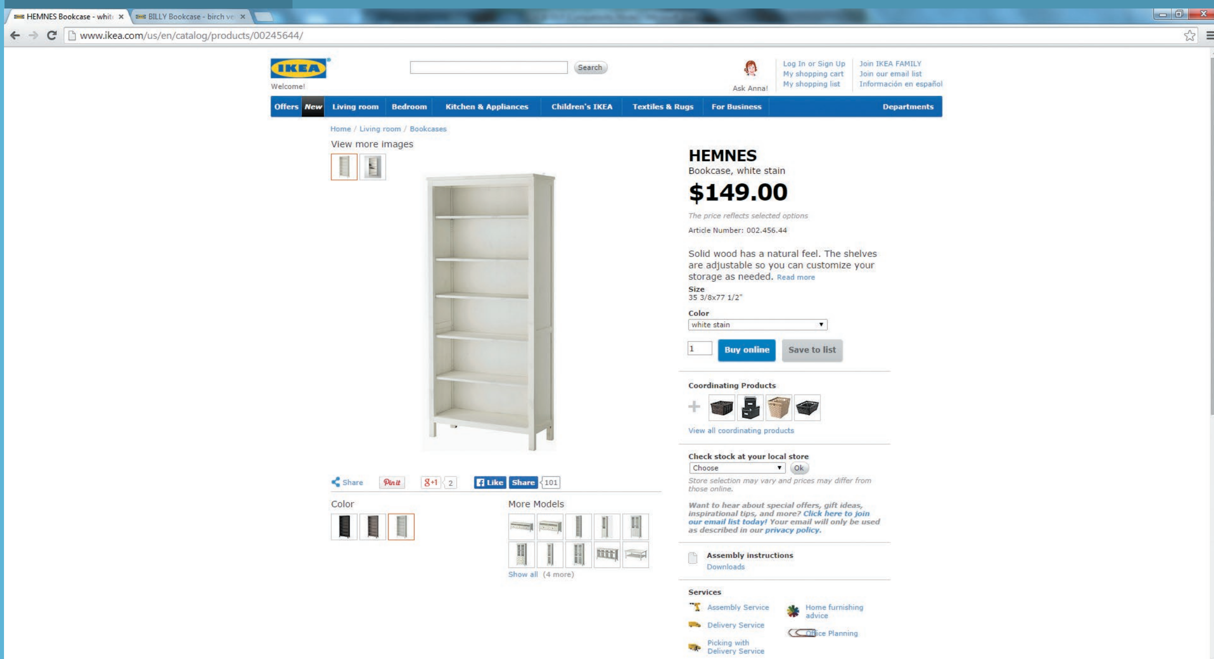
chapter

18 Postpurchase Processes, Customer Satisfaction, and Customer Commitment



LEARNING OBJECTIVES

LO1 **Describe the various postpurchase processes engaged in by consumers.**

LO2 **Define and discuss postpurchase dissonance.**

LO3 **Discuss the issues surrounding product use and nonuse and their importance to marketers.**

LO4 **Summarize disposition options and their relevance to marketers and public policy.**

LO5 **Explain the determinants and outcomes of satisfaction and dissatisfaction.**

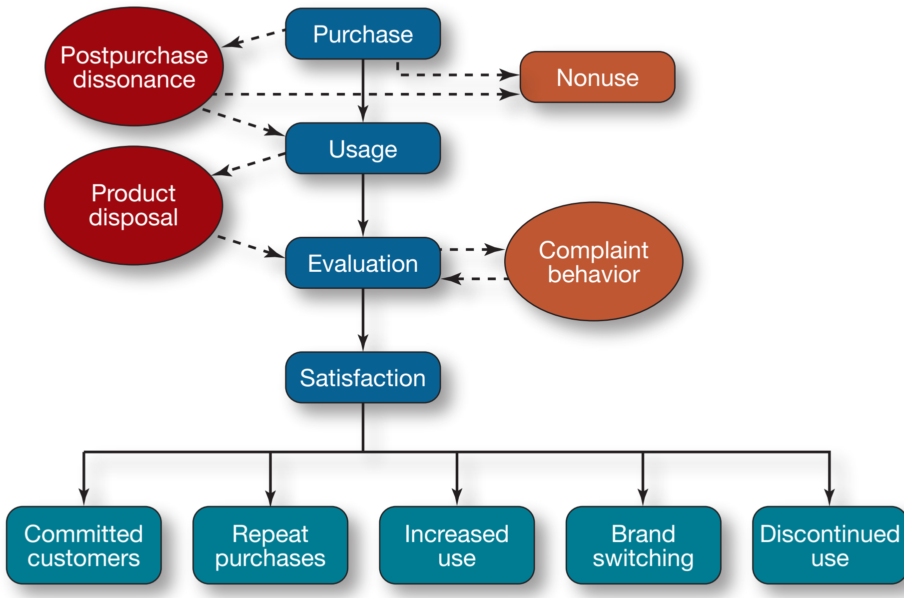
LO6 **Describe the relationship between satisfaction, repeat purchase, and customer commitment.**

Once consumers have purchased a product or service, postpurchase issues of usage, disposition, and postpurchase valuation and satisfaction kick in. Just as we have found biases in perception and decision making "prepurchase," such biases exist "postpurchase" as well. The following are just a few examples:

- *Product use.* Consumers given larger-sized containers of popcorn eat (53 percent) more than consumers given medium-sized containers. Consumers given larger ice cream scoopers served themselves more ice cream than consumers given smaller ice cream scoopers. In "mindless" eating, people are unaware that their eating behavior is influenced by seemingly irrelevant environmental factors—size of container, serving utensil.[1]
- *Product value based on consumer effort.* Consumers who purchase products that must be assembled value them more than those that come assembled (sometimes termed the *IKEA effect*). The IKEA effect is *retroactive,* occurring after *successful completion* of the necessary assembly. The IKEA effect suggests that products sold "with some assembly required" may be adding labor-infused value to the products.[2]
- *Product value based on ownership.* Consumers who own a product will, on average, require a significantly higher price to sell it than the average price consumers shopping for the product are willing to pay. This increased valuation of the product bestowed by "mere" ownership is known as the *endowment effect* and has been repeatedly demonstrated with a wide range of goods—candy bars, pens, mugs, hats, tee shirt—and might explain why consumers keep old products rather than sell or donate them even after a replacement has been found and purchased.[3]

How we use and value products and services is subject to a host of influences, postpurchase. Postpurchase and the various processes and influences involved are the focus of this chapter.

FIGURE 18-1 Postpurchase Consumer Behavior



Purchase is followed by a number of processes including use, evaluation, and, in some cases, satisfaction, and consumer responses related to satisfaction include repurchase, positive word-of-mouth, and loyalty. Evaluation can also lead to dissatisfaction, which is sometimes associated with complaining, as well as erosion of loyalty, brand switching, and negative word-of-mouth. Appropriate responses to product and service failure are critical, including putting in processes to track potential problems such as call centers and the social media options discussed in Chapter 7. Once a problem is recognized, appropriate action is important as a way to try to reverse or eliminate the negative outcomes of dissatisfaction. Effective CRM programs and high-quality service, as discussed in the opener, are often important aspects of marketing strategy designed to either deliver high satisfaction or deal effectively with dissatisfaction when it occurs.

LO1 Figure 18–1 shows the relationships among these various processes, which are the focus of this chapter. It also indicates that immediately following a purchase, and often prior to usage, consumers may feel doubt or anxiety, known as postpurchase dissonance.

POSTPURCHASE DISSONANCE

LO2

> I still like it [a dining room set] a whole lot better than what we used to have. But I think if we had taken longer we would have gotten more precisely what we wanted. I mean we got a great deal. You couldn't get that for that price, so I am happy with the money part of it, but some days I wish we had spent more and gotten something a bit different.[4]

This is a common consumer reaction after making a difficult, relatively permanent decision. Doubt or anxiety of this type is referred to as **postpurchase dissonance.**[5] Some, but not all, consumer purchase decisions are followed by postpurchase dissonance. The probability and magnitude of such dissonance are a function of:

- *The degree of commitment or irrevocability of the decision.* The easier it is to alter the decision, the less likely the consumer is to experience dissonance.
- *The importance of the decision to the consumer.* The more important the decision, the more likely dissonance will result.
- *The difficulty of choosing among the alternatives.* The more difficult it is to select from among the alternatives, the more likely the experience and magnitude of dissonance. Decision difficulty is a function of the number of alternatives considered, the number of relevant attributes associated with each alternative, and the extent to which each alternative offers attributes not available with the other alternatives.
- *The individual's tendency to experience anxiety.* Some individuals have a higher tendency to experience anxiety than do others. The higher the tendency to experience anxiety, the more likely the individual will experience postpurchase dissonance.

Dissonance does not generally occur for low-involvement nominal and limited decision making. These decisions are relatively easy and unimportant. Dissonance is most common in high-involvement extended decision making, where trade-offs among desirable attributes create conflict (as in the price–quality trade-off made in the dining room decision above). Such trade-offs create negative emotions and decision delay.[6] Thus, when such trade-offs exist, salespeople and ads could attempt to refocus consumer attention on the positive aspects of the decision or provide incentives to make a purchase even in the face of the difficult trade-off.

After the purchase, consumers may use one or more of the following approaches to reevaluate or alter the decision to reduce dissonance:

- Increase the desirability of the brand purchased.
- Decrease the desirability of rejected alternatives.
- Decrease the importance of the purchase decision.
- Reverse the purchase decision (return the product before use).

Advertising and follow-up sales efforts can have a huge effect on postpurchase dissonance because consumers, in their reevaluation process, often search for and are receptive to information that confirms the wisdom of their purchase. Direct mailers, follow-up calls, and e-mails can all be effective. Johnston & Murphy sends follow-up e-mails thanking customers for their recent purchase, pointing them to its website, and soliciting feedback. Such communications can go a long way in reducing dissonance and increasing satisfaction. Illustration 18–1 provides an additional example of the reinforcement potential of advertising in the postpurchase process.

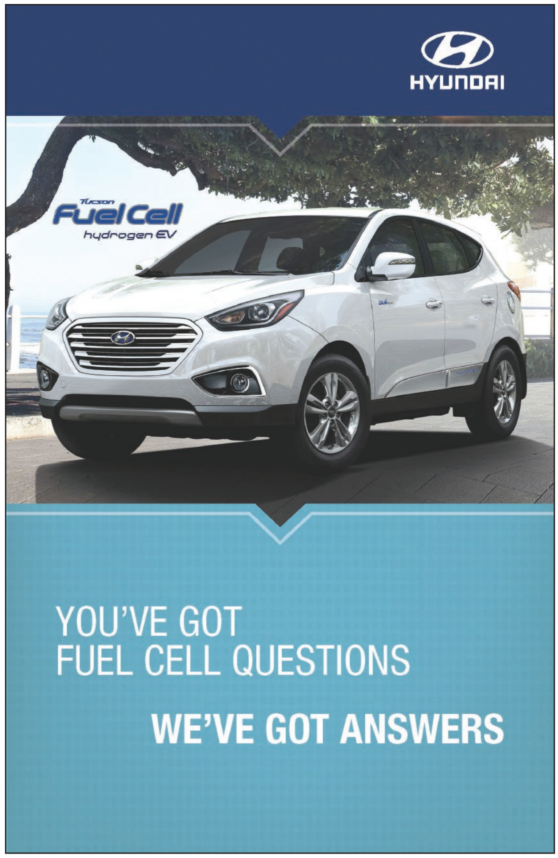
A concept very similar to postpurchase dissonance is **consumption guilt.** Consumption guilt occurs when *negative emotions or guilt feelings are aroused by the use of a product or a service.* A person driving a large car may experience some negative feelings due to concern over resource utilization and pollution. The example below illustrates consumption guilt quite clearly:

> I have to count calories much more than I did before. I still buy a sundae once in a while but the joy of eating ice cream will probably forever be connected with guilt over eating something so unhealthy. When I think about it, I realize that most products make me feel good and bad at the same time.[7]

Marketers of products whose target markets might experience consumption guilt need to focus on validating the consumption of the product. They need to find ways to give the consumer permission or a rationale for indulging in that consumption act.[8]

ILLUSTRATION 18-1

Advertisements for high-involvement purchase items can serve to confirm the wisdom of a purchase as well as influence new purchasers.



PRODUCT USE AND NONUSE

Product Use

LO3

Most consumer purchases involve nominal or limited decision making and therefore arouse little or no postpurchase dissonance. Instead, the purchaser or some other member of the household uses the product without first worrying about the wisdom of the purchase. And as Figure 18–1 shows, even when postpurchase dissonance occurs, it is still generally followed by product use.

Marketers need to understand how consumers use their products for a variety of reasons. Understanding both the functional and symbolic ways in which a product is used can lead to more effective product designs and marketing campaigns. For example, the existence of the sneakerhead consumption subculture (Chapter 7) has influenced many aspects of sneaker design and marketing, including the creation of expensive, limited-edition designs that are targeted specifically to the sneakerhead collector.

Use innovativeness refers to *a consumer using a product in a new way.*[9] Marketers who discover new uses for their products can greatly expand sales.

- Arm & Hammer discovered that consumers were using its baking soda for a variety of noncooking uses, such as deodorizing refrigerators. It now advertises such uses and has developed product packaging, such as its Fridge Fresh Air Filters, specific to such uses. It also has a section on its website where consumers can submit their own "solutions" to common household problems using Arm & Hammer baking soda.

- WD-40, a lubricant, is renowned for the wide array of applications that consumers suggest for it, including as an additive to fish bait and for removing gum from a carpet.
- Bounce had a contest where consumers submitted stories that were merged into an online booklet that can be found on its website. Company lawyers cleared the stories and deleted any that could be harmful to consumers or the environment.

Just as the Internet can be used as a way to observe and track consumer problems, it can also be used as a means for tracking innovative product uses. And web-based submission options on a brand's website make direct collection of such ideas easier than ever.[10]

ILLUSTRATION 18-2

As shown by this Crest ProHealth ad, marketers can leverage the fact that certain products are used together by developing product mixes consisting of complementary products.

Marketers can frequently take advantage of the fact that the use of one product may require, be enhanced by, or suggest the use of other products. The Crest ProHealth ad in Illustration 18–2 provides a great example of the concept. Crest is promoting the use of its toothbrushes, toothpaste, and mouthwash together for an "enhanced felling of clean and a healthier mouth." Consider houseplants and fertilizer; bikes and helmets; dresses and shoes. Retailers can promote such items jointly, display them together, or train their sales personnel to make relevant complementary sales.

Stringent product liability laws and aggressive civil suits also are forcing marketing managers to examine how consumers use their products. These laws have made firms responsible for harm caused by products *not only when the product is used as specified by the manufacturer but in any reasonably foreseeable use of the product.* Thus, the manufacturer must design products with both the primary purpose *and* other potential uses in mind. This requires substantial research into how consumers actually use products.

When marketers discover confusion about the proper way to use a product, it is often to their advantage to teach consumers how to use it and engage in marketing communications that increase the chances of proper use. After all, how many consumers blame themselves when a product failure occurs as a result of their own failure to follow usage instructions?[11] At other times, a firm can gain a competitive advantage by redesigning the product so that it is easier to use properly.

Product Nonuse

As Figure 18–1 indicates, not all purchases are followed by use. **Product nonuse** occurs when a consumer actively acquires a product that is not used or used only sparingly relative to potential use.[12]

For many products and most services, the decisions to purchase and to consume are made simultaneously. A person who orders a meal in a restaurant is also deciding to eat the meal at that time. However, a decision to purchase food at a supermarket requires a second decision to prepare and consume the food. The second decision occurs at a different point in time and in a different environment from the first. Thus, nonuse can occur because the situation or the purchaser changes between the purchase and the potential usage occasion. For example, a point-of-purchase display featuring a new food item shown as part of an appealing entrée might cause a consumer to imagine an appropriate usage situation and to

ILLUSTRATION 18-3

Advertisements, such as this Kellogg's Nutri-Grain ad, can encourage purchases, consumption of previously purchased items, or both.

purchase the product. However, without the stimulus of the display, the consumer may not remember the intended use or may just never get around to it. Nonuse situations such as the following are common:[13]

Wok. "I wanted to try and cook stirfry, but I didn't take time out to use it."

Skirt. "My ingenious idea was that I'd lose a few pounds and fit into the size 4 rather than gain a few and fit into the size 6. Obviously, I never lost the weight, so the skirt was snug."

Gym membership. "Couldn't get in the groove to lift."

In such cases, the consumer has wasted money and the marketer is unlikely to get repeat sales or positive referrals. Many such purchases are difficult for the marketer to correct after the purchase. In other cases, consumers would have used the product if reminded or motivated at the proper time. In the last example above, good records would indicate that this member was not using the gym. A personal letter, e-mail, or telephone invitation to come in might be enough to get this person started.

Some products are known to be kept on hand by consumers; that is, they stock up on certain items. In this case, a major goal of advertising should be to encourage people to consume the product at the next appropriate occasion and perhaps even suggest situations that would be appropriate. Since consumers have the product available, the task is not to encourage purchase but to motivate near-term consumption such as including Kellogg's Nutri-Grain bar into consumers' regular breakfast routines, as suggested in Illustration 18–3.

The division between the initial purchase decision and the decision to consume is particularly strong with catalog and online purchases. In effect, two decisions are involved in these purchases: the initial decision to order the product and a second decision to keep or return the item when it is received. Not only is it likely that several days will have passed between the two decisions, but substantially different information is available at the "keep or return" decision point. In particular, consumers can physically touch, try on, or otherwise experience the item.

Obviously, online and catalog retailers want to maximize the percentage of items kept rather than returned. Intuitively, one might think that a strict return policy would accomplish this. However, such a policy might also reduce the number of initial orders. In fact, a liberal return policy appears to maximize initial orders and may also minimize returns. Such a policy reduces perceived risk and signals higher quality (surrogate indicator), which increases initial orders. Consumers also tend to perceive items ordered under liberal return policies as having higher quality after receiving them, which reduces returns.[14] In addition to return policies, online tools that can better represent products so that a maximal fit to consumer needs is attained can help. Scanner-based, full-body measurement technology that also makes recommendations about sizes, styles, and brands (Chapter 17) should dramatically increase how well clothing fits even if it is ordered online without first trying it on. This should reduce returns and company costs and increase customer satisfaction.

DISPOSITION

LO4

Disposition of the product or the product's container may occur before, during, or after product use. Or for products that are completely consumed, such as an ice cream cone, no disposition may be involved.

The United States produces several hundred million tons of refuse a year.[15] Packaging is an important component. Millions of pounds of product packages are disposed of every day. These containers are thrown away as garbage or litter, used in some capacity by the consumer, or recycled. Creating packages that utilize a minimal amount of resources is important for economic reasons as well as being a matter of social responsibility. Many firms are responding to this issue, as the examples below illustrate:

- Crate & Barrel stopped using white bleached board in its famous black and white boxes and switched to more renewable fiber that contains postconsumer recyclable material.
- Casio redesigned its consumer and channel-based packaging so as to reduce the total amount of materials used.

Beyond packaging is the physical product that continues to exist even though it may no longer meet a consumer's needs either in an instrumental (no longer works) or symbolic (no longer the latest trend) way. Either situation requires disposition. For some consumers, recycling is more prominent than others (see Chapter 4 on green marketing), and companies and government organizations are working to encourage recycling and make it more convenient. Still, only about a third of solid waste (trash) is recycled.[16]

Exploding demand and short product life spans for high-tech gadgets such as cell phones, personal computers, and various other personal electronics devices are creating growing concerns over **e-waste.** Both instrumental and symbolic considerations can drive e-waste. Consumer and corporate solutions are necessary and evolving, although one recent estimate is that only one in four computers is recycled![17] Examples of efforts to reduce e-waste include the following:

- TechForward offers a guaranteed buy-back plan for electronics products.[18]
- Sony has developed a recycling plan whereby it will offset pound-for-pound that amount of materials recycled for new products produced. Sony is partnering with a recycling company and banking on the project's paying for itself as a result of the value of such ingredients as copper typically found in e-waste. Big issues are consumer awareness and convenience.[19]

ILLUSTRATION 18-4

Proper product disposition is important to many consumers and therefore to many firms and industries.

- Companies such as HP and Office Depot are engaged in ongoing efforts related to print cartridges. HP provides a self-addressed, postage-paid envelope in which you can return used ink cartridges to its recycling center. Office Depot offers discounts through their customer rewards program for those who return used cartridges.

Figure 18–2 illustrates the various alternatives for disposing of a product or package. Unfortunately, while "throw it away" is only one of many disposition alternatives, it is by far the most widely used by many consumers. Environmental groups work hard to change these behaviors, as do some firms and other organizations (see Illustration 18–4). Other firms, however, continue to use unnecessary or hard-to-recycle packaging and product components.

Product Disposition and Marketing Strategy

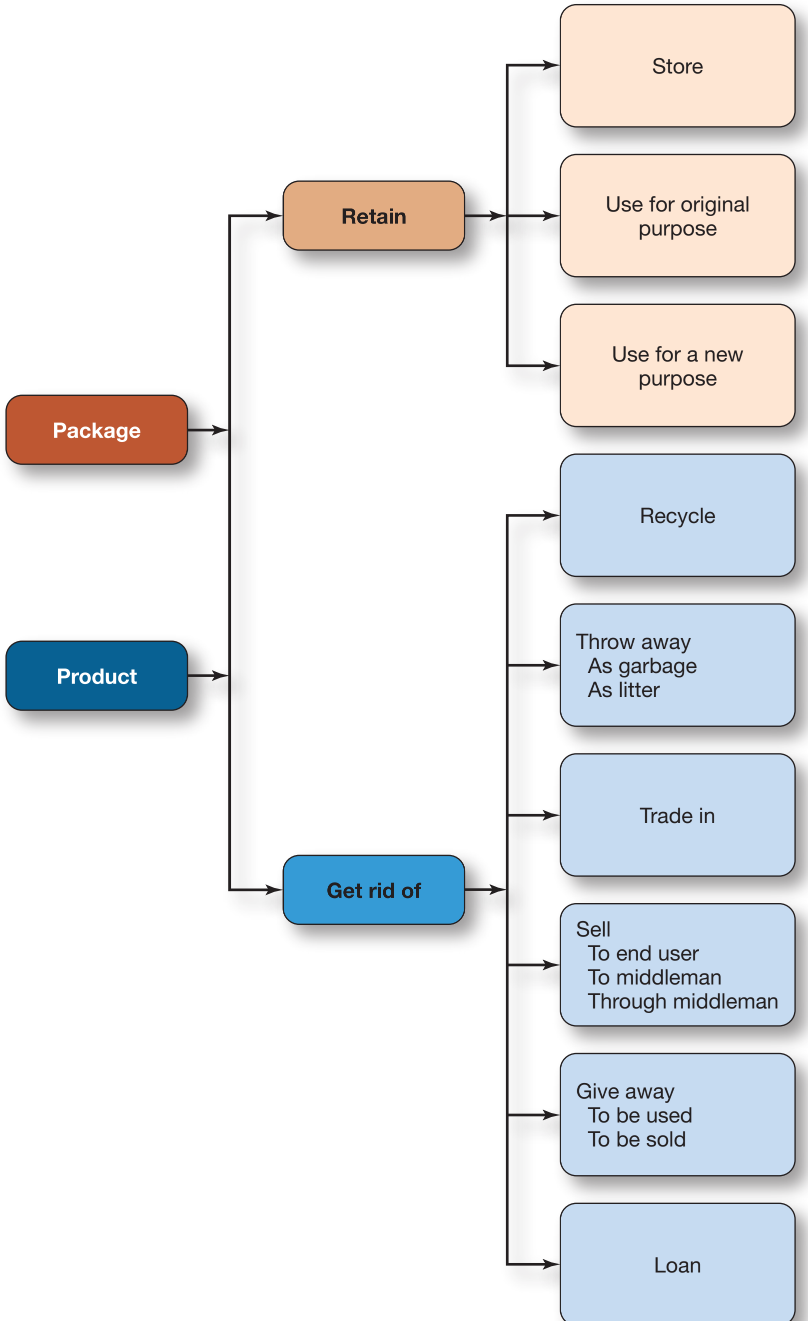
Why should a marketing manager be concerned about the disposition of a used product? Perhaps the best reason is the cumulative effect that these decisions have on the quality of the environment and the lives of current and future generations. However, there are also short-term economic reasons for concern. Disposition decisions affect the purchase decisions of both the individual making the disposition and other individuals in the market for that product category.

There are five major ways in which disposition decisions can affect a firm's marketing strategy. First, for most durable goods, consumers are reluctant to purchase a new item until they have "gotten their money's worth" from the old one. These consumers mentally depreciate the value of a durable item over time. If the item is not fully mentally depreciated, they are reluctant to write it off by disposing of it to acquire a new one. Allowing old items to be traded in is one way to overcome this reluctance.[20]

Second, disposition sometimes must occur before acquisition of a replacement because of space or financial limitations. For example, because of a lack of storage space, a family living in an apartment may find it necessary to dispose of an existing bedroom set before acquiring a new one. Or someone may need to sell his current bicycle to raise supplemental funds to pay for a new bicycle. Thus, it is to the manufacturer's and retailer's advantage to assist the consumer in the disposition process.

Third, frequent decisions by consumers to sell, trade, or give away used products may result in a large used-product market that can reduce the market for new products.

Disposition Alternatives FIGURE 18-2



A **consumer-to-consumer sale** occurs when *one consumer sells a product directly to another with or without the assistance of a commercial intermediary.* Garage sales, swap meets, flea markets, classified ads, and online outlets such as eBay exist as a result of consumer demand to buy and sell used items. In addition, consumers may give or sell their used items to resellers. Thrift stores, featuring used clothing, appliances, and furniture, run by both commercial and nonprofit groups, are an important part of the economy.

A fourth reason for concern with product disposition is that the United States is not completely a throwaway society. Many Americans continue to be very concerned with waste and how their purchase decisions affect waste.[21] Such individuals might be willing to purchase, for example, a new vacuum cleaner if they were confident that the old one would be rebuilt and resold. However, they might be reluctant to throw their old vacuums away or to go to the effort of reselling the machines themselves. Thus, manufacturers and retailers could take steps to ensure that products are reused.

The fifth reason is that environmentally sound disposition decisions benefit society as a whole and thus the firms that are part of that society. Firms' owners and employees live and work in the same society and environment as many of their consumers. Their environment and lives are affected by the disposition decisions of consumers. Therefore, it is in their best interest to develop products, packages, and programs that encourage proper disposition decisions.

PURCHASE EVALUATION AND CUSTOMER SATISFACTION

L05

As we saw in Figure 18–1, a consumer's evaluation of a purchase can be influenced by the purchase process itself, postpurchase dissonance, product use, and product/package disposition. Further, the outlet or the product or both may be involved in the evaluation. Consumers may evaluate each aspect of the purchase, ranging from information availability to price to retail service to product performance. In addition, satisfaction with one component, such as the product itself, may be influenced by the level of satisfaction with other components, such as the salesperson.[22] For many products, this is a dynamic process, with the factors that drive satisfaction evolving over time.[23] However, keep in mind that nominal decisions and many limited decisions are actively evaluated only if some factor, such as an obvious product malfunction, directs attention to the purchase.[24]

The Evaluation Process

A particular alternative such as a product, brand, or retail outlet is selected because it is thought to be a better overall choice than other alternatives considered in the purchase process. Whether that particular item is selected because of its presumed superior functional performance or because of some other reason, such as a generalized liking of the item or outlet, the consumer has a level of expected performance for it. The expected level of performance can range from quite low (this brand or outlet isn't very good, but it's the only one available and I'm in a hurry) to quite high.[25] As you might suspect, expectations and perceived performance are not independent. Up to a point, consumers tend to perceive performance to be in line with their expectations.[26]

While and after using the product, service, or outlet, the consumer will perceive some level of performance. This perceived performance level could be noticeably above the expected level, noticeably below the expected level, or at the expected level. As Table 18–1 indicates, satisfaction with the purchase is primarily a function of the initial performance expectations and perceived performance relative to those expectations.[27]

Two general expectation levels are presented in Table 18–1. The first is when consumers expect the brand to perform below some minimum level and requires a bit of explanation. Choice of such brands and outlets is not typical because they would normally be in a consumer's inept set (see Chapter 15). However, three situations will drive choice in this case: (1) where available alternatives don't exist (the iPhone was only available on AT&T until

Expectations, Performance, and Satisfaction **TABLE 18-1**

	Expectation Level	
Perceived Performance Relative to Expectation	**Below Minimum Desired Performance**	**Above Minimum Desired Performance**
Better	Satisfaction*	Satisfaction/Commitment
Same	Nonsatisfaction	Satisfaction
Worse	Dissatisfaction	Dissatisfaction

*Assuming the perceived performance surpasses the minimum desired level.

recently), (2) in an emergency situation (your tire goes flat and the repair service only carries a brand you find undesirable), or (3) when family decisions result in a suboptimal choice for some family members (the child is thrilled with Chuck E. Cheese; the parents are not).

Table 18–1 shows that an outlet or brand whose performance confirms a low-performance expectation generally will result in neither satisfaction nor dissatisfaction but rather with what can be termed *nonsatisfaction.* That is, the consumer is not likely to feel disappointment or engage in complaint behavior. However, this purchase will not reduce the likelihood that the consumer will search for a better alternative the next time the problem arises.

A brand whose perceived performance falls below expectations generally produces dissatisfaction. If the discrepancy between performance and expectation is sufficiently large, or if initial expectations were low, the consumer may restart the entire decision process. Most likely, he or she will place an item performing below expectations in the inept set and no longer consider it. In addition, the consumer may complain or initiate negative word-of-mouth communications.

When perceptions of product performance match expectations that are at or above the minimum desired performance level, satisfaction generally results. Likewise, performance above the minimum desired level that exceeds a lower expectation tends to produce satisfaction. Satisfaction reduces the level of decision making the next time the problem is recognized; that is, a satisfactory purchase is rewarding and encourages one to repeat the same behavior in the future (nominal decision making). Satisfied customers are also likely to engage in positive word-of-mouth communications about the brand, which can lead to the acquisition of new customers.

Product performance that exceeds expected performance will generally result in satisfaction and sometimes in commitment. Commitment, discussed in depth in the next section, means that the consumer is enthusiastic about a particular brand and is somewhat immune to actions by competitors.

The need to develop realistic consumer expectations poses a difficult problem for the marketing manager. For a brand or outlet to be selected, the consumer must view it as superior on the relevant combination of attributes. Therefore, the marketing manager naturally wants to emphasize its positive aspects. If such an emphasis creates expectations in the consumer that the item cannot fulfill, a negative evaluation may occur. Negative evaluations can produce brand switching, unfavorable word-of-mouth communications, and complaint behavior. Thus, the marketing manager must balance enthusiasm for the product with a realistic view of the product's attributes.

Determinants of Satisfaction and Dissatisfaction Because performance expectations and actual performance are major factors in the evaluation process, we need to understand the dimensions of product and service performance. A major study of the reasons customers switch service providers found competitor actions to be a relatively minor cause. Most customers did not switch from a satisfactory provider to a better provider. Instead, they switched because of perceived problems with their current service provider. The nature of these problems and the percentage listing each as a reason they changed providers follow (the percentages sum to more than 100 because many customers listed several reasons that caused them to switch):[28]

- *Core service failure* (44 percent). Mistakes (booking an aisle rather than the requested window seat), billing errors, and service catastrophes that harm the customer (the dry cleaners ruined my wedding dress).
- *Service encounter failures* (34 percent). Service employees were uncaring, impolite, unresponsive, or unknowledgeable.
- *Pricing* (30 percent). High prices, price increases, unfair pricing practices, and deceptive pricing.
- *Inconvenience* (21 percent). Inconvenient location, hours of operation, waiting time for service or appointments.
- *Responses to service failures* (17 percent). Reluctant responses, failure to respond, and negative responses (it's your fault).
- *Attraction by competitors* (10 percent). More personable, more reliable, higher quality, and better value.
- *Ethical problems* (7 percent). Dishonest behavior, intimidating behavior, unsafe or unhealthy practices, or conflicts of interest.
- *Involuntary switching* (6 percent). Service provider or customer moves, or a third-party payer such as an insurance company requires a change.

Other studies have found that waiting time has a major impact on evaluations of service. Consumers have particularly negative reactions to delays over which they believe the service provider has control and during which they have little to occupy their time.[29] *What are the marketing strategy implications of these results?*

Failure on a given product or service characteristic often has a stronger effect on consumers than success on that same characteristic, something referred to as the *negativity bias.*[30] Thus, depending on the attributes and decision rule involved (see Chapter 16), this could mean first meeting expectations across all relevant features before maximizing performance on a few.

Firms are using technology as a way to deliver more convenient service both online and in the store. Price check scanners in the store or mobile local price apps can make the in-store experience more satisfying. And website functionality such as avatars and text and video chat with customer representatives can be critical to customer satisfaction online. When technology fails or is complicated to use, consumers typically experience dissatisfaction. In the case of online checkout, such factors can result in lost sales as consumers abandon their shopping carts (see Chapter 17).

For many products, there are two dimensions to performance: instrumental and expressive, or symbolic. **Instrumental performance** relates *to the physical functioning of the product.* **Symbolic performance** relates to *aesthetic or image-enhancement performance.* For example, the durability of a sport coat is an aspect of instrumental performance, whereas styling represents symbolic performance. Complete satisfaction requires adequate performance on both dimensions. However, for at least some product categories such as clothing, "[d]issatisfaction is caused by a failure of instrumental performance, while complete satisfaction also requires the symbolic functions to perform at or above the expected levels."[31]

In addition to symbolic and instrumental performance, products also provide affective performance. **Affective performance** is *the emotional response that owning or using the* *product or outlet provides.*[32] It may arise from the instrumental or symbolic performance or from the product itself; for example, a suit that produces admiring glances or compliments may produce a positive affective response. Or the affective performance may be the primary product benefit, such as for an emotional movie or novel.

Research regarding online satisfiers and dissatisfiers finds the following four dimensions to be important:[33]

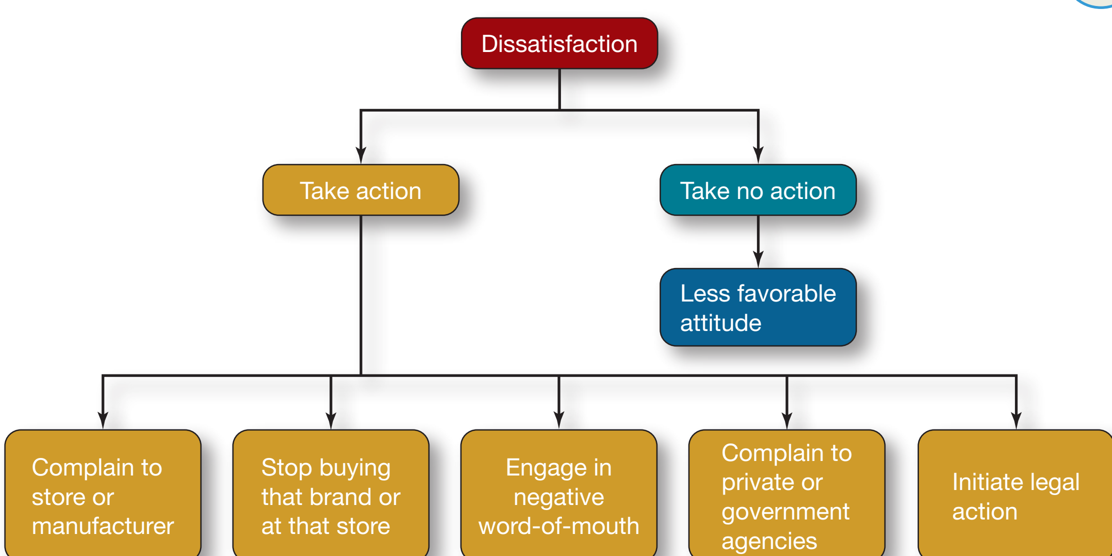
- ***Website Design and Interaction:*** Includes factors such as information quality, navigation, price, merchandise availability, purchase process, and order tracking.
- ***Security and Privacy:*** Includes factors related to security such as fraud and identity theft and privacy related to unwanted marketing efforts.
- ***Fulfillment and Reliability:*** Includes factors such as timely delivery, order accuracy, billing accuracy, and the quality of the merchandise.
- ***Customer Service:*** Includes factors relating to service level such as customer support, ability and ease of communication, as well as factors relating to returns such as clear and fair return policies.

A study of German consumers finds similar drivers of satisfaction with online retailers.[34] Finally, research suggests that in multi-channel contexts involving the Internet, the issue of integration is critical in that content, processes, image, and so on should be consistent to the extent possible and appropriate across different channels within a company or brand.[35]

DISSATISFACTION RESPONSES

Figure 18–3 illustrates the major options available to a dissatisfied consumer. The first decision is whether or not to take any external action. By taking no action, the consumer decides to live with the unsatisfactory situation. This decision is a function of the importance of the purchase to the consumer, the ease of taking action, the consumer's existing

Dissatisfaction Responses FIGURE 18-3



level of overall satisfaction with the brand or outlet, and the characteristics of the consumer involved. It is important to note that even when no external action is taken, the consumer is likely to have a less favorable attitude toward the store or brand.[36]

Consumers who take action in response to dissatisfaction generally pursue one or more of five alternatives. As Figure 18–3 indicates, the most favorable of these alternatives from a company's standpoint is for consumers to complain to it. This at least gives the company a chance to resolve the problem. Many times, however, consumers do not complain to the company, but instead take actions such as switching brands or engaging in negative word-of-mouth (WOM).

Consumers are satisfied with the vast majority of their purchases. Still, because of the large number of purchases they make each year, most individuals experience dissatisfaction with some of their purchases. For example, one study asked 540 consumers if they could recall a case in which one or more of the grocery products they normally purchase were defective. They recalled 1,307 separate unsatisfactory purchases.

These purchases produced the following actions (the study did not measure negative word-of-mouth actions such as warning friends):

- 25 percent of these unsatisfactory purchases resulted in brand switching.
- 19 percent caused the shopper to stop buying the products.
- 13 percent led to an in-store inspection of future purchases.
- 3 percent produced complaints to the manufacturer.
- 5 percent produced complaints to the retailer.
- 35 percent resulted in the items being returned.

In a similar study of durable goods, 54 percent of the dissatisfied customers said they would not purchase the brand again (brand switching) and 45 percent warned their friends (negative WOM) about the product.[37]

As we discussed in Chapter 7, WOM is a critical factor in consumer behavior. Consumers trust WOM more than many other sources and, therefore, tend to rely on it heavily when making decisions. Unfortunately for companies, when it comes to WOM, there appears to be an asymmetry—that is, dissatisfaction yields more WOM than does satisfaction. One estimate puts the ratio at 2 to 1, with consumers telling twice as many people about a negative product or service experience than a positive one.[38]

One of the reasons for the asymmetry in WOM is the motivational force behind the emotions surrounding dissatisfaction, which can range from disappointment to frustration to rage. The results clearly point to the fact that the stronger the negative emotion, the more consumers are motivated to hurt the company in some way. That is, rather than trying to explain their problem to the company in hopes of fixing the situation, angry customers want to "get even." Learning how to avoid situations that would provoke such negative emotions is critical, as is training customer service employees to identify and deal with these strong emotions when they occur.[39]

Obviously, marketers should strive to minimize dissatisfaction *and* to effectively resolve dissatisfaction when it occurs. However, marketers also need to strive to maximize the chances that consumers will complain to their firm rather than engage in negative WOM and brand switching. We discuss these issues next.

Marketing Strategy and Dissatisfied Consumers

Firms need to satisfy consumer expectations by (1) creating reasonable expectations through promotional efforts and (2) maintaining consistent quality so the reasonable expectations are fulfilled. Because dissatisfied consumers tend to engage in negative WOM and because WOM is such a powerful decision influence, one dissatisfied consumer can cause a ripple or multiplier effect in terms of discouraging future sales.[40] Both offline and online WOM are important to consider.

> I feel mad. I put it in my Christmas letter to 62 people across the country. I mean, I told everybody don't buy one of these things because the transmission is bad.[41]

The above example is a marketer's nightmare. Yet the rise of social media has created challenges in this arena that make the above example seem like a minor nuisance. One such incident involved Dave Carroll and United Airlines:

> Dave Carroll is a musician and was travelling with his $3,500 710 Taylor acoustic guitar. From his seat he saw baggage handlers throwing his guitar without regard to its safety. When he reached his destination, he found that the guitar was ruined. United did not take responsibility even though Carroll complained to the company numerous times in numerous ways. So, being a musician, Dave made a music video about this experience and posted it on YouTube. This video has had over 10 million views and within days of being posted, United's stock fell 10 percent![42]

When a consumer is dissatisfied, the most favorable consequence is for the person to communicate this dissatisfaction to the firm but to no one else. In the above example, Dave Carroll made numerous attempts that United did not heed. This is unfortunate because such complaining can alert the firm to problems, enable it to make amends where necessary, and minimize negative word-of-mouth communications. Many firms have discovered that customers whose complaints are resolved to their satisfaction are sometimes even more satisfied than are those who did not experience a problem in the first place, particularly if the problem is minor and not repeated.[43]

Unlike Dave Carroll, consumers often do not complain for a variety of reasons.[44] These include:

- *Demographics.* Lack of resources such as income and education.
- *Personality.* Traits such as introversion and agreeableness.
- *Company.* Makes complaining process difficult and uncomfortable.

A lack of consumer complaining is always a problem, but when the firm contributes to it, it does so at the risk of damaging its reputation and its bottom line. Consider United's stock price drop worth $180 million.

Handling negative consumer comments and complaints generated via online social media can be particularly challenging. AT&T is one company that has gotten serious about dealing with bad press online based on issues with its network, particularly as it was the only option for iPhone users until just recently. Consider the following:

> On a normal day, AT&T has 10,000 mentions on social networks, but during stressful moments . . . they rise precipitously. The marketer is out to calm those twit storms by staffing up its social-media customer-care corps. The team began with five people dedicated to responding to customer dissatisfaction on Twitter and YouTube and has since moved to Facebook and grown to 19 people. To date, 47% of people reached on social media respond to the social team, which results in 32,000 service tickets per month.[45]

Such efforts by AT&T and others are designed to (a) recognize customer problems and utilize their input in the new era of social media, (b) act on the consumer input, and (c) influence the "narrative" by contributing to the conversation (see Consumer Insight 14–1 for more detail on such strategies).

ILLUSTRATION 18-5

This online company is aligning its internal processes toward proactively responding to consumer issues and needs.

Acting on complaints in a timely and effective manner is a key to customer satisfaction.[46] Most consumers who complain want a tangible result. Further, the results desired vary by customer type and the nature of the problem, requiring customized response capabilities.[47] Failure to deal effectively with this expectation can produce increased dissatisfaction. Therefore, firms need to resolve the cause of consumer complaints, not just give the consumers the opportunity to complain.[48]

In fact, for many firms, retaining customers by encouraging and responding effectively to complaints is more economical than attracting new customers through advertising or other promotional activities. It has been estimated that it costs only one-fifth as much to retain an old customer as to obtain a new one.[49] Training *front-line employees* who deal directly with customers to use appropriate communication styles and empowering them to resolve problems as they arise are two ways firms can increase customer satisfaction and retention.[50]

Unfortunately, many corporations are not organized to effectively resolve and learn from consumer complaints. This area represents a major opportunity for many businesses.[51] Consider the following:

> When Sprint's new CEO Gary Forsee joined the company last March, he wanted to know why hundreds of millions of dollars were being spent on bringing in new wireless customers, while existing unsatisfied customers went out the back door. Mr. Forsee, a 30-year veteran of telephone companies including AT&T and BellSouth, wanted Sprint to put customer service in its place, right next to customer acquisition. So, Sprint changed—a lot. In fact, Sprint business units were completely reorganized around a new focus: the customer experience. No longer are customers acquired and then "thrown over the wall" to customer service. Marketing, customer service and sales are no longer three different silos, but reside in a combined unit working together.[52]

Sprint's companywide approach yielded dividends, with customer turnover down since the reorganization. Illustration 18–5 shows another company that is aligning its processes to proactively deal with customer issues and the customer experience in an online context.

CUSTOMER SATISFACTION, REPEAT PURCHASES, AND CUSTOMER COMMITMENT

LO6

Satisfaction is an important driver of customer loyalty and many organizations are investing in programs to enhance customer satisfaction, as shown by the following excerpt about New York–Presbyterian Hospital (NYP):

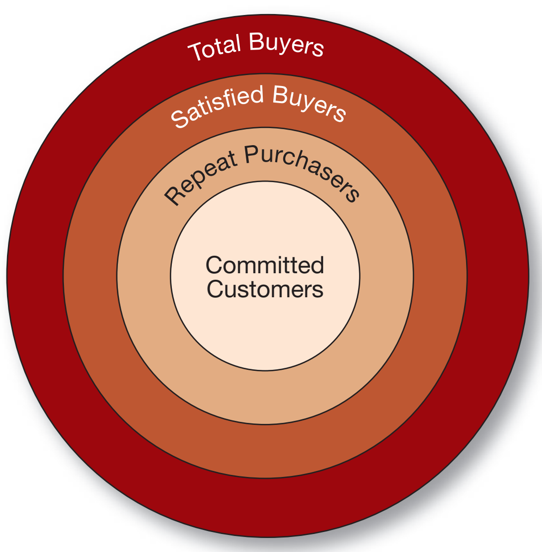
> NYP has looked very carefully at best practices for improving patient satisfaction across the country. To improve the patient experience, NYP implemented the Commitment to Care philosophy. Commitment to Care is a set of service expectations for all staff to follow in their work and interaction with patients, families and colleagues. The expectations are based on feedback that comes directly from patients and address their key priorities and needs. It was created to give employees clarity about what is expected of them and a clear set of standards by which to evaluate and recognize staff for issues related to service. Metrics [on key service dimensions] are an important tool for both the hospital and for our patients.[53]

Given increasingly sophisticated and value-conscious consumers and multiple brands that perform at satisfactory levels, producing satisfied customers is necessary but not sufficient for many marketers. Instead, the objective is to produce committed or brand-loyal customers.

Figure 18–4 illustrates the composition of the buyers of a particular brand at any point in time. Of the total buyers, some percentage will be satisfied with the purchase. As we have seen, marketers are spending considerable effort to make this percentage as high as possible. The reason is that, while many satisfied customers will switch brands,[54] satisfied customers are much more likely to become or remain repeat purchasers than are dissatisfied customers, particularly when satisfaction perceptions are strong and held with confidence.[55] **Repeat purchasers** continue to buy the same brand though they do not have an emotional attachment to it. They may do so out of habit or because they don't see viable options to their current choice.

As we saw earlier, some dissatisfied customers may also become or remain repeat purchasers. These individuals perceive the **switching costs**—*the costs of finding, evaluating,*

Creating Committed Customers Is Increasingly the Focus of Marketing Strategy **FIGURE 18-4**



and adopting another solution—to be too high.[56] However, they may engage in negative word-of-mouth and are vulnerable to competitors' actions.

Repeat purchasers are desirable, but *mere* repeat purchasers are vulnerable to competitor actions. That is, they are buying the brand out of habit or because it is readily available where they shop, or because it has the lowest price, or for similar superficial reasons. These customers have no commitment to the brand. They are not brand loyal. **Brand loyalty** is defined as

> a biased (i.e., nonrandom) behavioral response (i.e., purchase/recommend) expressed over time by a decision-making unit with respect to one or more alternative brands out of a set of such brands that is a function of psychological (decision-making, evaluative) processes.[57]

Service and store loyalty are generally defined in the same or a similar manner.[58] Thus, a consumer loyal to a brand (store or service), or a **committed customer,** has an emotional attachment to the brand or firm. The customer likes the brand in a manner somewhat similar to friendship. Consumers use expressions such as "I trust this brand," "I like this outlet," and "I believe in this firm" to describe their commitment, as in the following customer quote:

> I tried it myself one time and eventually adopted a taste for it. Now I drink it all the time. I have it every morning after I come in from my run. I drink it after I clean the house. I always have a glass of it in my hand. That's me. I am very loyal to Gatorade. I would say that I am very loyal to that. I know they have other brands of that now, I see coupons all the time, but I have never even picked up a bottle of them. Never even tried them. Because I like Gatorade a lot. I really do.[59]

In a higher involvement context, NYP Hospital, discussed earlier, goes well beyond having, measuring, and reporting on key metrics to high-touch efforts that deliver personalized and humane service to its patients and treat patients and family with compassion and respect. Such efforts go well beyond mere satisfaction toward building a committed, loyal customer base.

Brand loyalty can arise through a number of processes, including:

- *Brand identification.* This is when a consumer believes the brand reflects and reinforces some aspect of his or her self-concept. This type of commitment is most common for symbolic products such as beer and automobiles. It is also likely in service situations that involve extended interpersonal encounters.[60]
- *Brand comfort.* Research in services has also found that loyalty can arise from *consumer comfort.* Consumer comfort is "a psychological state wherein a customer's anxiety concerning a service has been eased, and he or she enjoys peace of mind and is calm and worry free concerning service encounters with [a specific] provider."[61] Service employees likely play a strong role in developing comfort given the high-contact nature of many services.
- *Brand delight.* Brand loyalty may also arise through performance so far above expected that it delights the customer.[62] Such superior performance can be related to the product, the firm itself, or, as mentioned earlier, the manner in which the firm responds to a complaint or a customer problem. Delight has been demonstrated for high-involvement services as well as for more mundane customer website visits.[63]

Given the above, it is obvious that it is more difficult to develop brand-loyal consumers for some product categories than for others. Indeed, for low-involvement product categories with few opportunities for truly distinct performance or customer service, most firms should focus on creating satisfied repeat purchasers rather than loyal or committed customers.[64]

Committed customers are unlikely to consider additional information when making a purchase. They are also resistant to competitors' marketing efforts—for example, coupons. Even when loyal customers do buy a different brand to take advantage of a promotional deal, they generally return to their original brand for their next purchase.[65] Committed customers are more receptive to line extensions and other new products offered by the same firm. They are also more likely to forgive an occasional product or service failure.[66]

Finally, committed customers are likely to be a source of positive word-of-mouth communications. This is extremely valuable to a firm. Positive WOM communications from a committed customer increase the probability of the recipient's both becoming a customer and sharing the positive comments with other people.[67] Consumer Insight 18–1 shows how some marketers are utilizing a WOM measure to capture customer satisfaction and loyalty and predict future growth.

It is no surprise, therefore, that many marketers attempt to create satisfied customers and then try to convert them to committed customers. Committed customers are much more profitable to the firm than mere repeat purchasers, who in turn are more profitable than occasional buyers.[68]

Repeat Purchasers, Committed Customers, and Profits

Churn is a term used to refer to *turnover in a firm's customer base.* If a firm has a base of 100 customers and 20 leave each year and 20 new ones become customers, it has a churn rate of 20 percent. Churn at Amica, an insurance company dedicated to loyalty, is at an amazingly low 2 percent per year![69] Reducing churn is a major objective of many firms today. Why? It typically costs more to obtain a new customer than to retain an existing one, and new customers generally are not as profitable as longer-term customers. Consider the profits generated by one credit card firm's customers over time:[70]

Year	Profits
Acquisition cost	(\$51)
Year 1	\$30
Year 2	\$42
Year 3	\$44
Year 4	\$49
Year 5	\$55

Acquisition costs include such expenses as advertising, establishing the account, mailing the card, and so forth. First-year profits are low because many new customers are acquired as a result of a promotional deal of some type. In addition, their initial usage rate tends to be low and they don't use all the features. This is a common pattern for both consumer and industrial products. Auto service profits per customer increased from \$25 the first year to \$88 in the fifth year, and an industrial laundry found they went from \$144 to \$258.

Figure 18–5 shows the sources of the growth of profit per customer over time. *Price premium* refers to the fact that repeat and particularly committed customers tend to buy the brand consistently rather than waiting for a sale or continually negotiating price. *Referrals* refers to profits generated by new customers acquired as a result of recommendations from existing customers. *Lower costs* occur because both the firm and the customer learn how to interact more efficiently over time. Finally, customers tend to use a wider array of a firm's products and services over time.[71]

Although committed customers are most valuable to a firm, reducing churn can have a major impact on profit even if the retained customers are primarily repeat purchasers.

CONSUMER INSIGHT 18-1

Do You Know Your Net Promoter Score?

Companies are always looking for better ways to measure true attitudinal loyalty. A recent approach that has garnered considerable interest is called the **net promoter score** (NPS). It might surprise you to find that NPS does not measure attitudinal loyalty through satisfaction scores or through some direct loyalty measure.[72] Instead, it is an *indirect* measure based on WOM. The technique is based on the following question:

"How likely is it that you would recommend (company X) to a friend or colleague?"

0-----1-----2-----3-----4-----5-----6-----7-----8-----9-----10

Not at All Likely	Neutral	Extremely Likely

Three categories of consumers are created based on their answers to this question, as follows:

Promoters: score 9 or 10
Passively Satisfied: score 7 or 8
Detractors: score 0 to 6

NPS is then calculated by subtracting the proportion of a firm's customers who are detractors from the proportion who are promoters. Passively satisfied customers are seen as essentially neutral in a way that makes them unlikely to engage in any proactive behavior regarding the company, either positive or negative. So, a company with 60 percent promoters, 30 percent passively satisfied, and 10 percent detractors would have an NPS of 50 (= 60% promoters – 10% detractors). Thus, the NPS *measures the percentage of a firm's customer base left after subtracting out the firm's detractors.*

Several points about NPS are worth noting.

1. Higher NPS scores, in many industries, are strongly related to positive firm growth. That is, if a firm's NPS score is going up (growth in promoters relative to detractors), then future growth in revenues is likely. This makes sense when you consider how powerful and trusted WOM is as a source of consumer information and as a basis for consumer choice.
2. NPS, although based on a WOM question, appears to tap into attitudinal loyalty because recommending to a friend or colleague involves social risk and requires proactive behavior on the part of the firm. Such risk taking and effort on behalf of a brand would seem most likely for a consumer who is highly *committed* to that brand.
3. NPS is very simple compared to many satisfaction and loyalty questionnaires that can involve dozens of questions.

NPS is not perfect (doesn't work well in all industries) and is not the only measure out there (other measures exist that are highly correlated with a firm's financial performance). However, the simplicity of NPS and its strong relationship with growth have made it popular with companies such as GE, Intuit, and American Express. The simplicity of NPS can also be a weakness when used inappropriately, and care in its use is important. NPS is a barometer of what's going on with the company. Measuring NPS is useless unless it aids change management at all levels of the organization to align firm and employee actions with customer feedback. As one expert notes:

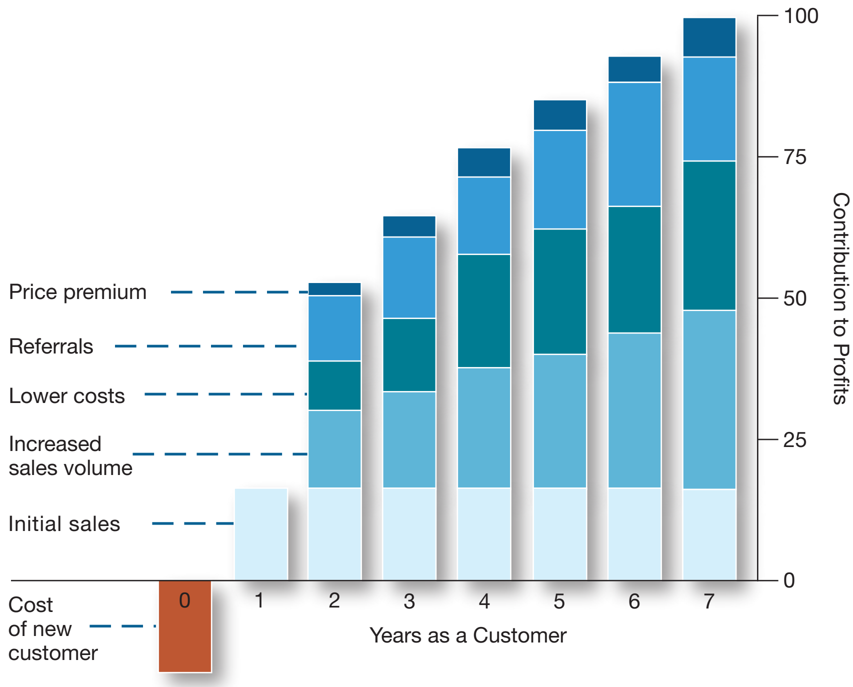
> If we're going to act, we need more than a number. [Consumer] comments are essential, with driver analysis the next step. What do [consumers] comment about? What leads to being a promoter? To a detractor? And what will get passives off the fence?

Therefore, companies who use NPS often recommend supplementing the "recommend" question with questions that get at underlying reasons for the score. One company follows the "recommend" question with an open-end question that asks, "What is your primary reason for your rating [on the recommend question]?" Such an approach is still quite simple and yet provides the basis for marketing strategies to convert passively satisfied and detractor customers into promoters.

Critical Thinking Questions

1. Why do you think NPS is strongly related to firm growth?
2. Do you think NPS is also related to firm profits?
3. When might NPS not be a good predictor of firm growth?

Sources of Increased Customer Profitability over Time **FIGURE 18-5**



Source: "Sources of Increased Customer Profitability over Time." © 1999 TIME Inc. Reprinted by permission.

Reducing the number of customers who leave a firm in a year increases the average life of the firm's customer base.[73] As we saw earlier, the longer a customer is with a firm, the more profits the firm derives from that customer. Thus, a stable customer base tends to be highly profitable per customer. Reducing the number of customers who leave various types of firms each year by five percent has been found to increase the average profits per customer as follows:[74]

Firm Type	Percent Increase in Average Profits per Customer
Auto service	30%
Branch banks	85
Credit card	75
Credit insurance	25
Insurance brokerage	50
Industrial laundry	45

The motivation for marketers to retain customers is obvious. Phil Bressler, the co-owner of five Domino's Pizza outlets in Maryland, found that a regular customer was worth more than $5,000 over the 10-year life of the franchise agreement. He makes sure that every employee in every store is constantly aware of that number. Poor service or a bad attitude may cost the outlet several thousands of dollars, not just the $10 or $15 that might be lost on the single transaction![75]

However retaining some customers is more profitable than others. For example, at a typical commercial bank, the top 20 percent of customers generate six times more revenue than they cost. In contrast, the bottom 20 percent generate three to four times more costs than they do revenue. Firms increasingly understand the need to either strip out value-added services, raise prices to the point where unprofitable customers become profitable (or leave because they don't perceive enough value for the price), or gently encourage unprofitable customers to leave. Consider the following:

- One electric utility serves its top 350 business clients with six customer service representatives. The next 700 are served by six more, and the remaining 30,000 are served by two. The 300,000 residential customers must deal with an automated 800 number.
- One financial institution codes its credit card customers with colors that appear when their accounts appear on a service rep's screen. Green (profitable) customers are granted waivers and otherwise given white-glove treatment. Red (unprofitable) customers have no bargaining power. Yellow (marginal profit) customers are given a moderate level of accommodation.

ING even goes so far as to "fire" customers that don't match its profile of a "low touch, low margin" financial services provider. High-touch customers, that is, those who need a lot of personal attention, are not part of ING's target market and these customers cost more to serve than ING charges. That's because ING's pricing is based on their targeted "low touch" customer.[76]

Firing customers is tricky business. It can keep costs down and profits up, but it can also alienate former customers and create negative emotions (abandonment, anger, rage), and thus negative WOM.[77] Therefore, marketers are trying to understand the best ways to "fire" customers. Clearly a gentle, humane, and fair approach can help. For example, some companies go so far as to offer suggestions about where the customer might find a better "fit" with his or her needs.

Repeat Purchasers, Committed Customers, and Marketing Strategy

An important step in developing a marketing strategy for a particular segment is to specify the objectives being pursued. Several distinct possibilities exist:

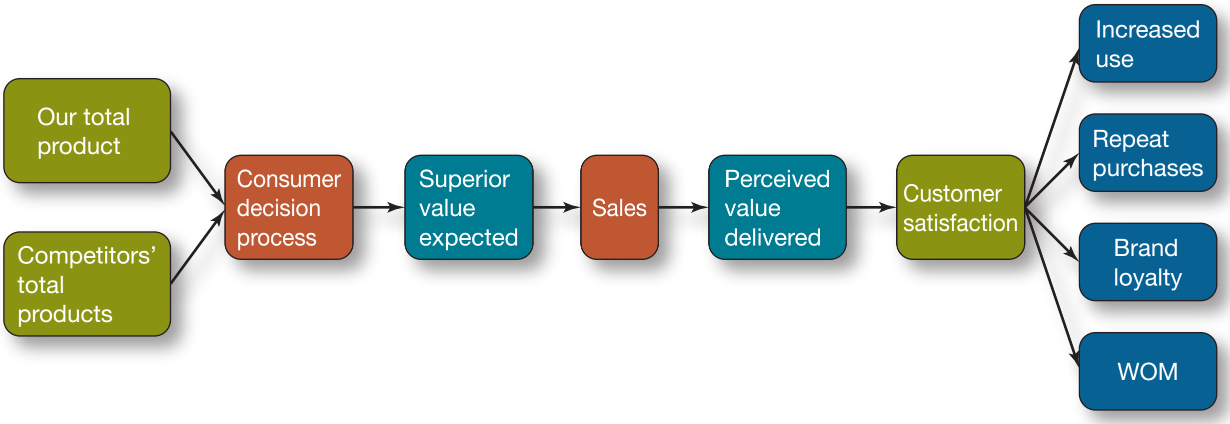
1. Attract new users to the product category.
2. Capture competitors' current customers.
3. Encourage current customers to use more.
4. Encourage current customers to become repeat purchasers.
5. Encourage current customers to become committed customers.

Each of the objectives listed above will require different strategies and marketing mixes. The first two objectives require the marketer to convince potential customers that the marketer's brand will provide superior value to not using the product or to using another brand. Advertisements promising superior benefits, coupons, free trials, and similar strategies are common approaches. While some firms are content to consider the sale the last step, smart firms now realize the critical importance of retaining customers after the initial sale. This is true even for infrequently purchased items—rather than repeat sales, the marketer wants positive, or at least neutral, word-of-mouth communications.

The last three objectives, listed earlier, focus on marketing to the firm's current customers. All require customer satisfaction as a necessary precondition. As Figure 18–6 indicates, this requires that the firm deliver the value expected by the customer. Techniques for

Customer Satisfaction Outcomes

FIGURE 18-6



creating satisfied customers were described earlier. Marketing efforts focused on a firm's current customers are generally termed *relationship marketing.*

Relationship Marketing *An attempt to develop an ongoing, expanding exchange relationship with a firm's customers* is called **relationship marketing.**[78] In many ways, it seeks to mimic the relationships that existed between neighborhood stores and their customers many years ago. In those relationships, the store owner knew the customers not only as customers but also as friends and neighbors. The owner could anticipate their needs and provide help and advice when needed. Relationship marketing attempts to accomplish the same results, but because of the large scale of most operations, the firm must use databases, customized mass communications, and advanced employee training and motivation.[79]

Consider the following example:

> Lees Supermarkets, a family-owned and -operated company, started a Shoppers Club that records the purchases of members. Frequent or heavy shoppers are offered special incentives and deals. These offers can be customized on the basis of past purchasing patterns. In addition, last Thanksgiving, 600 regular, high-volume members were rewarded with free turkeys. Such an unexpected reward can produce delight and loyalty among key customers.[80]

Relationship marketing has five key elements:[81]

1. Developing a core service or product around which to build a customer relationship.
2. Customizing the relationship to the individual customer.
3. Augmenting the core service or product with extra benefits.
4. Pricing in a manner to encourage loyalty.
5. Marketing to employees so that they will perform well for customers.

This list of elements makes it clear that relationship marketing is centered on understanding consumer needs at the individual consumer level.[82] Not all customers are equally receptive to relationship marketing efforts. Perceptions that such relationships with the firm will be inconvenient and not yield adequate benefits and concerns over privacy are several factors that reduce consumer propensity to engage with relationship marketing efforts.[83]

ILLUSTRATION 18-6

Successful customer loyalty programs such as Capital One's BuyPower Card, are based on understanding the needs of key customers (in this case GM consumers) and providing benefits of value to them.

A substantial amount of effort is currently being focused on **customer loyalty programs.** In addition to frequent-flier programs offered by most major airlines, programs designed to generate repeat purchases include the following:

- Marriott has Marriott Rewards. Members earn points for staying at Marriott hotels and are classified into Silver, Gold, or Platinum, based on the number of stays per year. This classification system and its large customer database help Marriott customize its amenities and promotions based on each customer's individual profile.
- Sports franchises use card-based reward programs where members earn points for attending events and can redeem those points for team memorabilia, food, and drinks. Teams can also use the member data to create personalized communications and offerings, including season-ticket packages to their most attractive members.[84]

However, it is important to distinguish between programs that simply generate repeat purchases and those that generate committed and loyal customers.[85] Committed customers have a reasonably strong emotional attachment to the product or firm. Generating committed customers requires that the firm consistently meet or exceed customer expectations. Further, customers must believe that the firm is treating them fairly and is, to some extent at least, concerned about their well-being. Thus, *generating committed customers requires a customer-focused attitude in the firm.* It also requires that this attitude be translated into actions that meet customers' needs.[86]

Loyalty programs can be effective in generating committed customers if they understand and fulfill key customer needs (e.g., promotional awards on a favored brand), as shown by the Capital One ad in Illustration 18–6.

Research continues to investigate online loyalty. While differences in type of site and purpose of visit (buying versus browsing) are likely to exist, evidence supports Figure 18–6 in suggesting that perceived value and satisfaction are important determinants of online loyalty just as they are for products, services, and traditional retail outlets.[87] In addition, research has identified factors unique to online settings that drive e-loyalty. For example, one study finds security and privacy to be critical.[88] Other research identifies customization and personalization, interactivity, convenience, and online community as factors that drive e-loyalty, WOM, and willingness to pay.[89]

SUMMARY

SMARTBOOK™

LO1: Describe the various postpurchase processes engaged in by consumers

Purchase is followed by a number of processes including use, evaluation, and, in some cases, satisfaction, and consumer responses related to satisfaction including repurchase, positive word-of-mouth, and loyalty. Evaluation can also lead to dissatisfaction, which is sometimes associated with complaining, as well as erosion of loyalty, brand switching, and negative word-of-mouth.

LO2: Define and discuss postpurchase dissonance

Following some purchases, consumers experience doubts or anxiety about the wisdom of the purchase. This is known as *postpurchase dissonance.* It is most likely to occur (1) among individuals with a tendency to experience anxiety, (2) after an irrevocable purchase, (3) when the purchase was important to the consumer, and (4) when it involved a difficult choice between two or more alternatives.

LO3: Discuss the issues surrounding product use and nonuse and their importance to marketers

Whether or not the consumer experiences dissonance, most purchases are followed by product use. This use may be by the purchaser or by some other member of the purchasing unit. Monitoring product usage can indicate new uses for existing products, needed product modifications, appropriate advertising themes, and opportunities for new products. Product liability laws have made it increasingly important for marketing managers to be aware of all potential uses of their products.

Product nonuse is also a concern. Both marketers and consumers suffer when consumers buy products that they do not use or use less than they intended. Thus, marketers frequently attempt to influence the decision to use the product as well as the decision to purchase the product.

LO4: Summarize disposition options and their relevance to marketers and public policy

Disposition of the product or its package may occur before, during, or after product use. Understanding disposition behavior is important to marketing managers because of the ecological concerns of many consumers (and resulting green marketing efforts, see Chapter 3), the costs and scarcity of raw materials, and the activities of federal and state legislatures and regulatory agencies. *E-waste* is an emerging area of concern related to disposition.

LO5: Explain the determinants and outcomes of satisfaction and dissatisfaction

Consumer perceptions regarding satisfaction and dissatisfaction are a function of a comparison process between consumer expectations of performance and their perceptions of actual performance. When expectations are met or exceeded, satisfaction is likely to result, and in some cases commitment or loyalty is developed. When expectations are not met, dissatisfaction is the likely result. Service is a major determinant of customer satisfaction even when the core purchase involves a physical product. Service and product failures, failure to adequately address product and service problems, and bad pricing are key factors that lead to dissatisfaction.

Dissatisfaction can lead to many undesirable responses from the perspective of the firm, including erosion of loyalty, negative word-of-mouth, and switching brands. One positive response for the firm is customer complaining, although customers often are reluctant to complain and companies are often not well prepared to act on those complaints when they do occur.