM

Complaint processing systems may be described as proactive or reactive, and as centralized or decentralized. A proactive system searches out complaints by actively ascertaining the customer's satisfaction with the merchandise. A reactive system merely responds to those complaints that dissatisfied customers bring to the attention of the store. Centralized complaint handling places responsibility for the management of complaints on a staff department charged with that task. Decentralized complaint handling treats that function as part of other, more general, roles such as that of salesperson.

Western has a decentralized complaint processing system. Complaints are handled by the sales staff as part of their regular duties, with an "appeal" to store managers and eventually to the central management. Sales personnel are not separately compensated to handle complaints, and time devoted to this function may detract from commissions they earn.

In previous years Western's complaint handling was entirely reactive, relying exclusively on customer initiative to identify problems with the merchandise. A policy innovation just prior to the research attempted to change this stance in the interests of better customer relations: sales staff were requested to ascertain customer satisfaction through a telephone call several days after the purchase was delivered. The sales force resented this requirement, and its implementation appears to have been very sporadic. But the delivery crew supervisor followed a limited proactive procedure on her own initiative, calling one customer on each route every day to ascertain that delivery was properly accomplished. The supervisor inquired whether the customer was experiencing problems, and complaints were passed on to the original salesperson. Overall, however, only a small portion of Western's complaint load at the time of this study was obtained by these proactive measures.⁶

6. The bulk of this research was conducted in 1975. Interviewed at the end of 1977, the president of Western stated that there was still a problem in getting appliance salesmen to call customers. A special employee has been designated to telephone all recipients of television service to ascertain satisfaction, and an employee of the delivery department was assigned to make calls concerning every third delivery. Western has an item in its forthcoming budget to assign a decision-level management person to the task of proactively inquiring into consumer satisfaction. Thus, the company is developing a centralized, proactive stance towards complaints.

A. The Perception of Dissatisfaction

In order to result in a complaint, a problem must first be recognized and defined. A product may be defective in the sense of not meeting standards set by the producer's engineers, yet not be perceived as problematic by the consumer. Conversely, a product that does meet design specifications may disappoint the purchaser's expectations and thus be defined as problematic even though the producer would dismiss those expectations as unrealistic or irrational. The correspondence between "objective" defects and subjectively defined problems is not amenable to survey research, and would seem approachable only through intensive third-party inspection and tracking over time of a large sample of merchandise. Neither this study nor the national surveys have the means to determine the prevalence of defects, and all necessarily deal with subjectively defined problems as the basic data.

Bearing this in mind, a first major finding of the present study is that perceived problems with television sets and clothes washers are relatively rare. Among our sample of 398 purchasers of appliances who had owned them for periods ranging from three months to four years, dissatisfaction at the time of delivery was reported by 38 (10 percent), subsequent dissatisfaction was reported by 33 (9 percent), and dissatisfaction both at delivery and subsequently was reported by 6 people (1 percent). To reverse the stress, nearly four out of five purchasers of television sets and appliances reported no dissatisfaction either at the time of delivery or subsequently. Data from the national survey seem consistent with this. Best and Andreason (1977:705) found 11 percent of their respondents claiming "strong" nonprice problems with washers and dryers and 10 percent with television sets, purchased within the previous year. Interviewing probes produced an additional 12 and 11 percent of "weak" problems, respectively. King and McEvoy (1976:6) found 32.4 percent of their respondents to be "problem families," but this figure refers to consumer problems of all sorts, including incorrect billing, unclear instructions, and other matters, over the course of a year.

The report of problems showed a positive relationship to social status, with high-status people reporting more problems. In our study, 18 percent of purchasers with family incomes over \$10,000 reported having experienced problems with appliances *in general*; for those with incomes between \$10,000 and \$20,000, the percentage was 29. For those with incomes of \$20,000 and over the percentage was 51. Best and Andreasen (1977:707) report consis-

tent but smaller differences of problem perception: 16 percent for low-status consumers, 18 percent for the middle, 20 for the upper middle, and 22 for high-status respondents. King and McEvoy (1976:19) show a nearly regular increase in problem families from 18.6 percent among consumers earning under \$3,000 to more than 40 percent in all groups earning more than \$15,000. Since none of the studies can measure objective deficiencies in products, one can only speculate that it is unlikely that higher status people buy poorer quality items, and that the differences between the status groups reflect an upper class "tendency to perceive an imperfection as a grievance to be redressed rather than as a drawback in a product that is, on the whole, satisfactory" (Steele, 1977:673).

From the interviews and from observations of repair personnel it is possible to suggest a typology of problems. Although interview material alone is not sufficient to support quantitative estimates, some impressions can be offered.

The most common type of problem would seem to be "functional," an apparent failure of the appliance to function according to design. Eighty percent of our survey respondents who experienced dissatisfaction at the time of delivery cited functional problems as the cause, and 82 percent of those who experienced subsequent dissatisfaction. Most of the remaining problems appeared to be "cosmetic," involving scratches and dents that affected the appearance of the appliances but not their performance. Consumers rarely defined their problems as "systemic," but repair personnel often ascribed consumer dissatisfaction with an appliance to the placement of the latter within a larger system, e.g., inadequate drainage for a washer or inadequate signal strength for a television set. Our observations of service calls suggest that many of the problems termed functional by consumers would be described as systemic by technicians. For example, one complainant sought service for what he called a badly performing dishwasher. The serviceman, using a thermometer, diagnosed the problem as the result of inadequately heated wash water caused by an undersized water heater. A consumer's dissatisfaction with a television picture was frequently attributed by the service crew to the set's superior ability to receive a signal that was weak or distorted in the particular location. It was explained that the fuzzy contours of a picture on an old television set would obscure "ghosts" and "snow" in the signal, which would appear in better receiving equipment. A final source of dissatisfaction with appliances—mentioned in only one interview but documented in complaint files and interviews with repair personnel—is "consequential"

problems. This term refers to damage to other property as a consequence of delivery or installation, or of functional problems: the scratched door frame or floor, the spoiled food in the malfunctioning refrigerator, or the burned roast in the malfunctioning oven.

B. The Presentation of a Complaint

A second major finding of our survey was that when the respondents perceived problems they generally complained to the seller. Of the 44 respondents reporting a problem at the time of delivery, 3 were forestalled from complaining because the matter was fixed by delivery personnel. Of the remaining 41, 33 (80 percent) complained to the dealer. Among those 39 consumers who reported dissatisfaction subsequent to delivery, 32 (82 percent) complained to the dealer.⁷ These percentages are higher than those reported in the national surveys. King and McEvoy (1976:42) found that 72.6 percent of their problem families took corrective action by contacting a "first source," nearly always the place where the problematic purchase was made or service received. However, Best and Andreasen (1977:711) report that complaint was made to the seller of a television set or washer/dryer in fewer than half the cases. Part of the divergence may be an artifact of research design: if inquiry is restricted to those who experienced "strong" problems with these appliances, 73 percent of purchasers of television sets, and 54 percent of purchasers of washers or dryers, complained to the seller, and the rates are even higher if "manifest" (as distinct from "judgmental") problems are considered separately.⁸ Furthermore, if Western's customers do complain to the seller significantly more frequently than the national average of consumers, this may be because a high proportion are middle class.⁹ Both national surveys report that whites complain more than Blacks and higher income people more than low-income people, compounding the previously mentioned class differences

7. The six consumers reporting dissatisfaction both at time of delivery and subsequently are counted twice in this and the following tabulations.

8. "Strong" problems were those mentioned spontaneously as the cause of dissatisfaction with a purchased item. "Weak" problems were elicited in response to a probe, where the purchase was considered completely or somewhat satisfactory. "Manifest" problems were those that were unlikely to involve differences of judgment between buyer and seller; an example would be the presence of a dent on an appliance when delivered. "Judgmental" problems involved possible differences of opinion, for example, the adequacy of design, or durability.

9. The bulk of Western's customers can be described as middle class. Comparison between Census data on the metropolitan area and data on purchasers of appliances from the survey reveals that 53 percent of heads of household in the latter were proprietors, managers, and officials, and only 28 percent had blue collar occupations, compared with 30 percent and 41 percent, respectively, in the metropolitan area. Blacks and Chicanos constituted 6 percent of survey respondents, compared with 15 percent in the metropolitan area.

in defining defects as problems (Best and Andreasen, 1977:721, 723; King and McEvoy, 1976:61).

C. The Results of Complaint

A third major finding of our survey is that Western's customers tend to find complaint an effective mechanism. Of 67 responses to the question, "Were you satisfied with the results of your complaint?", only 12 (18 percent) were negative. Asked to compare the treatment they received with that due under their warranties, 77 percent of all those purchasers who experienced dissatisfaction declared that the treatment matched their warranty rights and 22 percent said that it was more generous; only one felt that it fell short of his entitlement.¹⁰

Our survey contained several questions concerning consumer attitudes, and the answers to some of these support the conclusion that respondents were generally satisfied with Western's complaint handling. Sixty-two percent of respondents expressed disagreement or strong disagreement with the statement "complaining to dealers does little good," and only 23 percent agreed. Furthermore, 94 percent of our sample said they would buy the same brand of appliance again, and 96 percent would buy from the same dealer.

This satisfaction was achieved most commonly by repair. Of 33 complaints at the time of delivery, 19 (58 percent) resulted in repairs, as did 21 (66 percent) of 32 subsequent complaints. Repair is the remedy preferred by the dealer, for a variety of reasons. It secures the sale, and thus both the salesperson's commission and the profit of the firm.¹¹ Furthermore, the cost of a functional repair is usually paid by the manufacturer under warranty, not by the store, and the cost of a cosmetic repair can often be shifted to the manufacturer or the freight carrier, depending on the nature of the damage. Because of the aversion of both manufacturer and retailer to exchange or refund, the repair of new appliances is completed very rapidly. Service calls in the immediate aftermath of a purchase are treated as emergencies by both the store and the factory-owned service organization for major appliances. Almost three-quarters of consumers complaining of dissatisfaction at the time of delivery reported "immediate" service; indeed, nearly two-thirds of those with complaints *after* delivery stated that service had been dispatched "immediately," and virtually all responded that service had been given in no more than a week.¹²

10. Of course, it is possible that the respondents underestimate their rights under warranty. We have no information on this matter.

11. It also secures the sale for the manufacturer, where a refund or exchange might result in a switch to a competing brand.

12. One of the arguments that convinces consumers to accept the repair of a

Consumers sometimes resist the offer to repair an appliance because of the prejudice we term the "lemon theory": the expectation that an appliance defective in one respect is likely to prove defective in other ways over time. The lemon theory was universally rejected by informants representing retailers and distributors of appliances. They asserted their faith that functional problems can be diagnosed and overcome, that most such problems have simple causes (such as electrical or hose connections becoming detached) and are easily repaired, and that the presence of one such problem does not predict anything about future problems in the same appliance. According to an executive at Western, "If human error has caused a problem, human skill can set it right."

However, when Western's customers do insist on replacement of a nonfunctioning appliance, they get what they demand. Our informants reported receiving replacements of entire appliances in situations where part replacements were readily feasible, e.g., in cases of scratched door panels or defective switches. Replacement was especially common when the complainant was made upon delivery of the appliance. Of 33 complaints at delivery, 9 resulted in replacement whereas only 2 of the 32 subsequent complaints were thus handled. Exchanges are expensive for the dealer: at a minimum a second delivery must be made, estimated by Western's management to cost an average of about \$25.00. Furthermore, although the manufacturer will arrange to repair an appliance discovered to be defective, it cannot then be sold to the customer who demands his machine in the original shipping carton, and if the appliance was used prior to replacement it must be labeled as a demonstrator or even as a reconditioned appliance and sold at a discount which the manufacturer may not share. A manufacturer will accept returns for credit only in unusual cases, and will reimburse a retailer for the cost of discounting returned merchandise only if the latter proves the manufacturer's responsibility in the periodic negotiating sessions called for this purpose.¹³

Where the problems are merely cosmetic the dealer offers the consumer a discount in lieu of repair or exchange. Delivery per-

nonfunctioning appliance is that the repair crew will come to the house that day, whereas a new delivery usually cannot be scheduled that quickly and the customer may have to suffer the inconvenience of waiting at home still another day for the delivery.

13. We learned from our interviews that there is a specific use for stock that has been damaged. A price-conscious group of consumers is ready to accept such merchandise, especially that which has been repaired, at a somewhat reduced price which is still profitable for the dealer. One person remarked humorously that if scratches and dents did not occur in the normal course of handling, they might have to be applied to some of the merchandise in order to make it saleable to this group of buyers.

sonnel are authorized to negotiate discounts, typically from \$10.00 to \$20.00, if damage is discovered on uncrating the appliance, in order to avoid the costs of redelivery, repair, and resale. But such offers are often rejected, especially by buyers of expensive lines of appliances and of appliances that are likely to be on "public" display, i.e., in the kitchen rather than the cellar. Only one respondent in our survey reported a discount as settlement for damage. If the customer will not accept a discount, the store usually offers repair or exchange, in that order. Cosmetic damage is generally discovered on delivery, when exchanges are less costly because the returned products can still be resold as new.

If the customer demands it, Western will refund his money for virtually any reason. A salesman noted:

Occasionally someone who is hard to sell will take a set home with him for a few days and then want to return it. We cheerfully refund his money so he's not mad at Western. It's better than trying to live with him. You hope that he'll come back some day and buy something that will work for him.

However, the management of complaints by the retailer is directed to avoiding refunds. Demands for refunds based on complaints concerning functional or cosmetic defects are routinely met with requests by the dealer to repair or replace the appliances. Only if these offers are firmly rejected is a refund made. Western's management subscribes to the belief that a customer claiming a refund really wants a functioning appliance, not money, and that it is no favor to dismiss the customer without the appliance he or she came to buy. Furthermore, they believe that a customer with a refund is a lost customer (perhaps confusing cause and effect). Only difficult or exploitative people are offered refunds at Western's initiative.¹⁴

Our findings concerning satisfaction with the outcome of complaint again seem more favorable to the consumer than those reported by the national surveys. King and McEvoy (1976:72) stated that only 23.3 percent of their sample were completely satisfied with the results of their effort to get the problem corrected, and 40.8 percent were "not at all satisfied." Some of the apparent difference may well be due to the fact that they investigated a broader array of problems: how, for instance, can the seller respond satisfactorily to a complaint about delay in delivery

14. One such customer is described in the following anecdote: he purchased a television set at a suburban store and was back within a few days complaining of its quality. The set produced a fine picture in the store, but an exchange was made to placate the customer. A few days later the second set was exchanged for a third. When the third set was returned, the store manager presented the customer with a refund check, explaining that obviously it was not possible for them to satisfy him. The customer then went to a different branch of Western where he purchased an identical model, returning it once more within a few days. This time he was recognized, and the store refused both exchange and refund.

or distasteful advertising? Best and Andreasen (1977:727) found that "manifest" complaints were settled to the satisfaction of 61.6 percent of consumers, and "judgmental" complaints at the lower rate of 50.0 percent; but when attention was restricted to washer/dryer purchases, 81 percent of their respondents reported satisfaction and an additional 4 percent obtained "mixed" results, leaving only 15 percent dissatisfied. Sixty-one percent of television buyers reported satisfaction, 22 percent received "mixed" results, and just 13 percent were dissatisfied. However, to the extent that apparent differences between Western's customers and the national samples might survive further specification, it is possible that Western's complaint handling is more accommodating than the national average. An explanation for this posture will be discussed below.

D. "Invalid" Consumer Complaints

Our interviews and observations occasionally produced evidence of demands that exceeded the consumer's legal rights. Since all of our information was derived from the seller we made no attempt to measure the number of invalid complaints. However, the high degree of satisfaction with the complaint process at Western is more remarkable to the extent that invalid complaints are present.

A frequent source of invalid complaints, in the sense used here, is consumer ignorance concerning operation or maintenance of appliances. In our experience many calls concerning color television sets merely reflected unfamiliarity with the controls. These were often anticipated by the service personnel. For instance, the complaint that there was no color on a single channel was correctly predicted by a repairman to be a matter of improper fine tuning. Failure of a refrigerator to maintain the proper temperature turned out to be the result of a vast accumulation of filth on the condenser coils. The service crew's task in these cases became that of explaining the operation and maintenance of the appliance. To make the call more fruitful as an occasion for preventive maintenance, and to save the customer's face, the service crew would examine the appliance in detail and make minor adjustments. The cost of such service had to be allocated between the manufacturer and the retailer, since the customer invariably assumed that it was covered under the warranty. Manufacturers' representatives took the position that they would not pay for calls they knew were caused by consumer ignorance, since the warranty only covered defects in the appliance. The retailer was also reluctant to accept

these charges, asserting that sales and delivery personnel offered the customer adequate instruction. Service personnel hinted that these calls could be billed to the manufacturer with the allegation that the appliance had been badly adjusted at the factory. The manufacturers' representatives in turn stated that they kept track of the number of warranty calls submitted by individual service agencies and tried to reject charges not based on factory adjustments, but admitted that false allegations were very hard to detect and even harder to prove.

A second type of invalid claim relates to alleged malfunctions that service personnel trace to system properties, primarily signal strength and purity in the case of television sets and plumbing capacity in the case of washing machines. These problems are generally outside the mandate of Western's service crews. The solutions tend to be expensive and the customer usually has not anticipated what is required, for instance, the replacement of a basement drain line or the installation of an outside television antenna. Moreover, the question again rises of who is to pay for the service call, since the appliance is not defective but the customer invokes the warranty. Furthermore, these problems are especially likely to result in return of the appliance, though it is mechanically faultless, thus imposing on the merchant an unreimbursable expense.

A third type of invalid claim relates to unfounded expectations concerning the performance of the appliance. The wash may turn out to be clean but not as sparkling bright as the customer expected. A frequent complaint concerning frost-free refrigerators is that motors "run all the time," an operating feature inherent in the design of this product. Since the machines are working properly, once again there is the question of who shall bear the service cost.¹⁵

Finally, we encountered occasional evidence of predatory behavior on the part of consumers. In one case a person complained to the Better Business Bureau that a store refused to sell an appliance at the low price written on the installment contract, though the customer conceded that this figure was an error in transcription from the sales contract, which was signed first. In another case a customer received the three-speed clothes dryer he had ordered with a five-speed control panel attached in error, and demanded that the store provide a five-speed dryer to go with the panel. Another customer, residing in a slum neighborhood, had

15. To the extent that the customer's unrealistic expectation is based on advertising or sales promotion "puffing" of the wares, this kind of complaint would not be considered invalid.

purchased a cheap refrigerator which developed problems, and then claimed spoilage of \$400 worth of food, including lobster. Salesmen stated that some customers would purchase scratched or dented "floor model" appliances "as is," and return them, claiming additional delivery damage and demanding that they be replaced with intact appliances.

IV. DISCUSSION AND APPRAISAL

The outcome of complaints concerning appliances purchased from Western Television and Appliance Company seems to favor the consumer. Indeed, the consumer seems to secure more through complaint than the law requires of the seller. Retailers are sometimes willing to extend their warranties unilaterally, in time and coverage, regardless of the limitations of the formal contract. When a customer demands repair of a new appliance it is made as soon as possible. If exchange is demanded instead, it is routinely granted despite the fact that the Uniform Commercial Code (Section 2-508) gives the seller a "right to cure." Indeed, even an arbitrary decision by the buyer to return goods will often be honored by a refund, although the Code protects the sale by stringent conditions on unilateral revocation of acceptance (Section 2-608).

Policies that give the consumer more favorable treatment than that required by law are not peculiar to Western Television and Appliance Company. Interviews concerning policies regarding complaints were held with representatives of the six largest distributors of television sets and four of the six largest distributors of appliances in the metropolitan area. These interviews yielded information on policy, not practice, but policy is likely to exert strong influence on practice, and the officials interviewed formed part of a chain of "appeal" within the complaint-handling process and they, at least, might be expected to follow the proclaimed policies.

It is clear that the large chain stores have extremely liberal policies in the matter of repairs, exchanges, and refunds, typified by slogans such as "satisfaction always or your money refunded."¹⁶ These slogans are supported by detailed regulations of which the following page from the Sears Roebuck manual is not unrepresentative:

The basic policy of the Company is "*Satisfaction Guaranteed or Your Money Back.*"

- A. The purchaser of any product or service sold by Sears, who, *within a reasonable time after purchase*, advises that he is dissatisfied with his purchase *for any reason*, will obtain prompt and courteous action in accordance with his wishes on

16. This slogan is conspicuously posted in K-Mart stores.

the part of the Sears unit contacted. It is Company policy that we accept the customer's judgment of what it takes to satisfy him, including refunding his full purchase price, or the service charges paid.

- B. In any advertising, or on the selling floor, this statement of basic policy is not to be paraphrased in any way or referred to as a "trial period" of use.
- C. Where merchandise or a service has been used and retained by the customer *beyond a reasonable period*, the complaint will be handled on a basis that is acceptable to the customer as an equitable adjustment and confirms to the customer the integrity and business principles of the Company. [*Customer Complaint and Adjustment Handling*, 5/12/67]

The manual continues to spell out the policy with examples such as this:

On newly purchased mechanical, electrical, power-operated items or other similar items where a third request for service is made because of the same or related difficulty not caused by the customer's abuse or damage of the item, offer replacement of a new item without charge to the customer. If this is not satisfactory, then a cash refund or a credit to the customer's account of the full purchase price, including delivery charges and credit charges, must be made promptly.

It further appears that the chain store policies set a standard that smaller distributors feel obligated to try to meet. All the dealers indicated a willingness to make exchanges even though the original machine could easily be repaired; to make repairs, otherwise covered by warranty, for a limited time period after its expiration, and—with one exception—to accept unilateral cancellation of a sale and give a refund to a buyer who decided arbitrarily that he did not want the appliance.¹⁷

However, differences between these policies and the outcomes of the complaint process at Western, on the one hand, and the findings of the national surveys and of case studies of lower class consumers, on the other hand (Caplovitz, 1963; Andreasen, 1975), suggest the likelihood that the complaint policies of mass-market retailers are not uniform. Although middle class publics seem to be well served by the retail enterprises that cater to them, the factors producing generous responses to their complaints may be absent for economically disadvantaged consumers and other special groups. These factors thus require identification for both theoretical and practical reasons. The following speculations are offered, based on experience at Western Television and Appliance Company.

17. The exception was a family-owned store distributing television sets and similar electronic goods exclusively. The owner-manager explained that a few years ago they had analyzed the pattern of refunds for television sets and found that sets were almost exclusively purchased on Fridays and returned on Mondays, suggesting that many customers "purchased" the sets to view weekend sports events without charge. This merchant did have a liberal exchange policy.

A prerequisite for a workable complaint process is the willingness and ability of customers to translate dissatisfaction into complaint. This was found to be a class-linked phenomenon in the research cited above and Western's clientele is strongly middle class. Indeed, the proportion of dissatisfied customers at Western who did not complain was so small that they provided an insufficient data base on which to conduct planned analyses of the failure to complain. Where aggrieved consumers are silent, because of apathy or a belief that complaint will be futile, even a very liberal complaint policy will be ineffectual. Generous outcomes require consumer participation in complaint making as well as liberal responses by merchants, and this participation may depend in a circular manner on the nature of the response.

Because a liberal policy toward complaints might seem, at first glance, to disfavor merchants, the practices and policies found at Western and other mass-market stores demand explanation. One factor may be the ability of retailers to externalize the costs of accommodating customers. As a large purchaser of appliances, the mass-market retailer exercises countervailing power against the manufacturer and can transfer some or all of the costs of its generosity to manufacturers and shippers. These latter may have independent reasons for absorbing the cost of damages and discounts, but surely a major consideration is the size and power of mass-market retailers.

A second factor may be the relatively small cost of liberal complaint-handling policies in comparison with the size and capitalization of the retailer. If there is less consumer satisfaction with distributors of automobiles than with distributors of appliances, this is more understandable when one compares the effect of replacing a washing machine on the finances of Sears Roebuck with that of replacing a Chevrolet on Jones Motors.¹⁸

A third factor is that customers for appliances in the mass market are likely to be "repeat players" (Galanter, 1974), particularly if the retailer is a highly diversified department store organization, so that disappointment over one purchase may engender ill will toward the entire organization. Further, to the extent that management perceives customers as embedded in lasting family, neighborhood, and other networks, it may wish to avoid the dissemination of consumer dissatisfaction.

18. One of our informants related that his large department store chain had once sold automobiles, but had abandoned this practice because of the difficulty of generalizing their "satisfaction guaranteed" policy to this merchandise. One reason for this difficulty is that a returned appliance that has barely been used can be resold for a greater fraction of the original price than a car that has been driven, no matter how briefly.

These factors may result in a liberal complaints policy, but such a policy will be translated into practice only if it is communicated to the relevant personnel and not opposed by powerful forces. Such was the case at Western, where the sales staff found that a generous response was also usually the easiest. Western's salespeople had no personal stake in denying a customer's claim; indeed, they had the strong incentive of retaining their commissions as a motive for avoiding a refund, regardless of the cost of concessions. Time spent handling complaints was compensated only by minimal hourly salaries, and interfered with the potentially more profitable activity of earning commissions on the sales floor. Given the principle that the fastest way to terminate a claim is to accede to it (Ross, 1970), one can see that official policy favoring accommodation to customers was reinforced by day-to-day work pressures on the personnel handling complaints, at least in this decentralized system.¹⁹

If the interpretation offered here is correct, one can predict possible differences in the fate of complaints under varying conditions. Obviously, problems not presented for solution by the complaint process are likely to remain unresolved. As mentioned above, lower class people often refrain from complaining. One might speculate that, in addition to characteristics of the consumer (e.g., sensitivity to problems and ability to interact with verbal, middle class store personnel), the characteristics of the problem may also be relevant (e.g., whether the loss was large or caused inconvenience), as may the characteristics of the complaint-handling mechanism (e.g., whether it is visible, open, and cost-free).

Complaint handling may also be less generous where it costs the processing organization more, and where this cost bulks large in relation to capitalization of the typical distributor, as in automobiles and housing.

Complaint handling may be less generous where the consumer is not defined as a repeat player, whether because he is poor and therefore unlikely to make another purchase within a reasonable time, or because he is isolated—e.g., the aged and the mobile (thus, the "tourist trap").

The characterization of the complaint mechanism as a cheap and effective instrument for solving consumer problems entails policy implications. From the viewpoint of consumer protection,

19. The president of Western could recall no lawsuits by consumers against his company. One customer, however, did sue a manufacturer for water damage to his basement from a defective washing machine purchased from Western Television and Appliance Co. The case was settled out of court.

enhancing the complaint mechanism is superior to expanding the use of formal legal institutions, even when the latter are simplified and adapted to consumer problems.²⁰ Two-party negotiation is generally simpler, quicker, and less costly than any third-party institution, even when the latter is modified to handle small claims. Similarly, changing the substantive law of sales is unlikely to produce outcomes as favorable to consumers as those they can obtain through the complaint mechanisms. It is improbable that any rule-maker, whether court or legislature, would demand that the seller be governed by the standard of "satisfaction guaranteed," a standard that is voluntarily adopted by sellers on the basis of rational self-interest. Although modifications of legal institutions and rules have their place, consumer activists would do well to attend to the conditions under which complaint is likely to be effective. One of these is widespread information about the existence and effectiveness of complaint mechanisms, and instruction on how and where to present problems. In disseminating such information consumer groups are likely to have broad support among retailers. A second effort should be directed to increasing the negotiating power of low-income consumers, who are not likely to be repeat players, by magnifying the commercial effect of individual dissatisfaction. Consumer groups may achieve this by evaluating the complaint-handling mechanisms of merchants, in the same way they have traditionally evaluated products, and publicizing their judgments. The success of newspaper action lines in resolving consumer complaints which the seller has rejected may lie not in superior resources of time and money (Hannigan, 1977) but in their capacity to distribute information on the basis of which large numbers of people may make purchasing decisions.

Finally, our glimpse of the experience of a group of appliance consumers showed that a significant number were involuntarily drafted into the process of industrial quality control. Such consumer cooperation may be necessary because thorough inspection of every appliance leaving the assembly line might be inefficient, and might greatly increase the cost of mass-produced goods. Moreover, some functional damage, and a good deal of cosmetic damage, is likely to occur after the merchandise has left the manufacturer, even after it has left the retailer's sales floor. Only the consumer can detect it, and his interest as owner probably moti-

20. The conventional wisdom, against which this analysis raises objections, is implicit in the work of critics who ask: "Why is it that the richest country in the world does not have a pattern of adequate access to legal remedies that are available in lesser [*sic*] developed parts of the world?" (Nader and Singer, 1975:282). In our opinion, they underestimate the opportunities to remedy legal wrongs through two-party negotiation because they underestimate the bargaining power of individual consumers within the mass marketplace.

vates a thorough job.²¹ The present system may thus supply the public with the highest quality appliances at the lowest cost. However, the consumer's assent to performing this function is not requested or obtained by the appliance industry, nor is any provision made to reimburse him for the time and trouble involved in performing the role of quality inspector. Time spent waiting at home for service personnel, or travel to exchange an unsatisfactory item, are not fully compensated by the offer of prompt repair or a refund of money paid. These costs are externalized upon random consumers by both appliance manufacturers and retailers. If, following the model of the airlines, distributors of appliances had to pay consumers "denied quality compensation" and to adjust the price of appliances accordingly, not only would the market be made more rational, but it is likely that complaint systems, with all the advantages uncovered in this research, more often would be utilized as problem-solving mechanisms by the consumers.

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21. However, the consumer's inexperience may produce the previously mentioned divergence between defects as defined by manufacturer, service personnel, and retailer, and his own perception of problems.

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