

This chapter begins with a brief introduction to the research topic and discusses consumer complaint behaviour from an organisational perspective. This is followed by the statement of the research problem, research questions, research objectives, significance of the study, and the organisation of the report.

1.1 Introduction

Consumers today seek useful purchasing information, high quality, reliable and safe products, dependable servicing, and fair sales practices rather than price bargains. Customers' expectations are changing due to markets becoming more culturally diverse and more global in nature. Hence, staying close to the consumer to gain an understanding about their expectations is of increasing importance. A company's failure to fulfil these expectations will result in dissatisfaction and antipathy, unless the company helps resolve the consumer's complaints fairly and promptly. Day (1984) believes that consumer satisfaction/dissatisfaction is the consumer's response to a particular consumption experience that is based on the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or dissatisfaction with an attribute. If the actual performance does not meet the consumer's expectations, they will be disappointed and engage in complaining behaviour (Mowen and Minor, 1998). Thus, complaints are a critical form of communication between the buyer and the seller.



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result in a loss of market share for a company (Jacoby and

complaint handling by the retailer engenders confidence in

consumers, provides a good company image and helps to reduce defect rates (Mitchell and Critchlow, 1993). At the same time, consumer's complaints offer businesses an opportunity to correct immediate problems and frequently provide constructive ideas for improving products, adapting marketing practices, upgrading servicing, or modifying promotional material and product information (Franklin, 1992). Hence, responding effectively and efficiently to consumer complaints is an important area for retailers to address in order to provide differentiation in the market place and maintain customer loyalty. If effective systems are in place, dissatisfied customers, who previously took their customers elsewhere, may start to complain (Fornell and Wernerfeit, 1987). The retailer then has a chance to rectify the problem, provide good customer service, thus, encouraging the customer's patronage rather than losing it completely.

Dissatisfied consumers who complain have a higher level of repurchase intention than those who do not complain, and firms can retain their customers through remedying the complaints (Lau and Ng, 2001). Jacoby and Jaccard (1981) believe that consumer complaints may stimulate regulatory action against a company and destroy a product, dilute or erode brand equity and the market share in the process. For these reasons, consumer complaint behaviour should be given serious attention by firms.

1.1.1 Consumer Complaint Behaviour from an Organisational Perspective

When consumers do not voice their complaints, an organisation loses the opportunity to

problem. Therefore, it is important to understand why a consumer would file a complaint to the organisation and the consequences to the organisation of these alternative behaviours.

Davidow and Dacin (1997) use social network and involvement of dissatisfaction to explain the consumer complaint behaviour from an organisational perspective (see Table 1.1). Social network refers to whether consumers direct their complaints to individuals or organisations that are internal or external of their social circle (e.g. informal relationships). Involvement refers to whether the recipients of the complaints are directly involved in the dissatisfying exchange (e.g. manufacture, retailer). In Table 1.1, complaints presented by a third party are directed to the consumer's external social circle and are not directly involved in the dissatisfying exchange with firms (Davidow and Dacin, 1997).

Table 1.1: Complaint Behaviour Outcomes

		Dissatisfaction Involvement	
		Involved	Not Involved
Social Network	Internal	Exit or Boycott	Consumer's Social Net (Word of Mouth)
	External	Organization Complaining	Third Party Complaining

Source: Davidow and Dacin (1997).

However, different types of complaint behaviour will have different impacts on the organisation. Table 1.2 summarises the various consequences an organisation may expect from each type of complaint behaviour. It presents that the worst possible situations are those consumer complaints that do not involve external sources for the

Complain to external sources prevents the consumer from
 can increase the likelihood for continued or increased
 dissatisfaction. More importantly, the organisation risks losing these dissatisfied
 consumers without understanding the reason for the dissatisfaction or having the
 opportunity to correct the problem.

Table 1.2: Complaint Behaviour and Organization Costs

Behaviour Type	Potential Market Cost	Potential Information Gain/Loss
Exit or Boycott	Loss of a consumer	A drop in sales statistics
Word of Mouth	Loss of several consumers	A drop in sales statistics
Voice Complaint to the Organization	Cost of remedy to retain the consumer	Know what caused the problem, and how to fix it
Complaint to Third Party	Cost of handling, may/may not lose consumers	Know what caused the problem

Source: Davidow and Dacin (1997)

Table 1.2 shows that consumer exit is bad for the organisation, the effect of negative word of mouth is potentially much worse as it could influence many more people (TRAP, 1986). With consumer exit or boycott, the organisation may not realise that it has a problem, and may not understand the reason for a drop in their sales statistics. Again, the organisation obtains no long-term market information from those consumers who decided to exit or boycott. However, complaint behaviours that involve external sources have more positive consequences for the organisation. Fornell and Wernerfelt (1987) suggest that the best approach for an organisation is to encourage consumers to make complaints. When a consumer uses an external source to complain about a product or service, the organisation can become aware of the dissatisfaction, although



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usually comes to the attention of the organisation about the

Once the organisation realises the nature of the problem, it then has the opportunity to eliminate future dissatisfaction. Consequently, this is an opportunity to solve both the consumer's problem and receive valuable information about problems that might impact future consumer satisfaction for the organisation (Fisher, et al., 1999). Further, Garrett, Meyers and Camey, (1991) suggest that just encouraging complaints was not enough, the organisation must handle the complaint in an appropriate manner.

However, not all companies have adopted consumer complaining as orientation (Fisher, et al., 1999). When consumers are dissatisfied with their purchases from these companies, they often find that company personnel are slow to perceive their dissatisfaction, reluctant to provide remedies for their problems, or worse yet, not even listening to their complaints (Hart, et al., 1990). Therefore, complaint agencies encourage businesses to settle their own disputes directly and, if necessary, make supplemental use of third-party complaint systems that often enlist the participation of business, consumers, and government. Then consumer protection agencies and the courts can devote their time and resources to responding to serious violations of law and problems that are only solvable by government action.

In developed markets, every sales person has been trained to handle consumer complaints, and products bought can be exchanged or returned in a certain period of time (the "cooling off" period) if consumers are not satisfied with the products (Phau, et

Advantages are not widespread in most developing countries.

Asian countries have already given more attention to consumer protection, and comprehensive consumer protection legislation in Malaysia was enacted in 1999. The Consumer Protection Act, 1999 as a new consumer protection law was established by the Ministry of Domestic Trade and Consumer Affairs to regulate and protect consumers' rights in Malaysia.

The determinants of consumer complaint behaviour have an effect on the company or business in the market. A good understanding of the consumer's attitude about the complaint respondent, company or manufacturer and the perceptions on complaint behaviour and personal factors influencing consumer's complaint behaviour are integral to capitalising the opportunities for the organizations. Hence, a complete understanding of what drives consumers to seek redress is vital to the markets. However, consumer complaint behaviour is not simply classifying consumers into "complainer" and "non-complainer" groups (Singh, 1989). Based on the research of Davidow and Dacin (1997), voicing to the organization and complaint to third party can create an opportunity to eliminate future dissatisfaction. Thus, a complex balance of appropriate components should be taken into account in developing a solid theoretical model to examine the underlying factors that determine consumer complaint behaviour. This current study attempts to find one complete research framework to examine the relationship among the proposed model variables, complaint intention, and complaint actions, simultaneously based on the Expectation Disconfirmation Theory (EDT, Oliver, 1980), Theory of Planned Behaviour (TPB, Ajzen, 1991), Theory of Social learning



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f Transaction Cost (Williamson, 1979), locus of control
ical variable, and situational influence (Richins, 1982; Singh,
1989).

1.2 Statement of Research Problem

The increasing demand for consumer protection is a modern phenomenon and efforts are being made by governments to obtain greater enforcement from laws. Consumer protection is employed against unscrupulous sellers and uncaring services as well as information regarding prices and quality that could be false or incomplete. Tribunal or Small Claim Court as the one approach to protect consumer's benefit, it was established for certain years in Malaysia, such as Tribunal for Consumer Claims. However, is the Tribunal for Consumer Claims really working for small amount of complaint claim? Or is it really in speedy and effective function as the purpose for government to protect consumers? and so on. There is no such research has been done on this issues.

Based on the literature review on the complaint behaviour field, as many as 70% of consumers who have experienced problems with products or services do not complain to the company at fault. Only about 20% to 44% of consumers voice their complaints directly to business about their dissatisfied purchase. What are reasons for consumers to seek redress to company or third party? This is important issue for business, consumer organizations, and researchers to investigate the motivations for consumers to vent out their dissatisfaction. Therefore, in order to evaluate the consumers seeking redress from company and third party agencies, two methods are used in the current study. The first



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the Tribunal for Consumer Claims in Malaysia to investigate effective and speedy forum for consumers. The second

method uses survey data to examine the relationships among the proposed model variables, complaint intention and complaint actions simultaneously.

1.2.1 Tribunal Records Method

For testing whether the Tribunal is an effective and speedy forum for consumers or not, some studies focus on the records data obtained from the small claims court (such as Downing, Peters and Sankin, 1975; Hollingsworth, Feldman and Clark, 1973; Purdum, 1981; Bradley, Sherman and Bryant, 1982; Steadman and Rosenstein, 1973; Yngvesson and Hennessey, 1975). Other studies use a survey questionnaire distributed in the small claims court to find the determinant variables for influencing the probability of consumers winning when complainers seek redress in the court (such as Bonner and Metzen, 1992; Bradley, Sherman and Bryant, 1982). To look into the tribunal's fulfilment for protecting the consumers, first, this study presents the yearly statistical data about the complaint cases lodged in the Tribunal for Consumer Claims (TCC) and the National Consumer Complaints Centre (NCCC). Second, through the tribunal records obtained from the TCC, this study investigates the determinate variables on the outcome (award) of the tribunal; it is not concerned with whether the claimant wins or loses in the tribunal, but whether the claimant derived a sense of justice. There have been a few studies conducted in America by using court records data, however, there has been no study concerning or examining the function of tribunals in Asian countries, especially in Malaysia.

This data obtained from the tribunal intends to investigate the main factors influencing the award or outcome of the Tribunal based on the information obtained from the statement of claimants in Form 1 (see **Appendix A**). The information in determining the award of the tribunal is presented in Figure 1.1.

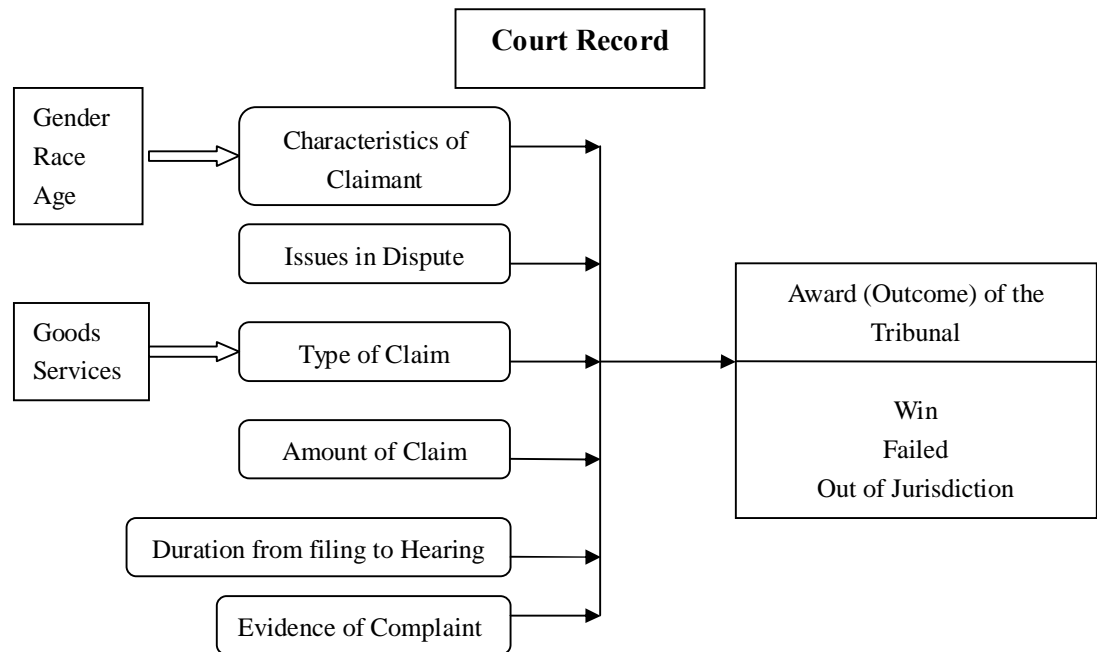


Figure 1.1: Factors Determining the Award of the Tribunal of the Study

1.2.2 Survey Method

Many previous studies on consumer complaint behaviour in the company or third party complaint agency use the survey method. This current study will use the survey data from shopping malls, Tribunal for Consumer Claims (TCC) and National Consumer Complaint Centre (NCCC) to examine the relationship between the proposed model variables and complaint behaviour based on various theory and empirical variables. The present research from the survey method aims to propose, operationalize, and



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al model that integrates expectation disconfirmed theory, theory of social learning, locus of control, and theory of transaction cost to predict complaint intention and complaint actions. According to the previous studies in the complaint behaviour domain, the current study also examines situational influence as a moderating variable affecting the relationship between complaint intention and actions. The proposed integrated model for predicting individual's complaint behaviour is depicted in Figure 1.2.

Among these theories, the TPB model is the main model in this study. There are three main predictors (attitude, subjective norm, and perceived behavioural control) posited in the original TPB model to determine the behaviour intention and final actions. In order to increase the proportion of the variance in behavioural intention or behaviour and extend to other research contexts, additional variables can be included into the TPB model (Ajzen, 1985, 1990). Some researchers such as Armitage and Conner (2001), Miesen (2003), Hrubes and Ajzen, (2001), Biddle and Nigg, (2000), paid particular attention to the TPB model and consider additional predictors to improve the variance explanation in the variant research field. As suggested by Ajzen and Fishbein (1980), Ajzen (1985, 1991), personality factor, general knowledge or information, past experience, demographic and other external factors (such as time, value, location) can be used as background variables in the TPB or TRA. Therefore, complaint intention can predict the relationship between personality factor, knowledge or information, past experience, values and complaint action as the mediation element in the current report. Ajzen and Fishbein (2004) point out that these background variables provide further

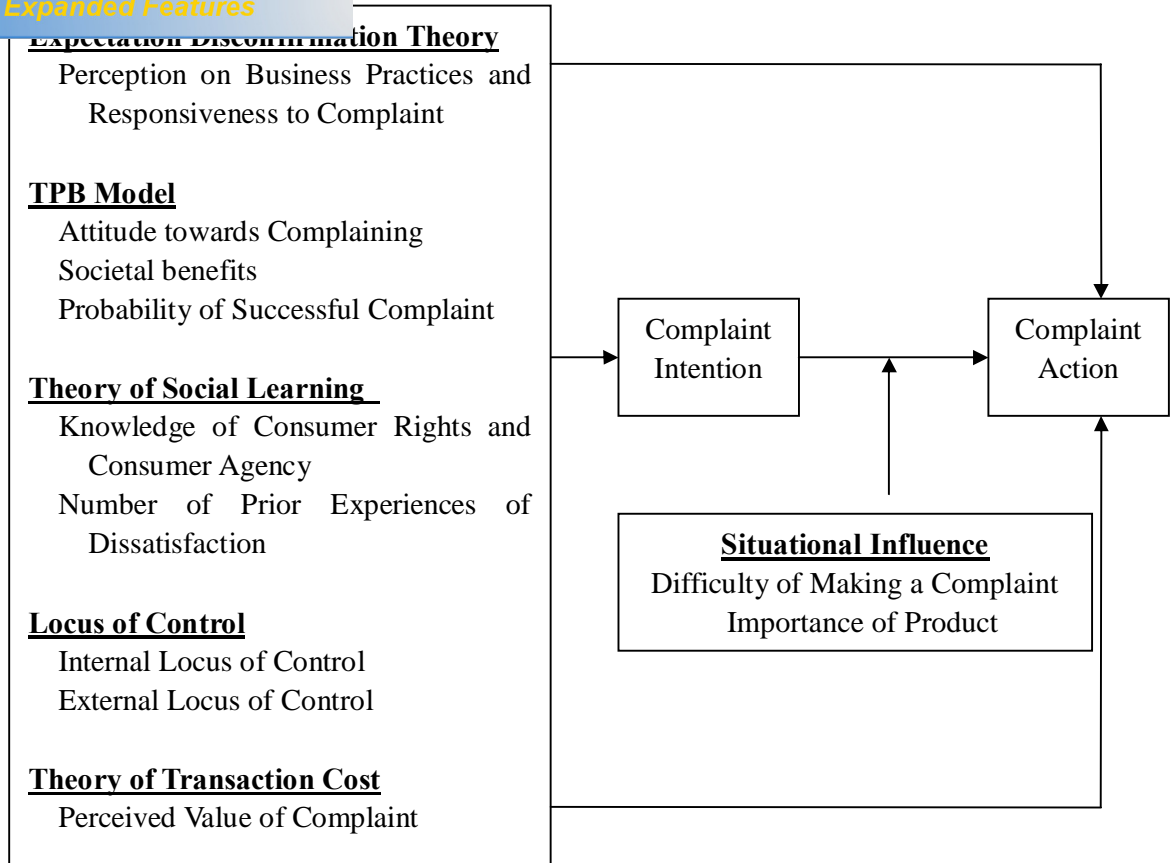


Figure 1.2: The Research Framework of the Study

Previous literature reviews show that many behavioural studies have extended the TPB original model by incorporating additional constructs, such as social support (Rhodes, Jones and Courneya, 2002), socio-demographic characteristics (Rhodes, Courneya and Jones, 2004), moral value in the research from Ajzen and Driver (1992). Other studies have applied the Expectation Disconfirmation Theory (Oliver, 1980; Oliver and Desarbo 1988), Theory of Social Learning (Bagozzi and Warshaw, 1990; Singh, 1990) in examining consumer complaint behaviour. Additionally, psychological variables indicate that the locus of control as a personal trait of an individual guides and directs consumers purchasing behaviour (Busseri, Lefcourt and Kerton, 1998; Busseri and



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95). However, based on the researcher's knowledge, there are social cognitive constructs of the TPB have been applied in

the complaint domain.

The Expectation Disconfirmation Theory (EDT) is one of the common theories to evaluate consumer satisfaction or dissatisfaction (Oliver, 1980; Yim, Gu, Chan and Tse, 2003). In addition, the level of perceived satisfaction and dissatisfaction in the marketplace is presumed to influence subsequent attitudes, intentions negatively or positively (Bearden and Teel, 1983; Singh and Widing, 1991). According to the previous studies, consumer perception about the business responsiveness and reputation is one of the important factors to predict the degree of dissatisfaction of the consumer, and influences consumer complaint behaviour later on. In some studies, the authors refer to the business responsiveness and reputation as attitude towards business in general (Keng, Richmond and Han, 1995; Phau and Sari, 2004; Tipper, 1997; Lau and Ng, 2001).

The theory of social learning can be used to explain the human attitudes and actions (Fishbein and Ajzen, 1975; Bandura, 1997). Bandura (1997) and Ormrod (1999) suggest that individual's cognition plays a key role in the learning process, and awareness and expectations of future reinforcement or punishments can have a major effect on the specific behaviour. Ajzen (1985) believes that the information that individuals have about their world, ultimately determines their behaviour. Andreasen (1977) suggests that personal characteristics or past experience can affect the individual's intention towards



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ces in the complaint behaviours.

Rinehart (1995) proposes that the locus of control is a personality factor that originated from the social learning theory, and which attempts to integrate concepts from both behavioural and learning theory. The original definition on locus of control comes from Rotter (1975). Locus of control refers to the individual perception that reinforcements are under their own control or controlled by external variables such as luck, fate and powerful others. This construct is different from the perceived behaviour control of the TPB model. The details will be presented in this study. However, there is no study using the locus of control factor in consumer complaint behaviour. Thus, to fill this gap, this study uses locus of control to explain consumer complaint intention and actions.

The Theory of Transaction Cost originally comes from Williamson (1979). Gronhaug and Gilly (1991) suggest using this theory to explain the consumer complaint behaviour, while Crie (2003), and Gronhaug and Gilly (1991) suggest that consumer complaint behaviour requires complaint transaction costs, which consumers spend by way of time and effort. These costs are specific and influence a consumer's decision whether to implement complaint behaviour or not. Crie (2003) points out that consumers should search for information to reduce the uncertainty elements to an affordable level.

The majority of studies on consumer complaint behaviour only focus on complaint intention or complaint action; there are no studies that propose a comprehensive model on complaint action through complaint intention. As Ajzen (1985, 1990) suggests that



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ces human intention and affects their actions. Singh (1989)

complaint behaviour in which complaint intention as the function of complaint action should be considered, and some situational influence may influence the relationship between intention and action. However, in examining third party complaint behaviour, Singh assumed complaint intention as complaint action. Therefore, referring to the consumer complaint intention and complaint action, Richins (1982) and Singh (1989) suggest using the moderating effect of situational influence on their relationship. Based on the suggestion from Richins (1982) and Singh (1989), this current study attempts to address this gap on consumer's complaint behaviour from business firms and third parties.

Research on complaint behaviour literature has focused on examining the relationships among the key variables in their studies. Efforts in examining demographic differences with respect to proposed model variables have been largely neglected. To date, no empirical study has looked at a more comprehensive analysis of the demographic differences in the proposed model variables that determine the complaint intention and complaint action.

In view of these shortcomings in the literature, this study addresses these issues with an attempt to advance knowledge on consumer complaint behaviour and provides practical marketing implications for companies or manufacturers. This study will provide a more solid and comprehensive study, using two methods to explain and predict complaint behaviour from the consumers' perspective, as previous studies on consumer complaint

1.3 Research Questions

Based on the issues mentioned in the problem statement section, this study attempts to answer the following research questions:

1. Does the Tribunal for Consumer Claims in Malaysia fulfil its purpose as a speedy and effective forum for consumers?
2. How do the proposed integrated model variables play a role in consumer complaint behaviour? Which particular construct exerts the strongest influence on the formation of complaint intention and complaint actions?
3. Is there a mediating path of complaint intention that links proposed integrated model variables to complaint actions?
4. Do the situational influences moderate the relationship between the consumer complaint intention and actual complaint actions?
5. Are there the differences between the demographic variables with respect to study variables?

1.4 Research Objectives

Based on the research methods, this study investigates two main research objectives. The first main objective is to examine the relationship between the information about the claimant and complaint case in the records data and the award of the Tribunal, to observe whether the TCC is a speedy and effective forum for consumers. The second

investigate the relationship between the proposed model variables which is mediated by complaint intention. Situational influences as moderating variables affecting the relationship between complaint intention and actions will be tested in this study, which attempts to be the first empirical study on moderating affects in the complaint behaviour field. Specifically, the objectives of the study are:

1. To identify the significant factors (characteristics of claimant, issues in dispute, type of claim, amount of claim, duration from filing to hearing, and evidence of complaint), affect the award or outcome of the Tribunal.
2. To examine how the proposed model variables (perception on business practices and responsiveness to complaint, attitude towards complaining, societal benefits, probability of successful complaint, knowledge of consumer rights and consumer agency, number of prior experiences of dissatisfaction, internal locus of control, external locus of control, perceived value of complaint) strongly influence consumer complaint intention.
3. To analyse the proposed model variables to accurately predict complaint actions.
4. To explore the significant of complaint intention on the complaint actions.
5. To investigate the mediating role of complaint intention that links the proposed model variables and complaint actions.
6. To examine the situational influence of the relationship between complaint intention and actions.
7. To examine the influence of demographic variables on the study variables.



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Use of the third party complaint agencies or the court is encouraged when companies or manufacturers are reluctant to listen to consumer complaints or provide remedies for consumer problems. In Malaysia, the government sector and private sector are working together to protect consumers. For third party complaint agencies, the Tribunal for Consumer Claims (TCC) and the National Consumer Complaints Centre (NCCC) are selected in this study.

Before the TCC was established, consumers' complaints concerning small claims were heard in the Magistrates Court. However, the Magistrates Court often involves complicated procedures, high cost and is time consuming; consumers are reluctant to pursue their claims against irresponsible and unscrupulous suppliers or manufacturers, especially when the amount claimed is small. Thus, the purpose for establishing the Tribunal is to provide an alternative channel or facility, other than the courts, for consumers to claim for any loss suffered in respect of any goods or services purchased or acquired, in a less cumbersome and speedy manner and at minimal cost. From its establishment until now, the TCC has been working for consumer protection for almost 10 years (from the end of 1999 to 2010). At the same time, based on the statistical data obtained from the TCC, the complaints lodged by claimants have increased year by year (from 2000 to 2009), and the total registered files have increased in thousands each year from 2001. The data indicates that the TCC is playing an important role in settling disputes between consumers and companies. No previous studies reported the yearly



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Claims Court of the other countries. However, as an

olving consumer complaints against irresponsible and unscrupulous suppliers or manufacturers, no study can be found to determine whether the TCC is really providing an effective and speedy service for consumers. The concern is not whether consumers win or lose in the tribunal, but whether consumers feel that a sense of justice is being done.

Just encouraging consumers to make complaints is not enough, the company or third party complaint agencies must handle the complaints in an appropriate manner. Based on the previous studies, consumers' complaints to the organization and complaints to third parties can create the opportunity to eliminate future dissatisfaction and retain the loyalty of the customer for the organization. Thus, complaints voiced to the company or manufacturer or the third party complaint agencies can help company to solve the consumer's problem and, also, receive valuable information about problems that might impact future consumer satisfaction. Thus, consumer complaints are important for company or complaint agencies to understand why consumers choose specific complaint behaviours, and what drives consumers to seek redress from the company or third party agencies.

This researcher observes that most of predictors adopted in previous studies aim to increase the predictive power of their modified model. However, a more comprehensive model is needed for the examination of predictors that influence complaint behaviour. Therefore, to fill the current gap arising from the absence of any study using the TPB

our, this study uses the TPB model as the main guiding
with other relevant theories to explore complaint behaviour.

It is hoped that the findings of this study will provide a comprehensive and coherent viewpoint.

1.6 Organisation of the Report

The research problems and issues presented earlier have both theoretical and practical relevance and the findings will be based on an iterative process between deduction and induction. This report is organized into eight chapters. *Chapter 1* provides an introduction to the study, statement of research problem, research questions, research objectives and significance of the study. It also discusses consumer complaint behaviour from the organisational perspective. *Chapter 2* introduces consumer protection in general, followed by definitions of consumer protection and consumer rights. Second, this chapter discusses consumer protection in Malaysia, types of consumer protection laws, and consumer protection organizations in Malaysia. Finally, the chapter presents the Tribunal for Consumer Claims and the National Consumer Complaints Centre as selected third party complaint agencies in Malaysia. In *Chapter 3*, the research will first introduce the background of consumer complaint behaviour. This is followed by complaint handling by third party organizations, and determinants of award or outcome from the tribunal or the court.

Chapter 4 reviews previous research on complaint behaviour. The rationale for choosing the TPB model, expectation disconfirmation theory, theory of social learning,

transaction cost as well as the conceptualisations of the key variables also included. The proposed research framework is produced based on these theories and variables. Research methodology issues concerning the research design will be presented in Chapter 5. Two research methods will be applied in this study, one is a secondary data method and the other is a primary data method. In the secondary data method, court records data obtained from the tribunal will be used. Hypotheses 1 will be produced for testing whether the tribunal provides a speedy and effective solution for consumers. In the primary data method, the survey questionnaires will be distributed to shopping malls, the Tribunal for Consumer Claims in Kuala Lumpur, and the National Consumer Complaints Centre. Hypotheses 2, 3, 4, 5, and 6 will be tested to investigate what drives consumers to seek redress from the company or third party complaint agencies.

Chapter 6 covers the research results on the records data obtained from the Tribunal for Consumer Claims in Kuala Lumpur. The content analysis will be used to test Hypotheses 1. Chapter 7 reports the research results from the survey data. The first part of the chapter describes the sampling results, validity and reliability test results and the distribution of the study variables. Then the result of correlation analysis is reported as well as the test of significant differences. Lastly, the results of hypotheses 2, 3, 4, 5 and 6 testing are presented. In Chapter 8, the research findings are summarised; contributions of the study, methodology and practice will be covered. This is followed by the discussion of managerial implications, research limitations and suggestions for future study.