

Solvang, Bernt Krohn

## Article

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## **Customer protest: Exit, voice or negative word of mouth**

Bernt Krohn Solvang

Department of Work Life and Innovation, University of Agder

Service box 509, 4898 Grimstad, Norway

Tel: +47 37253147

Email: Bernt.K.Solvang@uia.no

### ***Abstract***

Of the three forms of protest the propensity of word of mouth (WOM) seems to be the most common, and the most exclusive form of protest seems to be exit. The propensity for voice lies in between. The costs linked to voice influence the propensity for WOM. The customers seem to do an evaluation between the three forms of protest, yet the rational picture of the customers should be moderated.

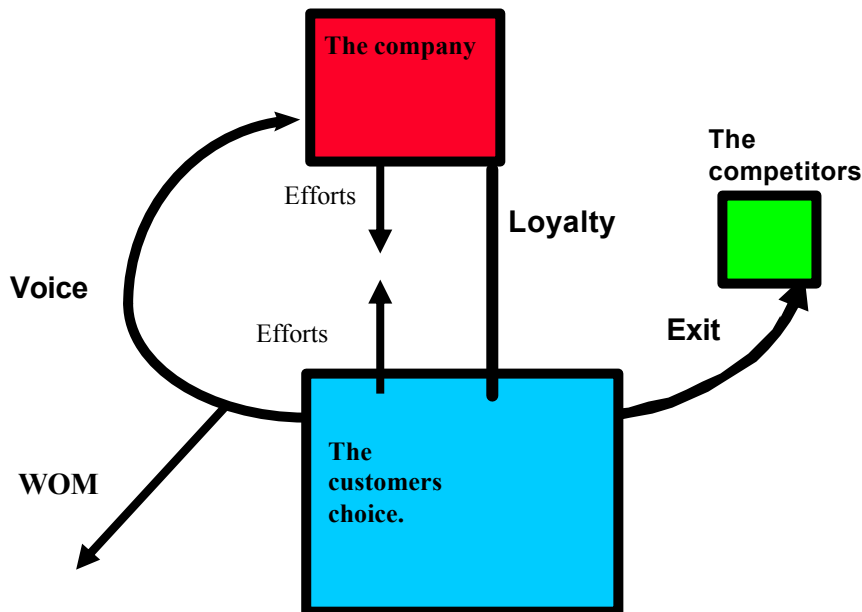
Leaders should improve their treatment of the customers making complaints. The more they can treat customer complaints in an orderly and nice way the less informal negative word of mouth activity they will experience and they will reduce the exit propensity and lead the customers to the complain organisation. They should also ensure that their customers feel they get equal treatment by the staff.

**Keywords:** voice, word of mouth, WOM, exit, satisfaction, loyalty

## 1 INTRODUCTION

The customer's potential to complain or make positive comments is hidden from the shop prior to the purchase being made (Brief, 1998). This potential is of considerable significance for shops in a market where there is competition and where keeping customers is of the greatest importance (Aaker, 1991; Fornell, 1992). Hirschman (1970) presents two main forms of protest: protest to the shop or to a public complaints body (voice) or changing shop (exit). To complete the analysis of protest behaviour we include the third form of protest, Word of Mouth (WOM), a complaint to friends and acquaintances.

**Figure 1: Customer loyalty and freedom of choice. Developed based on the work of Hirschman (1970).**



The customers can choose among these forms of complaint, and according to Hirschman's theory (1970) it is the costs and potential gains of the two alternatives that decide which is chosen. The costs of exit are connected to access to alternatives and to the degree of loyalty (Hirschman, 1970; Singh, 1991). Even though Hirschman's theory looks at the relationship between the two forms of protest, an empirical study of the three main forms is lacking. However, studies have been done on the relation between voice and WOM (Bearden and Oliver, 1985; Richins, 1983; Singh, 1990b; Ping, 1997; Naylor and Klaiser, 2000). Ping (1997) has considered the relation between satisfaction, exit costs and complaint behaviour. We want to consider the relation between these three types of complaint:

- protest to the shop (voice) or a complaint to friends and acquaintances (WOM) or exit.
- What is the relation between these three types of protest?
- What influence the customer's choice of protest method?

## 2 THE THEORETICAL PERSPECTIVE

Hirschman (1970) is focusing on the situation of choice when a customer is dissatisfied. A dissatisfied customer could choose between various forms of protest methods as voice (complain to the supplier, exit (leave the supplier for another one) or WOM (talk negatively to friends and acquaintances). Hirschman (1970) did not treat WOM, but we include that form of protest here in order to obtain a complete picture. This illustration of Hirschman's (1970) theory shows three forms of protest. Exit, voice and WOM are customer protests if they become dissatisfied with the delivery from the company in relation to their own efforts to achieve what they want. According to Hirschman's theory the loyalty is a key variable. High degree of loyalty will increase the costs linked to exit. An alternative form of protest (voice) is thus more likely. Accordingly the voice protesters are expected to be more loyal than the average in the customer, as "the likelihood of voice increases with the degree of loyalty" (Hirschman, 1970: 77). Hirschman (1970: 35) sees the protest form of voice as a complement to exit

and not as a substitute for it. According to this theory exit is associated with costs and gains as the form of voice is. The costs linked to exit might be of emotional character and travel distance and price and quality variation. The voice costs are linked to bargaining power and by that to education.

We are focusing on the connection between these forms of protest since, to our knowledge these connections have not been treated empirically in a study.

### **The form of protests**

Dissatisfied customers may react in various ways that often manifest itself through frustration and anger: for instance to go to the representative of the shop, respond in private by means of negative comments to friends and acquaintances, or go to a formal complaints body (Richins 1983; Singh, 1990b; Singh, 1990; Singh, 1991; Strauss, Schmidt and Schoeler 2005). Singh (1990) divides customers into four groups according to their pattern of response. The passive ones have a low score for all types of reaction.

Only a few of those who are dissatisfied, make themselves heard, (Teknologisk Institutt 1993; Grønhaug 1977). Andreassen and Best (1977) reported that more than half of those who were dissatisfied did not complain at all, while according to Brief (1998) only 20% of Americans complained in response to unsatisfactory service. The tendency to complain is, then, a function of insufficient satisfaction and of frustration behaviour (Strauss, Schmidt and Schoeler 2005). Many of the customers who are dissatisfied do not complain directly to the shop. Several authors, (Andreassen and Best, 1977; Tarp, 1986; Grønhaug and Gilly, 1991; Hernandez et al., 1991; Bearden and Oliver, 1985; Richins, 1983) see this in connection with the possibility of winning one's case against the costs of complaining in the best Hirschman tradition (1970). Berry and Parasuraman, (1991) state that customers have a zone of tolerance where a performance that lies within the zone will be accepted. Performances exceeding the zone create delight and loyalty, while performances falling short of the zone create dissatisfaction.

Will loyalty be able to create an increased zone of tolerance or is the degree of loyalty not significant for the zone? Will the zone of tolerance be able to reduce the tendency to protest?

### **Exit**

The main behaviour in exit is to leave the shop and start being a customer in another shop. This behaviour has costs and gains. The exit costs are related to access to alternatives and to the degree of loyalty. Hirschman (1970) argues that the exit costs are higher in those cases where there is no alternative shop. If the customer is convinced that complaining will be effective that could delay exit (Hirschman, 1970: 37). Customer loyalty will work as a barrier against exit. The barrier may be compared to a cost ('protective tariffs') (Hirschman, 1970:79). Exit propensity means the probability of a customer choosing the exit option.

How is the exit propensity affected by the degree of loyalty? When loyalty increases, we expect that the exit propensity will decrease since the costs of exit increase with increasing loyalty. How does exit stay as a protest form in relation to voice and WOM? Do the customers have equal access to each form of protest?

### **Voice**

Voice works as a supplement to exit and not as a replacement for it (Hirschman, 1970: 35). A decreasing degree of satisfaction and increasing exit costs may seem to play an equal role in encouraging complaint behaviour (Ping, 1997). Those who are loyal are over-represented among the complainers if Hirschman's theory (1970) holds. The complainers score high on complaining and low on the other forms of reaction. Those who are angry score high on comments to friends and acquaintances (WOM), while the activists score high on complaining and high on third-party action (consumer bodies) (Singh, 1990). Other factors which should be considered in an analysis of complaint behaviour are understood risk, confidence in the success of the complaint as well as the advantages and costs of complaining (Bearden and Teel, 1983; Tarp, 1986; Richins, 1985; Andreassen, 1997).

Grønhaug and Gilly (1991) suppose that the greater tendency to complain about the service industries may be linked to the fact that the services are difficult to standardise. Grønhaug (1972) finds that consumers with a high risk evaluation have a greater tendency to make use of consumer-related sources of information, while those with a lower risk evaluation make greater use of market-dominated sources.

When focusing on technology based service encounters Snellman and Vihtkari (2003) find that customers who actually consider themselves guilty for the outcome were the most frequent complainers, while the ones attributing the outcome to technology failures or service process failures complain less often. Online customers are less likely to complain than offline customers and online

customers are more sensitive to benefits/costs of complaining. The difference could be explained by a difference in personal competence expressed where the offline customers have highest score (Cho, Hiltz and Fjermestad 2002).

Complain, protest and avoidance have also been seen as negative effects of loyalty programs (Strauss, Schmidt and Schoeler 2005).

Each fourth of the potential complainers do not complain. The main reasons for this are linked to perceived costs of complaining as time and efforts (Voorhees, Brandy and Horowitz 2006). According to Grønhaug and Zaltman (1981), making a complaint is positively linked to experience, education and income, but negatively linked to age.

### **Voice handling**

Poor handling of a complainer who chooses to complain instead of changing shop because he has a certain loyalty will weaken the complainer's faith in the supplier. This results in fewer satisfied customers and reduced loyalty. The risk of exit and a reduction in repeat purchase increase, together with the increased probability of negative private comments (WOM) (Bearden and Oliver, 1985; Grønhaug, 1987; Richins, 1983). Griffin (1995: 191) points out those complainers who have obtained a quick solution have a repeat-purchase tendency of 82%, in contrast to those who have experienced a major problem without complaining and whose repeat-purchase tendency is 9%. Those who complain, irrespective of the result, have a repeat purchase figure of 19%. Gilly and Hansen (1985) point out that effective complaint handling results in customer satisfaction and loyalty.

We must suppose that many of the complainers are loyal customers. They choose to complain instead of changing shop because their loyalty has increased the costs perceived in changing shop. On the other hand a greater zone of tolerance among the loyal customers may keep them from complaining. Good handling of this type of complainer will strengthen the complainer's faith in the supplier: 'only moderate degrees of satisfaction with service recovery are needed to restore future repurchase intention' (Andreassen, 1997: 195; Singh, 1990b; Gilly and Hansen, 1985).

Good complaint handling results in satisfaction and increased loyalty, and reduces the probability of negative private comments (WOM) (Bearden and Oliver, 1985; Grønhaug, 1987; Richins, 1983). This in turn reduces the risk of exit and increases the probability of repeat purchase. Increased probability of repeat purchase means a better financial result for the supplier. Calculations show that an increase of 5% in the repeat purchase share from 60% to 65% increases receipts by 15%. 'On the other hand a fall in customer loyalty from, for example, 90 to 80 will result in future sales being halved.' (Andreassen, 1997: 4) This is also shown by Oliver (1997, pp. 368-369). A better financial situation helps the supplier to satisfy complainers. A weaker situation makes it more difficult for the supplier to offer good complaint handling.

### **Negative WOM**

Bearden and Oliver (1985) found that a higher potential loss stimulates various forms of complaint, and that the extent of private complaint behaviour is inversely linked to satisfaction with the response from the firm. They point out that if the organisation makes a mistake in its complaint handling, this may lead to loss of goodwill and negative WOM. Grønhaug (1977) pointed out that the complaints seem to build up round complex products which involve a high risk.

Richins (1983) found a connection between the consumers' evaluation of the complaint handling and comments about the shop. The more negative the complaint handling expected by the complainer, the greater the probability of negative private comments (WOM). In another work Singh (1990b) points out that exit and negative WOM are linked to an evaluation of the probability of the complaint being successful. But Naylor and Kleiser (2000) do not find any effect of earlier complaint handling on negative WOM. No complainers are less likely to engage in negative word of mouth than the dissatisfied and recovery groups (Voorhees, Brandy and Horowitz 2006).

Some of the protest forms turn out the public against a firm that has wronged them. Protests published at the Internet are rooted in injustice, identity and turn out as a personal grievance into a "cause" worthy of public attention and support (Ward and Ostrom 2006).

### **Customer satisfaction**

Customer satisfaction and dissatisfaction are associated with the expectations of the customer. If high expectations are met, the customer will be satisfied, but if low expectations are not exceeded by the delivery the customer will be dissatisfied (Oliver, 1997). The customer's experiences could be linked to various sources as service performance, product quality, transactions, product delivery and other factors (Zeithaml, Parasuraman, Berry, 1990).

Churchill, Gilbert and Surprenant (1982) found possible effects of satisfaction dependent on product characteristics (durable and non-durable). Whilst Snellman and Vihtkari (2003) do not find any difference in complaining rate between customers in retail banking and traditional technology based service encounter, while Oliver (1997) finds a greater tendency to complain about durables than about non-durables, but the largest group is those who do not want to complain. This can also be linked to the significance of design, which plays a central role for durables.

Grønhaug and Gilly (1991) point out that customer dissatisfaction can be connected with lack of confidence concerning the transaction, and that much of the dissatisfaction could be linked to market-institutional circumstances beyond the seller's responsibility, such as no product delivered or a long delivery time. Grønhaug and Zaltman (1981) find that it was the transaction frequency, and not the qualities of the good, which best explains the variation in customer dissatisfaction. Ping (1997) maintains that the tendency to complain is related to satisfaction and involvement in the relationship, in the case of firms. Richins (1985) shows a positive connection between potential financial loss and the tendency to complain.

However, there is no simple connection between satisfaction and loyalty. Even satisfied customers can switch to another store because there is no one-to-one connection between satisfaction and loyalty. The relation between satisfaction and loyalty is influenced by characteristics of the consumer such as age and income (Homburg and Giering 2001). Bloemer and Kasper (1995) and Bloemer and de Ruyter (1998), differentiate between two types of satisfaction. Manifest satisfaction conveys a customer who has made a deliberate choice and has reached the conclusion that he/she is satisfied with the offer. Latent satisfaction expresses an unconscious customer who has not compared the offer with other suppliers. They find that an increase in the manifest satisfaction has a greater impact on customer loyalty than an increase in the latent satisfaction.

### **Customer loyalty**

In literature concerning consumer behaviour there are different approaches to view/define customer loyalty. It is differentiated between consumer loyalty in the consumer goods market, customer loyalty in the business-to-business market and the synthesis between consumer and customer loyalty (Kotler 1987; Oliver, Rust and Varki 1997).

The loyalty phenomenon is characterized by diffuse and vaguely delimited contents of meaning (Jacoby and Chestnut, 1978; Peter and Olson, 1993; Dekimpe and Steenkamp 1997). Hirschman's loyalty concept is equated with "non-exit" and hence it is too simple (Huefner and Hunt 1994). In addition to being an unclear concept, several researchers have equated loyalty with repurchase (Carman 1970; Wind, 1978; Grønhaug and Gilly 1991). It is indicated that customer loyalty and repurchase can be increased through establishing barriers that make it more difficult for the customer to go to another store, and consequently repurchase increases (Aaker, 1991; Selnes and Reve 1994; Andreassen and Bredal 1996).

*Loyalty as a development pattern in phases:* This concept in particular has given inspiration to our approach. Oliver (1997) presents customer loyalty in the form of four Loyalty Phases, viewed as steps of a loyalty ladder:

- Step 1 Cognitive loyalty – The customer has favourable knowledge of the supplier, but a better offer will result in exit to the competitor. The loyalty is only based on cognition.
- Step 2 Affective loyalty – is an emotional attitude based on cognitive loyalty.
- Step 3 Conative loyalty – is intentional loyalty that includes a deeply felt obligation to buy.
- Step 4 Action loyalty – a determination to defy any obstacles in order to buy (Oliver, 1997: 392-393).

This seems to be a fruitful approach to this diffusing concept.

### **Research questions**

1. How are the various forms of protest distributed?
2. How is the variation in satisfaction and loyalty distributed in each form of protest?
3. How could the variation in the propensity for each of the protest forms best be explained by customer related variables?
4. How do external factors as competition and type of shop branch influence the factors associated with each form of protest?

### 3 METHODOLOGY

#### **Sample of shops**

We choose a quantitative design in order to be better able to answer our research questions. The framework for the sample consists of four shops in the southern region of Norway, two in the grocery trade and two in the furniture trade. For each shop 100 customers were selected, a sample of 400 customers altogether. In the case of the grocery shops the interviews were carried out outside the shops on a Saturday and a Tuesday in October 1998. The sample of grocery customers was thus selected out of convenience (those who came out of the shop).

In the case of the furniture shops the plan was to carry out the interviews in the shop. However, because of a shortage of customers, a random sample of customers was selected from the shops' customers list. The interviews were conducted by telephone. The Saturday customers were collected in one group since customers on this specific day of the week can have a different shopping pattern with several family members taking part.

The four shops differed on two criteria: type of trade to get variation in risks for the customers (grocery and furniture) and competition situation and by that getting higher variation in the exit costs. Consequently we included two grocery shops, one in a highly competitive area (low exit costs) and one in a less competitive area (higher exit costs), and two furniture shops, one in a highly competitive area and one in a less competitive area. All four shops are members of retail chains.

#### **Definition of and Measurement of central variables**

##### **Loyalty**

First we tried to establish an index variable based on loyalty as an attitude and a repurchase indicator: the percentage share of the respondent's own trade in that type of shop for the shop in question. This index variable was not reliable since Cronbach Alfa came out under 0.7 (Hair, Anderson, Latham and Black, 1998).

Then we established an index variable based on loyalty as an attitude and an indicator of an emotional variable: To what extent the respondents would recommend the shop to others if they were asked for advice. This indicator of affective loyalty came out with a significant Cronbach Alfa 0.70 (N=396). Consequently our indicator of Affective Loyalty is measured like this:

##### **Measurement of loyalty**

- a) Self-evaluation of loyalty to the shop in question on a scale from 0 (extremely low) to 10 (extremely high).
- b) Self-evaluation of to what extent the respondents would recommend the shop to others if they were asked for advice on a scale from 0 to 10.

A reflective index (Troye, 1994) was worked out on the basis of these two indicators by the sum (a+b). In a reliability analysis Cronbach Alfa came out with 0.70 (Hair, Anderson, Latham and Black, 1998). This indicates satisfactory reliability. The customer loyalty variable is then measured in values from 0 to 20.

##### **Satisfaction**

Customer satisfaction comprises the opinion about the positive response in the exchange and the degree of satisfied expectations (Andreassen, 1997).

##### **Satisfaction was measured as follows:**

- a) Self-evaluation of satisfaction with the shop in question measured on a scale from 0 to 10.
- b) Self-evaluation of the perceived balance between the costs related to being a customer in the shop in connection with costs involving money and time, and the feeling of what one is left with in return for these costs, measured on a balance scale from 0 to 10.

The sum of a) and b) make up our index variable for satisfaction, a reflective index measurement (Troye, 1994). Cronbach Alfa between these two indicators is 0.861, which indicates high reliability. The satisfaction index is measured in values from 0 to 20.

##### **Interaction between loyalty and satisfaction**

By multiplying the two variables satisfaction and loyalty we got a new variable representing the interaction between them.

### Service quality

Zeithaml, Parasuraman, Berry (1990) presented five dimensions in their Service Quality Concept. We have indicators to include three of these dimensions in our study. These are the following dimensions:

- a) Reliability (ability to perform the promised service)
- b) Responsiveness (Willingness to help customers and provide prompt service)
- c) Assurance (Knowledge and courtesy of employees and their ability to convey trust and confidence)

As an indicator on Reliability we used respondent evaluation of the shop on how polite they found the employees in the shop on a scale from 0 to 10. As an indicator on Responsiveness we used respondent evaluation of the shop on willingness to serve you, they assessed the employees in the shop on a scale from 0 to 10. As an indicator on Assurance we used respondent evaluation of the shop on the level of relevant knowledge they assessed the employees in the shop on a scale from 0 to 10. We made our index variable, service quality, by first running a factor analysis of these three indicators (Principle Component Analyses).

The component Matrix comes up with one component.

**Table 1: Factor analysis of service indicators. Component Matrix**

|                                       |       |
|---------------------------------------|-------|
| Polite staff (reliability)            | 0.900 |
| Willingness to serve (Responsiveness) | 0.901 |
| Knowledge (Assurance)                 | 0.800 |
| N                                     | 396   |

The three indicators are all in compliance with a common factor we will call *service quality*. We then performed a reliability analysis to see if these three variables could be joined together in an index variable. Cronbach's ALPA=0.84. This indicates high reliability if we make an index variable consisting of the sum of these three variable. Consequently this index variable is our service quality variable with values from 0 to 30.

**Exit costs:** Self-evaluation of perceived costs in changing shop measured on a scale from 0 to 10.

**Propensity to exit:** Propensity to exit is a self-evaluation of the probability of the customer continuing to use the shop in question. Those answering *very likely* or *likely* were given the value 0 for the variable tendency to exit, while those answering *fairly unlikely* or *unlikely* and *do not know* were given the value 1 for the variable propensity to exit. The group average is between 1 and 0 and is interpreted as the propensity to exit for the group.

**Voice costs:** Self-evaluation of the costs related to complaining on a scale from 0 to 10.

**Propensity to voice:** Self-evaluation of the propensity to complain measured on a scale from 0 (have never complained to the shop) and 1 (have complained once or several times to the shop). The group average lies between 1 and 0 and is interpreted as the propensity to complain for the group.

**Negative Word of Mouth (WOM):** Self-evaluation of to what extent one complains to friends and acquaintances rather than to the shop measured on a scale from 0 to 10.

**Propensity to WOM:** Self-evaluation of the propensity to WOM measures on a scale from 0 to 1. Those who found WOM actual or very actual we defined as high propensity (1) and those who found WOM little or not actual as low propensity (0).

**Experience with complaining:** The method chosen was self-evaluation of how the complaint was received and handled. 23% of the respondents had experience with complaints to the shop. They answered according to these categories: bad (1), less good (2), satisfactory (3), good (4) and extremely good (5).

**Discriminated treatment:** Self-evaluation of perceived discriminated treatment measured on a scale from 0 to 1. "Some times we may feel that other customers are getting better treatment than ourselves. To what extent is such discriminated treatment happening here?" Those who answered "it



happens often” and those who answered “now and then” and those who answered “seldom” were all given value 1 and those who answered “never” were given value 0.

**Perceived risk linked to the shop:** Self-evaluation of risk linked to the customers’ shop. To what extent do you feel a risk by doing your shopping at this outlet? Scale from 0 to 10 where 10 are measured as extremely high risk. This question was only presented to customers from the furniture shops since the risk linked to grocery shopping is considered low.

**Shopping frequency:** How many times have you done your shopping in this outlet the last 4 weeks?

**Age:** The age of the respondents in years.

**Education:** The number of years of education after primary school.

#### 4 ANALYSIS OF THE RESEARCH QUESTIONS

##### How is the various form of protest spread among the customers?

What are the portions of the various forms of protest? Our data from this research might give an idea.

**Table 2: the distribution of propensity and costs for each form of protest.**

|   | Exit | Voice | WOM                                 |
|---|------|-------|-------------------------------------|
| The propensity for                                  | 0.1  | 0.3   | 0.4                                 |
| Costs linked to each protest form, scale from 0-10. | 2.3  | 3.0   | 42% answered actual and very actual |
| N   | 380  | 396   | 396                                 |

According to these data, the propensity of Exit is lowest, of WOM protest highest and Voice in between. Dissatisfied customers would choose to complain to friends and family four times more often than make an exit and three times more often than to make “voice” to the shop. More than each three of the customers in this sample have not been engaged in any form of protest. On the other hand only 2% of the respondents have been engaged in all three forms. Of those with two protest forms, the ones with Voice and WOM constitute the largest group (13%).

We do not have WOM costs measured in the same way as Exit and Voice, but the costs of WOM seem to be low. The subjective costs linked to the other two forms are small and comparable.

##### How are the customers distributed on various combinations of protest forms?

**Table 3: the distribution of combinations of the protest forms.**

| Protest form    | %  | N   |
|-----------------|----|-----|
| No protest form | 36 | 380 |
| Exit            | 10 | 380 |
| Voice           | 31 | 396 |
| WOM             | 42 | 396 |
| All three forms | 2  | 380 |
| Voice and WOM   | 13 | 396 |
| Voice and exit  | 5  | 380 |
| Exit and WOM    | 5  | 380 |

More than each three of the customers in this sample have not been engaged in any form of protest. On the other hand only 2% of the respondents have been engaged in all three forms. Of those with two protest forms, the ones with Voice and WOM constitute the largest group (13%). More than each three of the sample does not make any protest at all.

### Is there any association between the various forms of protest?

Are the resources favourable for each protest form accumulative or following a Matthew effect so that those who have, shall have more and those who have less shall lose what they have (Merton, 1968)?

**Table 4: Correlations between the propensities for protest forms**

| Propensities | WOM  | Exit  | Voice |
|--------------|------|-------|-------|
| WOM          | -    | 0.04  | 0.00  |
| Exit         | 0.3  | -     | 0.12* |
| Voice        | 0.00 | 0.12* | -     |
| N            | 396  | 394   | 396   |

\* Significant at 0.05

The only significant association between the propensities for protest is the association between voice and exit. WOM has no significant correlation with the other two forms of protest.

WOM do not fit in with the pattern linked to voice and exit. Voice and Exit, however, are fitting in well in the same dimension as we may call “formal active protest”, while the informal form of protest of WOM do belong in another dimension which we may call “informal active protest”.

We do a small sociological analysis of each protest form in order to look for possible explanations of the difference between the formal and informal form of protest.

### Is there variation in sociological characteristics between these three forms of protest?

The similarities between the protest groups are more striking than the differences. The WOM group and none protest have got the lowest degree of education, but the difference is not significant. These results indicate that the active forms of exit and voice are linked with educational level.

**Table 5: Age, education and sex within each form of protest.**

| Protest form | Age        | Education after primary school | Sex   | Sex     | Sample size |
|--------------|------------|--------------------------------|-------|---------|-------------|
|              | Mean years | Mean years                     | % Men | % Women | N           |
| WOM          | 39         | 4.5                            | 40    | 60      | 165         |
| Voice        | 42         | 4.9                            | 42    | 58      | 122         |
| Exit         | 38         | 4.8                            | 26    | 74      | 51          |
| Non- protest | 43         | 4.4                            | 40    | 60      | 144         |

Table 5 shows no significant differences between the various forms of protest. The voice form of protest has highest age, education and highest portion of men, but the differences are not significant.

### How is the satisfaction and loyalty distributed in each form of protest?

Behind any form of protest there is some sort of dissatisfaction. The dissatisfaction and what creates it could be linked to a lot of factors and unfulfilled expectations (Oliver, 1977).

**Table 6: Satisfaction and loyalty in each protest propensity group.**

| Protest propensity | Mean satisfaction | F value on the difference between (1) and (0) | Sig. | Mean loyalty | F value on the difference between (1) and (0) | Sig. | N   |
|--------------------|-------------------|---|------|--------------|---|------|-----|
| Exit (1)           | 10.3              | 63.6  | **   | 6.1          | 39.4  | **   | 50  |
| Exit (0)           | 13.8              |   |      | 11.3         |   |      | 326 |
| Voice (1)          | 12.0              | 31.9  | **   | 9.4          | 10.2  | *    | 116 |
| Voice (0)          | 14.0              |   |      | 11.2         |   |      | 254 |
| WOM (1)            | 12.6              | 12.8  | **   | 10.1         | 2.6   | -    | 159 |
| WOM (0)            | 13.9              |   |      | 11.0         |   |      | 211 |
| None protest (1)   | 14.7              | 38.0  | **   | 12.0         | 16.1  | **   | 132 |
| None protest (0)   | 12.5              |   |      | 9.8          |   |      | 224 |

\*\*  $S \leq 0.01$

\*  $S \leq 0.05$

Table 6 shows for all protest propensity groups, the customers without experience with the protest form (with values 0) have highest score on satisfaction and loyalty. The differences are most profound in the exit group. The differences in value on satisfaction and loyalty are all significant except for degree of loyalty in the WOM group.

Exit seems to be the most potent form of protest with marked differences between those with exit experience and those without. WOM experiences do not influence the degree of loyalty in any significant way. The none protesters (with value 1) have both higher degree of satisfaction and loyalty than the protesters (with value 0) on the none- protest variable.

What is the association between protest propensity and loyalty? According to Hirschman's theory (1970) voice propensity could be associated with high degree of loyalty and exit propensity would be associated with low degree of loyalty since a high degree of loyalty would tend to prevent the customer from exit. Table 6 seems to fit nicely to Hirschman's theory (1970). The lowest degree of loyalty in the group of high propensity for exit and the degree of loyalty in the two other groups are marked higher.

### **How could the variation in the propensity for each of the protest form best be explained?**

We will perform a series of logistic regression with each protest form as dependent variable and the theoretical based variables as independent. The results are listed up in Tables 7-12. We include an interaction variable between loyalty and satisfaction with a view to survey interaction effects. We use an exploratory approach since there are a lot of studies linked to each of the forms of protest.

**Table 7: theoretical factors that might influence each form of protest**

| <b>Theoretical factors</b>  | <b>Exit</b> | <b>Voice</b> | <b>WOM</b>   |
|---|-------------|--------------|--------------|
| Affective loyalty   | X           | X            | X            |
| Satisfaction  | X           | X            | X            |
| The interaction between satisfaction and loyalty  | X           | X            | X            |
| Costs linked to the protest form  | X           | X            | <sup>3</sup> |
| Service quality   | X           | X            | X            |
| Transaction frequency   | X           | X            | X            |
| Perceived risk linked to the shop <sup>1</sup>  | X           | X            | X            |
| Voice experience in separate analysis since only 93 respondents had experience <sup>2</sup> | X           | X            | X            |
| Discriminated treatment   | X           | X            | X            |
| Age   | X           | X            | X            |
| Education   | X           | X            | X            |
| Sex   | X           | X            | X            |

<sup>1</sup> This question was only asked to Furniture respondents and the variable is used in a special analysis.

<sup>2</sup> Only a ¼ of the respondents had any complaining experience with the shop they left when interviewed so this variable is studied in special analysis.

<sup>3</sup> We have no variable describing how difficult the customers felt it was to talk to friends and acquaintances.

We will sum up the factors that could influence the forms of protest. Subsequently we will run logistic regression and sum up with the significant variables for each form of protest.

### **The exit form of protest**

We have seen the exit form of protest as the most exclusive one. How could we best explain the variation in the propensity for exit? Our start model is based on variables in Table 7. The significant model is presented in Table 8.

**Table 8: Logistic regression with propensity to exit as dependent variable**

| <b>Propensity to:</b>      | <b>Exit</b> | <b>Significant test:<br/>Wald statistics</b> |
|----------------------------|-------------|--|
|                            | $\beta$     |  |
| Satisfaction               | -.31**      | 12.7   |
| Affective loyalty          | -.16**      | 7.6  |
| Shopping frequency         | -.16**      | 7.1  |
|                            |             |  |
| Initial – 2 LOG likelihood | 220.6       |  |
| Model – 2 LOG likelihood   | 144.8       |  |
| Difference                 | 75.8        |  |
| Significance for model     | P<.001      |  |
| Nagelkerke R <sup>2</sup>  | .42         |  |
| Prediction ability         | 91%         |  |
| N                          | 396         |  |

\*\*  $S \leq 0.01$

Exit propensity could partly be explained by dissatisfaction, low degree of loyalty and low frequency visit in the shop. Table 8 shows the association when satisfaction, loyalty and shopping frequency increase the propensity for exit decrease. High shopping frequency seems to have a preventive effect on exit propensity. This finding fits nicely to Hirschman's (1970) theory. Loyalty and satisfaction creates costs for the customers preventing them from making exit from the shop. The model is significant and explains 42% of the variance leaving 58% for other factors and explanations.

In a special analysis of the customers with voice experience, we find a tendency showing "the better the treatment of complaining customers, the fewer propensities for exit".

The difference in evaluation the complain treatment between those without exit propensity (0) and those with exit propensity (1) is 4.0 and 3.1 (N=92, F=7.0, Sig.=0.009).

In another special analysis of respondents linked to furniture shops, we could estimate the possible effects of risk linked to shopping in the shop were the customers were interviewed. The risk evaluation was done on a scale from 0 to 10. Average evaluation of risk was 21 (N=199). Those with low exit propensity (0) had an evaluation score on 1.9, and those with high exit propensity (1) had an evaluation on 28, N=190, F=4.0, Sig.=0.005. There seems to be a tendency that increasing risk evaluation is linked to increasing exit propensity.

**How does external variables as competition and type of shop branch (external variables) influence the factors associated with each form of protest?**

#### **Exit propensity influenced by external variables**

We will trace possible effects of environment factors such as competition and of branch on the factors explaining the variation in each form of protest.

**Table 9: Effects of degree of competition and of branch on propensity to exit. Four analytical models**

|   | Degree of competition |         | Branch  |           |
|---|-----------------------|---------|---------|-----------|
|   | Low                   | High    | Grocery | Furniture |
| Exit propensity                                 | 0.14                  | 0.12    | 0.10    | 0.16      |
| Factors explaining variation in exit propensity | $\beta$               | $\beta$ | $\beta$ | $\beta$   |
| Affective loyalty                               | -.31**                | -.49**  | -.33**  | -.43**    |
| Shopping frequency                              |                       | -.47**  | -.16**  | -.24**    |
| Age   |                       | -.10**  |         |           |
| Initial -2 log likelihood                       | 125.3                 | 97.9    | 118.7   | 108.8     |
| Model -2 log likelihood                         | 93.0                  | 52.1    | 94.4    | 54.1      |
| Difference                                      | 32.3                  | 45.8    | 24.3    | 54.7      |
| Nagelkerke R <sup>2</sup>                       | 0.33                  | 0.54    | 0.26    | 0.59      |
| Percentage correct predicted                    | 88                    | 94      | 90      | 94        |
| N   | 179                   | 200     | 197     | 199       |

\*\*  $S \leq 0.01$

#### **The effects of competition**

When the competition increases the exit costs are reduced. Moreover, the quality of the offer from the shops could be increased by the competition. When we compare the factors in Table 8, we find a “better” model for explaining exit propensity when competition is high with some negative effect of age reducing the propensity for exit. Shopping frequency seems to be more important in a competitive environment and loyalty and satisfaction seem to reduce the propensity for exit both when the competition is high and when it is low. When the competition is low there is an effect of loyalty, in high competition the effect is linked to satisfaction. Does low degree of competition promote positive attitudes towards the shops?

#### **The effects of branch**

Exit propensity seems to be higher in furniture shops than in grocery shops. The customers' dependence of the shops might be higher for the grocery shops since they are more frequently visited than furniture shops. The difference between grocery shops and furniture shops is linked to shopping frequency which is a more important variable for grocery shops reducing propensity to exit. We tried to include the risky variable in the furniture shop model, but it turned out to be not significant. The satisfaction variable is a potent variable in both types of shops. In the furniture shops positive loyalty attitudes seems to reduce the propensity for exit.

When competition is low, and for shops with lower visit frequency (furniture shops), the loyalty seem to play an important role in preventing exit.

The four models in Table 9 are all significant. Models for furniture shops and shops in a competitive environment have the strongest explanatory power.

#### **Voice propensity**

We start the study of variance in voice propensity with all the theoretical variables listed in Table 7. The final significant model for voice propensity is shown in Table 10. We do a separate analysis of the customers with experience from previous complains.

**Table 10: Logistic Regression with the propensity for voice as dependent variable**

| Propensity for voice       | Voice $\beta$ | Significant test:<br>Waldstatistics |
|----------------------------|---------------|-------------------------------------|
| Satisfaction               | -.19**        | 28.3                                |
| Age                        | .02*          | 4.9                                 |
| Initial – 2 LOG Likelihood | 464.7         |                                     |
| Model-2 LOG Likelihood     | 431.8         |                                     |
| Difference                 | 32.9          |                                     |
| Model significance         | P<.001        |                                     |
| Nagelkerke R <sup>2</sup>  | .12           |                                     |
| Prediction ability         | 71%           |                                     |
| N                          | 396           |                                     |

\*\*  $S \leq 0.01$ \*  $S \leq 0.05$ 

The propensity for voice is influenced by the satisfaction variable. The negative influence of the satisfaction variable fits with Hirschman's theory (1970), but the relatively weak effects could reflect the effect of the theory of Zone of Tolerance (Berry and Parasuraman, 1991). Customers with high loyalty refrain from making voice more often than customers with a lower degree of loyalty. An increase in age increases the propensity for voice. Age is a resource for voice. The Logistic model is significant and it explains only 12% of the variation in the dependent variable.

In a special analysis of the respondents with voice experience, we find the same tendency as we found concerning exit propensity, but with opposite direction. The better the treatment of a complaining customer, the more increased propensity for voice we have. Those who had not complained to the shop had an average on treatment of 3.0, whilst those who had complained to the shop had an average on 3.9 (N=93, F=2.2, Sig.=0.15). However, the difference is not significant.

In another special analysis of the respondents in the furniture shops, we studied the possible effect of risk linked to do shopping in the actual shop on voice propensity. Those with low voice propensity (0) had a risk evaluation on 1.8, whilst those with high voice propensity (1) had a risk evaluation on 2.7, (N=192, F=8.8, Sig.=0.003). The propensity for voice seems to be proportional related to risk evaluation, the higher risk evaluation the higher voice propensity.

#### Possible effects of external factors on voice propensity

We will see how these internal customer related factors are influenced when we differentiate between high and low degree of competing environment for the shops and between grocery (with low risk) and furniture (with higher risk) shops.

**Table 11: Effects of branches and competition on the propensity to voice.**

|   | Degree of competition |         | Branch  |           |
|---|-----------------------|---------|---------|-----------|
|   | Low                   | High    | Grocery | Furniture |
| Voice propensity                                  | 0.30                  | 0.34    | 0.34    | 0.29      |
| Factors explaining variation in voice propensity: |                       |         |         |           |
| Satisfaction                                      | -.18**                | -.21**  | -.20**  | -.19**    |
| Age   | .03*                  |         | .03*    |           |
| Initial – 2 LOG Likelihood                        | 222.4                 | 247.4   | 236.5   | 229.2     |
| Model -2 Likelihood                               | 204.9                 | 228.3   | 217.6   | 215.1     |
| Difference  | 17.5                  | 19.1    | 18.9    | 14.1      |
| Model significance                                | P<0.001               | P<0.001 | P<0.001 | P<0.001   |
| Nagelkerke R <sup>2</sup>                         | 0.13                  | 0.13    | 0.14    | 0.10      |
| Percentage correct predicted                      | 73                    | 73      | 67      | 74        |
| N   | 179                   | 194     | 184     | 186       |

\*\*  $S \leq 0.01$ \*  $S \leq 0.05$

### Possible effects of competition on voice propensity

The effects of competition on voice propensity seem to be linked to one factor; satisfaction. Table 11 indicates that the higher the satisfaction the lesser the propensity for voice. When competition is low, age could be a resource for voice propensity. The two models linked to competition are very weak and unable to explain much of the variation in voice propensity.

### Possible effects of branch on propensity to voice

The level of voice propensity seems to be somewhat higher in grocery shops than what is the case in a competitive environment.

Possible effects of branch on voice propensity are linked to age in the grocery shops. Age seems to promote voice behaviour to a certain extent in the grocery shops. We tried to include the risk variable in the model for Furniture shops, but it turned out as not significant.

The four models are all significant.

The voice propensity seems to be reduced by satisfaction in all the four models. Age seems to promote voice to a certain extent when competition is low and in grocery shops.

### WOM propensity

We noted that the propensity for WOM is the most common form of protest among the customer.

Again we start the study of variation in the WOM propensity with all the theoretical variables in Table 7. In Table 12 we show the significant result. In addition we tried a model with those who had complaint experience, but did not succeed in reaching a significant solution.

**Table 12: Logistic Regression with the propensity to WOM as dependent variable**

| Propensity for WOM       | WOM<br>$\beta$ | Significant test :<br>Wald statistics |
|--------------------------|----------------|---------------------------------------|
| Satisfaction             | -.12*          | 9.7                                   |
| Voice costs              | .17**          | 14.9                                  |
| Discriminated treatment  | .79*           | 8.7                                   |
| Initial-2 LOG Likelihood | 390.5          |                                       |
| Model -2 LOG Likelihood  | 352.1          |                                       |
| Difference               | 38.4           |                                       |
| Significance for model   | $P < .001$     |                                       |
| Nagelkerke $R^2$         | .17            |                                       |
| Prediction ability       | 68%            |                                       |
| N                        | 288            |                                       |

\*\*  $S \leq 0.01$

\*  $S \leq 0.05$

Factors influencing the WOM propensity are the satisfaction variable, voice costs, and discriminating treatment. Increased satisfaction reduces the propensity for WOM. As voice costs increase the propensity for WOM increase as well. This fit nicely in a rational model for customer's decisions. When the customers feel dissatisfied he/she normally evaluate either to voice or to WOM. With high costs linked to voice the customer turn to negative WOM. Increased feeling of discriminating treatment seems to increase the WOM propensity. The Logistic model is significant and it explains 17% of the variation in the dependent variable leaving room for other explaining factors.

A special analysis shows no significant difference in propensity for WOM between those who have tried WOM and those who have not tried WOM with respect to treatment of complain.

In another special analysis of the furniture respondents we tried to trace effects of risk evaluation to the actual shop. The risk evaluation was 1, 8 for those with low WOM propensity (0) and 26 for those with high WOM propensity (1).  $N=192$ ,  $F=6.2$ ,  $\text{Sig.}=0.014$ . The difference in evaluation score is significant. The higher the risk evaluation linked to a shop the higher the propensity for WOM.

We aim to investigate how these internal customers' related variables are influenced by the external variables as competition and shopping branch.

**Table 13: Effects of branches and competition on the propensity to WOM**

|                              | Degree of competition |         | Branch  |           |
|------------------------------|-----------------------|---------|---------|-----------|
|                              | Low                   | High    | Grocery | Furniture |
| Voice propensity             | 0.50                  | 0.39    | 0.45    | 0.39      |
|                              | $\beta$               | $\beta$ | $\beta$ | $\beta$   |
| Satisfaction                 | -.12*                 |         | -.15*   |           |
| Voice costs                  | .13*                  | .23**   | .19**   | .20**     |
| Age                          | -.03*                 |         |         |           |
| Discriminated treatment      |                       | 1.0*    | 1.0*    | 0.8*      |
| Initial – 2 LOG Likelihood   | 241.0                 | 188.8   | 202.6   | 193.3     |
| Model – 2 LOG Likelihood     | 224.8                 | 166,2   | 178,7   | 177,4     |
| Difference                   | 16.2                  | 22.6    | 23.9    | 15.9      |
| Model significance           | P<0.001               | P<0.001 | P<0.001 | P<0.001   |
| Nagelkerke R <sup>2</sup>    | 0.12                  | 0.20    | 0.20    | 0.14      |
| Percentage correct predicted | 60                    | 74      | 64      | 68        |
| N                            | 174                   | 151     | 147     | 147       |

\*\*  $S \leq 0.01$

\*  $S \leq 0.05$

#### Effects of competition on WOM propensity

When competition increases the voice costs hold its important position, yet show an increase. The discriminated treatment variable has a role in high competition, but is not present in low competition. Experiencing discriminating treatment is probably a subject in WOM conversations!

The models are having poor explanatory power leaving most of the variance in WOM propensity unexplained.

#### Effects of branch on WOM propensity

There is no clear difference between the two branches concerning factors for WOM propensity. The voice costs are important in both branches and so is the equity treatment.

The level of WOM propensity seems to be high when competition is low and for customers in grocery shops. The high level of WOM when competition is low could be explained by increasing costs linked to an alternative form of protest, exit. WOM flourish more when alternative forms of protest are more difficult.

Increased voice costs seem to increase the propensity for WOM. Feeling unequal treatment will increase WOM propensity when there are low degree of competition and for customers linked to furniture shops. The models are all significant, but their explanatory power is low.

## 5 CONCLUSION

Of the three forms of protest the propensity for WOM seems to be the most common with a propensity factor of 0.4. The most exclusive form of protest seems to be exit with a factor score of 0.1. The propensity for voice has a factor of 0.3.

Of the three forms of protest, we have the best model to explain the voice propensity. Nagelkerke R<sup>2</sup> is 0.79. The model for exit propensity is second best having a Nagelkerke R<sup>2</sup> of 0.42. The model for WOM propensity is not powerful, but we have identified some factors of importance to explain variance in the WOM propensity. Nagelkerke R<sup>2</sup> is 0.14.

#### How do customers decide how to make a protest? A theoretical reflection

The effect of satisfaction on the propensity to perform a protest is strongest on the exit propensity and weakest on the WOM propensity. The exit propensity seems to be the most serious form of protest. An increase in the evaluation of risk linked to the shopping has positive influence on the propensity to protest. An increase in the risk makes the deal more important for the customer.

The basis for any form of customer protest is low score on satisfaction. There are linkages between the various forms of protest, exit and voice are positively correlated. The costs linked to voice influence the propensity for WOM. The customers seem to do an evaluation between the three forms of



protest. If the customers feel high voice costs, the WOM propensity increase. Voice is a more often a chosen form of protest than exit, which seems to be more drastic and rare.

Customer protest seems to be a calculated behaviour governed by degree of loyalty, satisfaction and of possible gains. If the costs linked to voice are high some customers prefer to go to friends and acquaintances with negative WOM. The feeling of not being treated equally compared to other customers is a strong motive for negative WOM. This fits into a calculated behaviour. The calculated behaviour is seen as a sort of rational behaviour summing up feelings and factors linked to satisfaction and calculating possible gains and losses, costs linked to exit and voice or WOM before the form of protest is decided.

However, the calculated pattern is influenced and disturbed by a zone of tolerance created by loyalty and by shopping frequency. The rational picture of the customers should also be moderated since 1/3 of the customers (linked to grocery and furniture shops) do not use any form of protest. And only a small number (2%) has experience in using all three forms of protest.

Treatment of customers complains is an important variable. A good treatment increase the propensity for voice (instead of exit), while a good treatment reduce the propensity for WOM. A bad treatment will increase the propensity for WOM, but reduce the propensity for voice.

### **Exit propensity**

Exit propensity is influenced by satisfaction, loyalty, shopping frequency, risk evaluation and treatment of complaints. Satisfaction, shopping frequency and treatment quality of complaining behaviour will all reduce the propensity for exit if increased, and function as barriers for exit.

When the competition increases the exit costs are reduced. But the quality of the offer from the shops could be increased by the competition. Shopping frequency seems to be more important in a competitive environment and loyalty and satisfaction reducing the propensity for exit both when the competition is high and when it is low. When the competition is low there is an effect of loyalty, in high competition the effect is linked to satisfaction. Does low degree of competition promote positive attitudes towards the shops?

Moreover, exit propensity seems to be higher in furniture shops than in grocery shops. The customers' dependence of the shops might be higher for the Grocery shops being more frequently visited than a Furniture shop.

### **Voice propensity**

Voice propensity is influenced by satisfaction and age, and a good complain treatment will increase the propensity for voice (instead for exit). The negative influence of satisfaction on voice propensity could have been weakened by a zone of tolerance since the effect variable is small, but significant. An increase in risk evaluation does have the same effect. There are small effects if any of external factors as competition and branch on the propensity to exit. Competition seems to make the effects of satisfaction on voice propensity somewhat stronger

### **WOM propensity**

Word of Mouth (WOM) is influenced by satisfaction/loyalty as the other two forms of protest. If voice costs increases, the propensity for WOM also increases. A good treatment of complain behaviour will reduce the propensity for WOM. Shopping frequency is also linked to WOM propensity, the higher the risk evaluation, the higher the WOM propensity. The effects of competition seem to increase the importance of voice costs and complain treatment. Complain treatment have a stronger effect in Furniture shops than in Grocery shops.

### **For leaders**

What measures should be made by leaders in shops in order to reduce formal and informal protest? Firstly, they should make it more easy and comfortable for customers to make a complaint. The more they can treat customer complaints in an orderly and nice way the less informal negative word of mouth activity they will experience and they will reduce the exit propensity and lead the customers to the complain organisation. Secondly, they should ensure that their customers feel they get equal treatment.

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