

Consumer complaint behavior in telecommunications: The case of mobile phone users in Spain

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Abstract

- Post-purchase behavior of mobile phone users after a service failure.
- Consumer Complaint Behavior and survey for 4249 individuals in Spain
- Econometric equations explaining the determinants
- Finding: good handling of complaints may improve the profitability of the firm.
- Implications for marketing strategy.
- Complaint management is a powerful tool to retain customers.

INTRODUCTION (I)

- In the competitive telecommunications market, firms might pay attention to maintaining a loyal customer base.
- Loyal customers often cost less to service, spend more the longer their time with the company and provide a good source for new business.
- Customer dissatisfaction diminishes the base and erodes the firm's reputation.

INTRODUCTION (II)

- Customer retention will be greater the higher the level of consumer satisfaction (Bowen & Chen, 2001; Dube & Maute, 1996; Garbarino & Johnson, 1999).
- Goal: max satisfaction, avoid any service failure.
- But, service failures almost unavoidable . Manage them. Second chance.

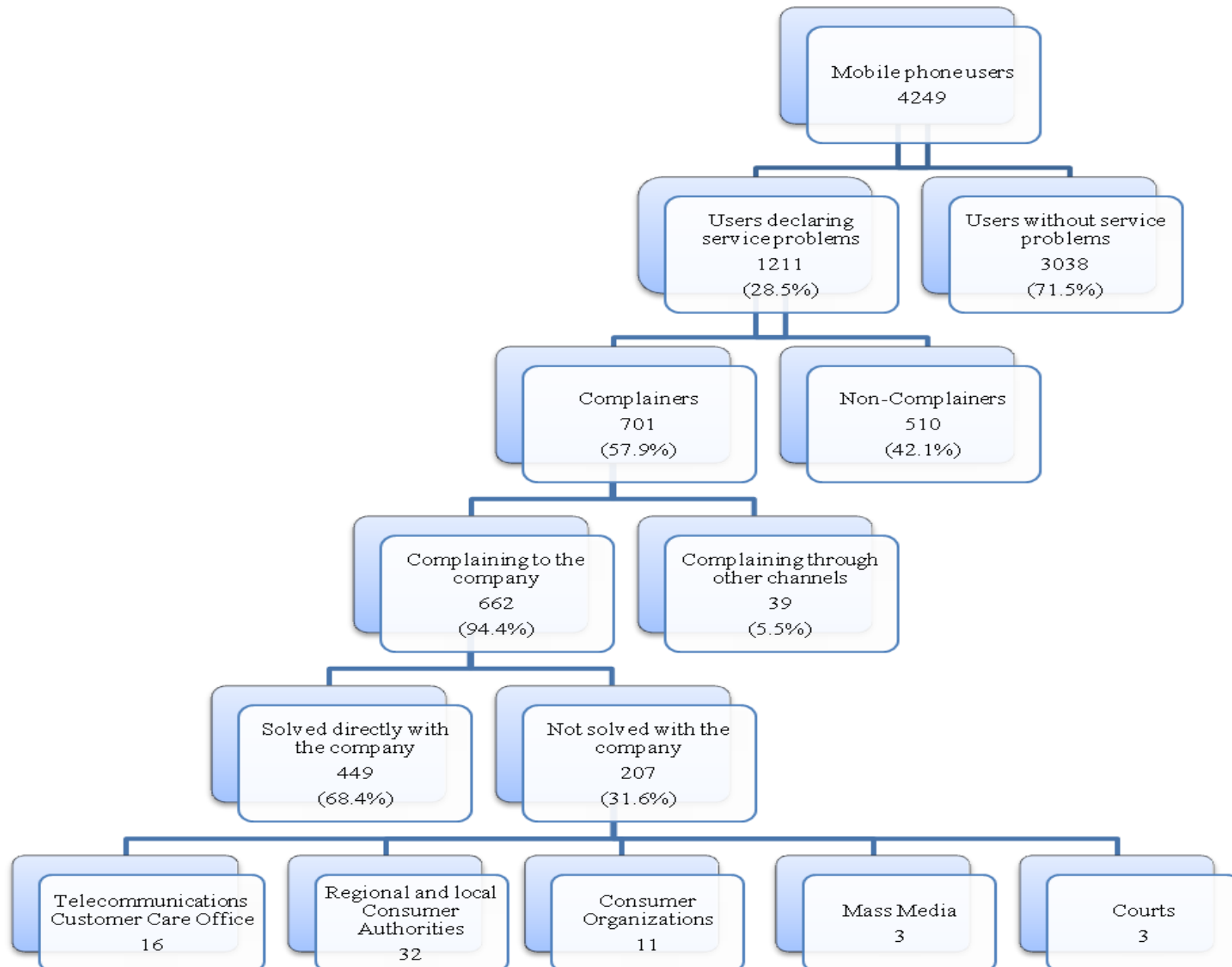
INTRODUCTION (III)

- Theory of exit, voice and loyalty, Hirschman (1970),
- Loyalty: some customers react to the dissatisfaction passively, preferring to remain with the firm.
- The other two possibilities for the dissatisfied customers are: voice a complaint and
- exit, switching the seller or terminate.

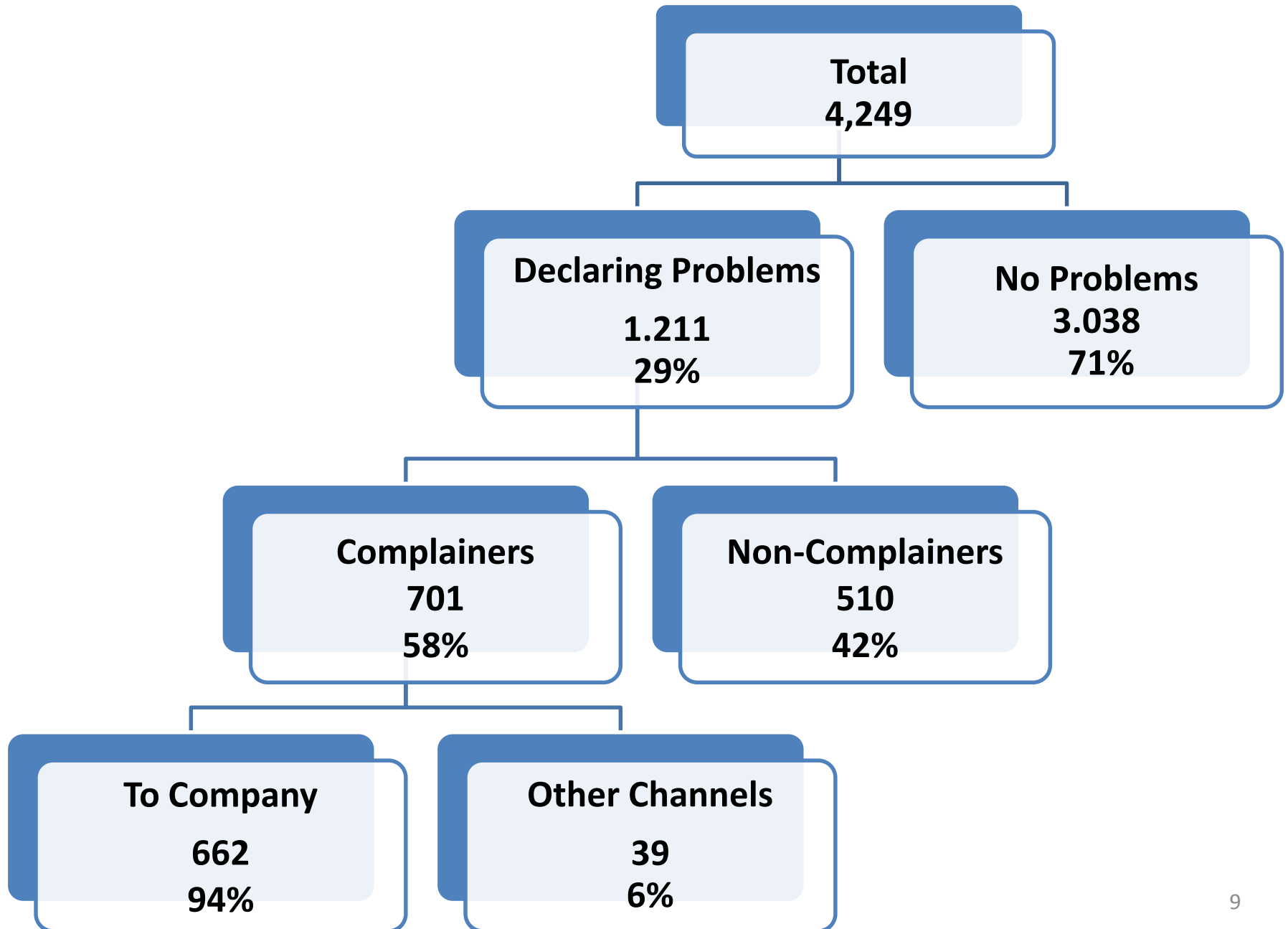
INTRODUCTION (IV)

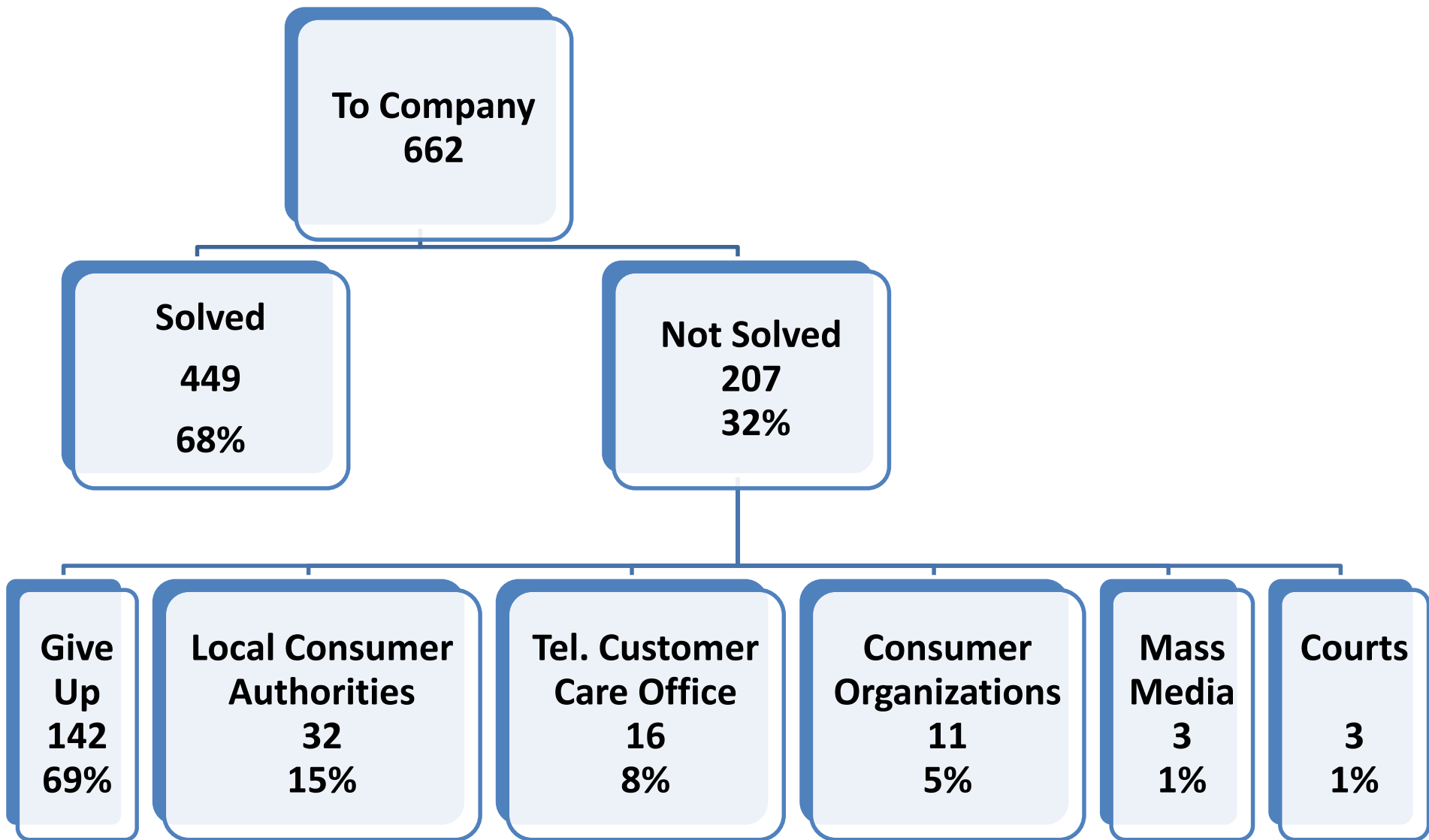
- Focus on complaints have a direct impact on the defection intention by the customer.
- dissatisfied customers who do not complain are more likely to exit.
- Second opportunity for the company by promoting complaints and dealing with them.

- Few studies on the particular case of telecommunications consumers (Nimako & Mensah, 2012; Nimako, 2012).
- The structure of the relevant market (Andreasen, 1985; Singh, 1991; Hirschman, 1970).
- Low level of competition in the sector, the most likely reaction is staying silently loyal.
- Consumers experience a greater propensity to complain about services than about products.
- It also appears significant how essential the service is for everyday life.



Mobile Phone Users Surveyed





2. DATA ANALYSIS

- Survey by the Center for Sociological Research of Spain (CIS, 2009)
- 2009 through personal interviews to the resident population of both sexes aged 18 or older.
- 4249 individuals mobile phone for personal use.
- **Problems treated:** delay for the service, coverage problems, incorrect billing, improper charging, breach of contract, trouble unsubscribing the service, difficulty in obtaining information, or any other problem.

Characteristics	Categories	All mobile phone users (4249)		Users declaring at least one problem (1211)		Complainers (701)	
		Frequency	Percentage	Frequency	Percentage	Frequency	Percent
Gender	Male	2142	50.4	640	52.8	391	55.8
	Female	2107	49.6	571	47.2	310	44.2
Age	18-29	939	22.1	325	26.8	205	29.2
	30-44	1486	35.0	489	40.4	286	40.8
	45-64	1269	29.9	322	26.6	185	26.4
	65-99	555	13.1	75	6.2	25	3.6
Education	Primary	874	20.6	172	14.2	88	12.6
	High School	1352	31.8	415	34.3	245	35.0
	College	1422	33.5	446	36.8	264	37.7
	University	471	11.1	161	13.3	96	13.7
	DN / NA	130	3.1	17	1.4	8	1.1
Expendit (€/month)	2-20	1107	26.1	397	32.8	207	29.5
	21-40	1166	27.4	365	30.1	228	32.5
	41-60	516	12.1	190	15.7	117	16.7
	61-630	469	11.0	177	14.6	115	16.4
	DN / NA	991	23.3	82	6.8	34	4.9
Operator	Movistar	2063	48.6	517	42.7	312	44.5
	Vodafone	1276	30.0	375	31.0	209	29.8
	Orange	786	18.5	284	23.5	162	23.1
	Yoigo	71	1.7	15	1.2	8	1.1
	VMOs	53	1.2	15	1.2	10	1.4

Individuals that report at least one incident/complain

Base: 743 individuals who reported having one incident							
	Delay for the service	Coverage problems	Incorrect billing	Improper charging	Breach of contract	Difficulty unsubscribing the service	Difficulty in obtaining information
Number of users	9	536	37	34	27	13	73
Number of complainers	8	153	35	31	23	12	63
Percentage complainers	88.9%	28.5%	94.6%	91.2%	85.2%	92.3%	86.3%

Overall Satisfacti on	All mobile users	At least one probl.	Non-Complainers: at least one problem		Complainers: at least one problem	
	number	number	number	% user probl.	number	% user probl.
1	54	42	6	14.3	36	85.7
2	27	17	5	29.4	12	70.6
3	53	28	7	25.0	21	75.0
4	107	63	18	28.6	45	71.4
5	458	218	89	40.8	129	59.2
6	608	202	105	52.0	97	48.0
7	880	237	98	41.4	139	58.6
8	1140	241	108	44.8	133	55.2
9	427	88	41	46.6	47	53.4
10	423	65	31	47.7	34	52.3
Total individs	4177	1201	508	---	693	---
Average satisfact	7.18	6.45	7.36	---	6.24	---

Satisfaction by operators

Operators	Very Satisfied	Satisfied	Moderately dissatisfied	Completely dissatisfied	Total	Percentage of users satisfied or very satisfied
MOVISTAR	5	107	69	47	228	49.1%
VODAFONE	11	76	44	29	160	54.4%
ORANGE	6	56	36	16	114	54.4%
YOIGO	1	4	2	0	7	71.4%
VMO	0	3	1	3	7	42.9%
TOTAL	23	246	152	95	516	52.1%

Logit regression: factors associated with reporting incidents

Dependent variable =1 if reporting; =0 otherwise	MODEL 1 Socio-demographic status	MODEL 2 Socio-demographic + relationship with the provider
Gender (male)	0.12 * (1.82)	0.10 (1.44)
Age	-0.02*** (-8.48)	-0.02 (-7.18)
Education	0.05*** (3.75)	0.03 (2.23)
Operator	----	0.12 (2.91)
Expenditure	----	0.01 (4.01)
Post pay	----	0.21 (2.53)
Constant	-0.36 (-2.66)	-0.82 (-4.73)
LR χ^2	107.60 DF= 3	133.51 DF= 6
Pseudo-R²	0.0222	0.0293
n	4119	3750

Logit: to complain or not to complain, factors

	MODEL 3	MODEL 4	MODEL 5	MODEL 6	MODEL 7
Delay in establishing the service	3.90 (2.37)	4.05 (2.42)	4.05 (2.44)	3.69 (2.24)	3.90 (2.37)
Coverage problems	0.26 (6.20)	0.26 (6.11)	0.27 (5.94)	0.28 (5.70)	0.25 (6.21)
Incorrect billing	4.32 (4.64)	4.33 (4.64)	4.32 (4.63)	4.18 (4.52)	4.22 (4.56)
Incorrect billing for services not used	2.91 (3.63)	2.95 (3.67)	3.08 (3.77)	2.93 (3.56)	2.86 (3.56)
Breach of contract or commercial offer	2.91 (3.07)	2.95 (3.11)	2.94 (3.08)	2.66 (2.80)	2.88 (3.04)
Difficulty in cancelling the service	5.78 (3.89)	5.83 (3.89)	6.16 (3.97)	6.48 (3.83)	5.62 (3.82)
Difficulty in obtaining the required information	2.58 (4.23)	2.60 (4.23)	2.59 (4.17)	2.50 (4.00)	2.60 (4.21)
Contract (post-paid)	1.47 (2.28)	1.50 (2.38)	1.41 (2.00)	1.51 (2.25)	1.53 (2.46)
Gender (male)	1.32 (1.87)	1.32 (1.83)	1.32 (1.84)	1.29 (1.69)	1.30 (1.74)

Age	2	0.81 (1.13)	0.80 (1.20)	0.80 (1.20)	0.83 (0.97)		0.80 (1.20)	
	3	0.85 (0.81)	0.83 (0.92)	0.85 (0.78)	0.94 (0.29)		0.82 (0.93)	
	4	0.42 (2.53)	0.40 (2.59)	0.42 (2.49)	0.43 (2.27)		0.44 (2.02)	
Overall Satisfaction	2	---	---	1.56 (0.86)	Expenditure	1.06 (0.28)	Education	1.01 (0.05)
	3	---	---	0.69 (0.86)		1.07 (0.30)		0.92 (0.34)
	4	---	---	0.98 (0.05)		0.84 (0.67)		0.88 (0.43)
	5	---	---	0.88 (0.43)				
Movistar		---	0.60 (0.80)	---	---		---	
Vodafone		---	0.51 (1.04)	---	---		---	
Orange		---	0.56 (0.90)	---	---		---	
Yoigo		---	0.88 (0.15)	---	---		---	
Constant		1.45 (1.30)	2.53 (1.35)	1.62 (0.93)	1.33 (0.95)		1.53 (1.23)	
LR χ^2		436.07 DF= 12	436.28 DF= 16	440.18 DF= 16	392.65 DF= 15		427.19 DF= 15	
Pseudo-R ²		0.28	0.28	0.29	0.27		0.2812	
Percent correct predictions		78.25%	78.51%	78.06%	77.89%		78.23%	
n		1131	1126	1121	1063		1116	

Model 3 is selected, others compared with model 3. The main implications are:

There is no operator effect

Dissatisfaction is not a necessary condition for complaining.

The propensity to complain does not depend on the level of expenditure of the user.

The level of education does not influence the probability of complain.

Types of Problems. First it is worth to emphasize how different types of service problems have a different impact on the likelihood of complaining (in order)

- 1) difficulty in cancelling the service;
- 2) incorrect billing;
- 3) delay in establishing the service;
- 4) incorrect billing for services not used;
- 5) breach of contract or commercial offer;
- 6) difficulty in obtaining the required information and
- 7) coverage problems.

Gender: All other things being equal, males are 1.35 times more likely to become a complainer than females.

Age: A categorical variable to represent the age has been used to facilitate the interpretation of the results.

Higher for those with a post-paid than for prepaid card contract.

Question:

Does proper management of complaints (measured here by the degree of consumer satisfaction with the complaint handling) has an impact on overall satisfaction ?

If so, to quantify its effect.

Overall Satisfaction	Model 8	Model 9
Satisfaction with price	0.19 (4.33) ***	0.19 (5.32)***
Satisfaction communications quality	0.21 (3.42)***	0.20 (4.55)***
Satisfaction customer care	0.08 (1.77)*	0.08 (2.09)**
Satisfaction bill clarity	0.10 (2.18)**	0.14 (3.47)***
Satisfaction adequacy of rates	-0.01 (-0.23)	---
Satisfaction coverage	-0.01 (-0.30)	---
Satisfaction ease of finding rates and deals	0.01 (0.09)	---
Satisfaction ease of acquire new handsets	0.05 (1.28)	0.12 (3.80)***
Satisfaction complementary services	0.11 (1.95) *	---
Satisfaction complaint handling	0.27 (2.55)***	0.29 (3.13)***
Constant	1.78 (4.59)***	1.63 (4.74)***
n. observations	335	417
R²	0.43	0.41

Satisfaction with complains handling, the focus of attention, is the variable with the highest impact (0.29) on the overall level of satisfaction of the user. The next ones in order of importance are satisfaction with communications quality (0.20), with price (0.19), and with bill clarity (0.14).

Fornell & Wernerfelt, 1987; Goodwin & Ross, 1990; Halstead & Page, 1992; Porter, 1985, appropriate handling of complaints has a lower cost than an offensive marketing strategy, based on advertising and promotion.

The objective of defensive marketing strategy is to minimize customer turnover by protecting products and markets from competitive inroads.

For maximizing the number of clients, the first step is to retain the existing ones.

Nyer (2000): decalogue

- Listen to what the customer has to say
- Say sorry (in many cases an apology is all the customer wants)
- Find out what you can do to repair the situation: a refund, exchange, redoing the work, free product, etc.
- Be prepared to train staff in complaint handling and insist that dealing with customers' problems is a priority.
- Ask the customer what they want and, so far as is possible, give it to them.
- Remember that, if you get the response right, that customer will be satisfied and will return to buy again.
- Record the details of the complaint and investigate why the product or service failed (to avoid the same mistake).

CONCLUSIONS

- The propensity to complain depends largely on the type of problem experienced.
- Demographics: higher for men and younger people.
- Complaints are positive for the operator rather than a nuisance.
- Complaint management is a powerful tool to retain customers.
- Handling them properly, can improve overall customer retention.

- Danger: dissatisfied individuals who do not complain.
- Maximize the capture of complaints
- A policy recommendation:
- Strengthen the Office of Attention to Telecommunications Users (Ministry) and streamline its procedures.
- Deal with complaints the complaints of small and medium enterprises.
- Limitation of the study, dynamics, outdated.

THANK YOU

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