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/// Strong relationships can "backfire" on firms after a poor recovery.

When Your Best Customers Become Your Worst Enemies: DOES TIME REALLY HEAL ALL WOUNDS?

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Customer revenge and avoidance in the context of online complaints by the public are hot topics. This article helps managers to understand the phenomenon and to prevent damage. Do online complainers hold a grudge—in terms of revenge and avoidance desires—over time? Results show that time affects the two desires differently: although revenge decreases over time, avoidance increases over time, indicating that customers hold a grudge. Then, we examine the moderation effect of a strong relationship on how customers hold this grudge. Indeed firms' best customers have the longest unfavorable reactions. This is called the love-becomes-hate effect. Specifically, over time the revenge of strong-relationship customers decreases more slowly, and their avoidance increases more rapidly, than for weak-relationship customers. Further, we explore a solution to attenuate this damaging effect: the firm offering an apology and compensation after the online complaint. Overall, strong-relationship customers are more amenable to any level of recovery attempt.

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The Story of Dave Caroll

Sometimes customers can take extreme action to hurt a firm, if they feel they have been treated badly or unfairly. Consider the story of Dave Carrol, a Canadian musician whose guitar was broken on a United Airlines flight from Canada to the US. He and fellow passengers on board had witnessed the baggage-handling crew throwing guitars at a connecting airport in Chicago. At his final destination, Dave discovered that his USD 3.500 guitar had indeed suffered a broken neck. He had already alerted three United Airlines employees in Chicago, but none of them took responsibility. They remained indifferent to his attempts to complain. This was the beginning of nine months' buck passing, during which time he was sent from one person to the next, and ultimately informed that he was ineligible for any compensation.

Then, imagining what Michael Moore would have done, Dave wrote a song about his experience with United Airlines, produced a video and posted it on YouTube on July 6, 2009 (http://www.youtube.com/watch?v=5YGc4zOqozo). The lyrics include the verse "I should have flown with someone else, or gone by car, because United breaks guitars". The video amassed 150,000 views within one day, over half a million hits by July 9, 2009, 5 million by mid-August 2009, and over 8 million by March 2010. The story of the song's instant success and the public relations humiliation for United Airlines was reported in media all over the world. Finally, it prompted a reaction from United, who offered to compensate the damage and promised to check its policies.

{*Box 1*}

THE STUDY

To analyze whether customers behave as expected, the authors surveyed customers who sent an online complaint to one of two large and professionally managed, third party US complaint websites (consumeraffairs.com and rip-off_report.com). Customers who had filed a complaint within the preceding 10 days of the survey were included. Overall, 17.5 % of the complaints were classified as "unspecified recovery stage". After excluding these instances, 96.2 % of the complaints were classified as "double deviation". Only 13 (3.5 %) service failures with no recovery request were identified and only one service failure recovery followed by a positive recovery. For the "double deviation" instances, 83.1 % of these respondents requested many recoveries from the firm.

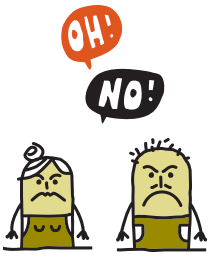
The study included four waves. The first series of questions was followed by three further questionnaires, each after a period of two weeks. 431 participants completed the first survey. Overall, 172 respondents completed all four phases, covering complaints in diverse industries.

In the first wave, respondents answered questions related to their prior relationships, desires for revenge and avoidance, perceived betrayal, and control variables (e.g., perceived severity or fairness). Waves 2-4 used fewer measures, and the respondents mostly answered questions about their desires, perceived betrayal, and some behaviors.

An individual growth modeling approach was applied to test the assumed relations on an aggregate level and to also track individual change patterns over time. The first analyses showed the effect of time on revenge and avoidance (aggregate, Fig.1). The second level model included the variables described in the precedent paragraph to explain their interaction with time in effecting either desire for revenge or avoidance (individual, Fig. 2, 3).

Online Public Complaining

Online public complaining, a phenomenon defined as the act of using the internet to publicly complain about firms, happens every day in different forms and intensities. A vast array of online third-party organizations offer convenient preformatted platforms that customers can use. For instance, complaint websites (e.g., complaints.com) and consumer agencies (e.g., bbb.com) provide online environments in which customers can post their misadventures, and chat with others. User-generated content websites such as youtube.com also offer accessible venues for complaining (as demonstrated above) as well as "homemade" anti-corporation websites (e.g., starbucked.com).



However, not all service failure situations are likely to lead to online and public action. Customers typically engage in online public complaining when a service failure is followed by failed recoveries — that is to say, when firms keep failing to address direct complaints. Such instances are also referred to as "double deviations". That is exactly what happened in Dave Caroll's case. Before he went public, he aimed to solve his problem in direct contact with United Airlines — he even tried for nine months! The case further reveals the serious consequences that customers' desire to take revenge can have for firms, given current internet possibilities. Whereas the damage of negative word-of-mouth was limited to a fairly small audience until a few years ago, online reports can now reach millions of people within a few days.

In light of these developments, the business press has identified online complaining as a growing threat that needs managers' consideration. In order to guide managers' actions, the current research examines the evolution of the grudge of online complainers over time. It pays special attention to firms' best customers — that is to say, those who perceive they have strong relationships with firms. Specifically, the following three core questions are addressed:

1. Do online complainers forgive or hold a grudge against firms over time?

2. How does a strong relationship affect the evolution of this grudge? Do your best customers become your worst enemies, or are they more forgiving? Do they hold a grudge over an even longer period, compared to other customers?

3. Can offering a recovery help after the online complaint occurs? How should managers best react in such situations?

Complainers Grudge Changes Over Time

Most online complainers have been the "victims" of a series of failures. As a consequence they feel betrayed and develop vivid desires for revenge and avoidance. As long as customers maintain these desires (or one of them), they hold a grudge against firms and fail to forgive. A desire for revenge can be compared to a "fighting" strategy, and is at the origin of most retaliatory behaviors, such as private vindictive complaining (e.g., insulting employees), negative word of mouth and public complaining through online venues. In turn, a desire for avoidance motivates customers to "take flight" by reducing their patronage with firms to avoid further damage. Revenge and avoidance are not mutually exclusive, but can coexist. For instance, a customer can diminish his or her patronage (i.e., avoidance) while also badmouthing to his friends and on complaint websites (i.e., revenge).

Both manifestations of a grudge are expected to evolve differently over time. Revenge and its related thoughts, feelings and actions are expected to decrease over time. Retaliatory actions or fights require energy to plot and pursue, without any promise of material gains. Besides, a desire for revenge requires extensive psychological resources. Sustaining a certain level of negative emotions and thoughts is difficult over time. Furthermore, this decreasing pattern may be supported by a potentially "quenching" effect of online public complaining. Customers may feel they have satisfied their desire for revenge by taking public action against the firms.

On the other hand, a desire for avoidance should increase over time. Commercial relationships can be replaced quite easily (especially after looking for an adequate alternative for some time) and customers are expected to use the less costly alternative of mere avoidance after having complained publicly.

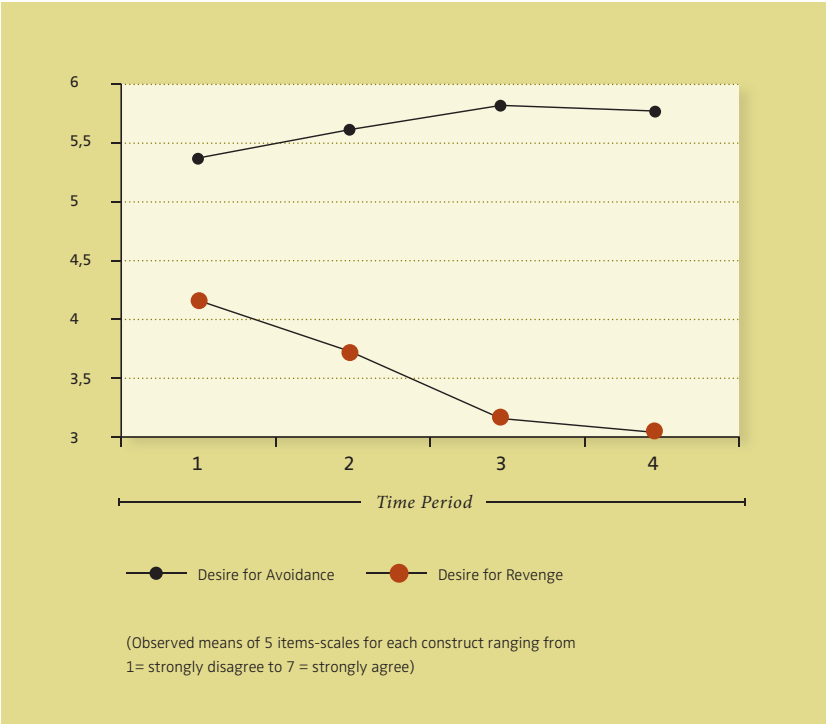


FIGURE 1:
Evolution of Revenge and Avoidance over Time

Figure 1 illustrates the results which confirm the assumed relations between the desire for revenge and avoidance over time. The desire for revenge decreases considerably during the first three periods and continues to decline somewhat in the fourth. The desire for avoidance increases during the first three periods and slightly falls in the fourth. The changes in desire for avoidance are weaker than those for revenge.

The authors also explored whether a recovery that customers received after their online complaint had any reducing effect on their desires for revenge or avoidance. To measure this variable, participants stated whether or not the service failure was resolved to their satisfaction since they complained to the website. The proportion of complainers who received a recovery went from 15.4 %, to 23.0 %, and to 27.6 % at times 2, 3 and 4, respectively. Customers who received a satisfactory recovery at times 2 and 3 reported reductions in their desire for revenge, but a late post-complaint recovery at time 4 did not affect the desire for revenge. However, this form of recovery does not seem to bring back the business of online complainers. Such post-complaint recovery had no significant effect on a desire for avoidance at any time period.

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Best Customers Become Worst Enemies

In light of a potential grudge-holding, the second question becomes especially crucial. Given the profitability of strong-relationship customers, firms need to know whether their best customers hold this grudge more permanently. At first sight, it seems counterintuitive that strong relationships should amplify customers' unfavorable responses to negative service encounters. Overall, close ties have rather been assumed to protect firms against the possible damage that service failures and poor recoveries can cause. However, considering that feelings of betrayal play a role in causing online public complaining, it makes sense to assume negative effects of strong relationships. As a relationship gains in strength, repeatedly denied claims are perceived as a significant violation of fairness and lead to an increased sense of betrayal. Strong-relationship customers are more likely to take offense if they are the victims of a service failure episode, especially if they asked for help. They may believe that firms "owe" them more than they owe weaker-relationship customers and may feel particularly betrayed. This, in turn, might drive strong-relationship customers to retaliate with greater intensity. Compared to customers with weaker relationships, the desire for revenge of strong-relationship customers should therefore be maintained over a longer period of time, and their desire for avoidance should increase more rapidly. A type of love-becomes-hate effect is expected to take place over time.

The data from the study confirm that strong relationships increase perceived betrayal. Compared to weak-relationship customers, strong-relationship customers feel more betrayed at each time period. For both types of relationship, perceived betrayal on average, decreased over time. (Figure 2)

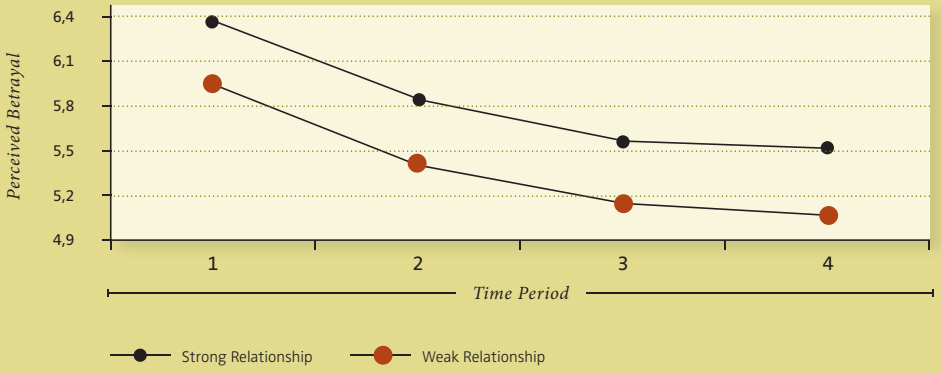
Furthermore, relationship quality was not only linked to perceived betrayal but also, very consistently over time, to the desire for revenge and avoidance.

Figure 3a shows the pattern of change over time for two different levels of relationship quality. The desire for revenge of strong-relationship customers decreased more slowly than that of weak-relationship customers. As illustrated in Figure 3b, the desire for avoidance by strong-relationship customers increases more rapidly over time than that of weak-relationship customers.

Breaking the Love-Becomes-Hate Effect: Is a Simple Apology Enough?

The third question explores possible actions companies might take to attenuate this love-becomes-hate effect. The findings of the study are somewhat encouraging in this respect: Although online complainers were unlikely to patronize the firm again, a timely recovery attempt substantially decreased their desire for revenge. To further investigate to what extent strong-relationship customers differ in their reaction from weak-relationship customers and what type of post-complaint recovery should be sought, a follow-up experiment was arranged. The relational orientation of strong-relationship customers suggests that there is a difference again: relationship-focused customers should be more amenable to recovery efforts, regardless of the size or economic value. For them, the perceived sincerity of an apology and the admission of wrongdoing have even been found to be more important than restitution or product replacement.

For weak-relationship customers, however, the concerns and advice are different. These customers are especially motivated by financial repayments and exchange, and they believe they should be fully compensated for their problems. Thus, the size of the compensation is more important to them than the social efforts. Accordingly, their desire for revenge should decrease in proportion to the level of recovery offered. Specifically, their desire for revenge should be the most reduced over time when they receive a high recovery.



(Observed means of 5 items-scales for each construct ranging from 1= strongly disagree to 7 = strongly agree)

FIGURE 2:
The Effects of Relationship Quality on Perceived Betrayal over Time

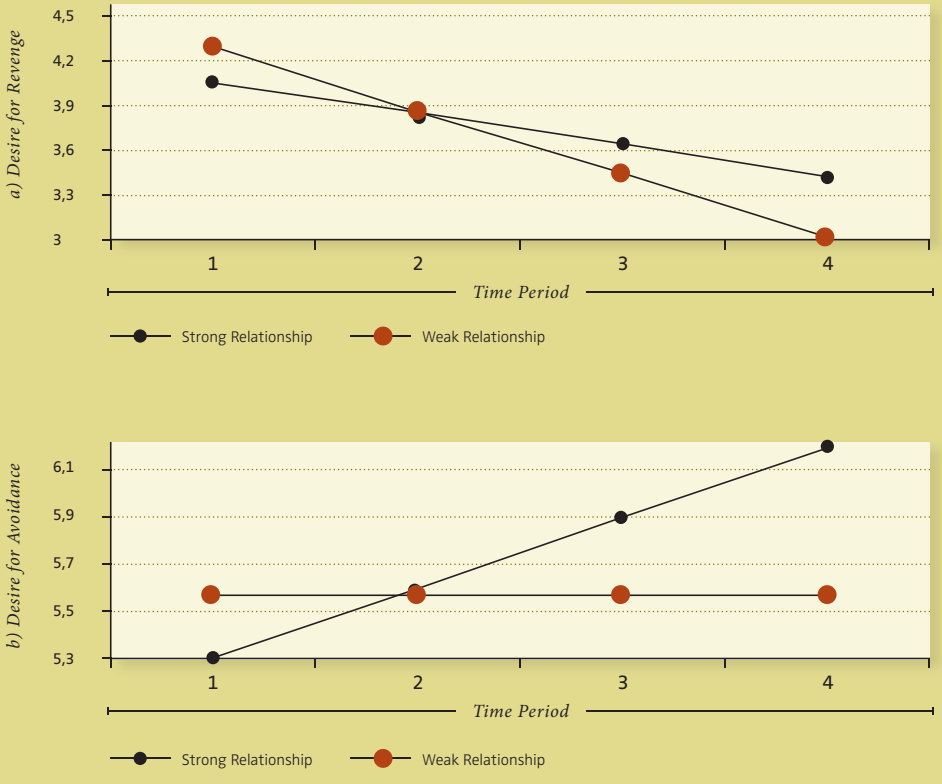


FIGURE 3:
The Interaction Effects between Relationship Quality and Time into Predicting Revenge Desires (a) and Avoidance (b)

FIGURE 4:
The Effects of Recovery Attempts on the Desire for Revenge of Strong versus Weak Relationship Customers



Figure 4 shows the major results of the experiment. The desire for revenge of strong- relationship customers substantially decreased when either a normal recovery or a high recovery was offered. The desire for revenge remained the same when no recovery was offered. Although strong-relationship customers felt more betrayed when no recovery was offered, this perception and their desire for revenge were greatly attenuated (over time) by an apology and a modest post-complaint recovery. In their case, an expensive recovery is not necessary because it does not have more "revenge quenching" power.

The desire for revenge of weak-relationship customers evolved very differently. A substantial decrease was only observed when a high recovery was offered. The desire for revenge remained the same when no recovery or a normal recovery was offered. Weak-relationship customers seem more calculative and instrumentally oriented. Only an expensive and high recovery attempt had a reducing effect on the revenge of these customers over time.

Key Insights

Online complainers do indeed hold a grudge over time

Time does not fully "heal" the problems related to online public complaining. Although customers' revenge decreases with time, they hold a grudge through their growing desire for avoidance. After their online complaints, these customers have an intense and growing desire to cut any forms of interactions with firms. Their patronage seems definitively lost, a situation that has drastic repercussions on the estimations of customer lifestyle value. In addition, this patronage is unlikely to be restored with any recovery initiatives. A post-complaint recovery did not have any attenuating effect on avoidance in the main study. Online complaining could be interpreted as a form of divorce that is announced publicly. Complainers claim strenuously that they will not return to these firms, and they do not. Despite this pessimistic outlook, managers can find comfort in the decrease of revenge over time. Online complainers may leave permanently, but at least, their grudge does not take the form of permanent retaliation.

Firms' best customers hold this grudge over a longer period of time

Relationship quality affects the evolution of revenge and avoidance desires in a manner that can damage firms. Firms' prior best customers, after their online complaints, maintain their desire for revenge over a longer period of time than do other customers. Best customers' desire for avoidance also increases at a faster pace over time. This form of love-becomes-hate effect shows that strong relationships can "backfire" on firms after a poor recovery. In the case of perceived betrayal, apparently there is no "safety cushion" at all.

Offering a timely post-complaint recovery may help

When firms act fast within the post complaint recovery process, they might be able to succeed in reducing their customers' desire for revenge. However, the form of reaction is important as strong- and weak-relationship customers' expectations of an adequate reaction are quite different. Even a reaction that is considered fair does not reduce complainers' desire for avoidance.

Managerial Implications

- ***Invest in the prevention of perceived betrayal***
  The potential costs of online customer retaliation are significant, and they are above and beyond the loss of a customer's lifetime patronage. Therefore prevention is arguably the best strategy against offensive reactions. To prevent betrayal and retaliation, firms must have a clear understanding of the normative expectations of their customers, and identify the point at which poor recoveries are viewed as normative violations. If customers perceive that recovery procedures and interpersonal interactions are fair, they will feel less betrayed, regardless of the outcomes received and their levels of relationship. Corporate recovery policies should reflect this notion.

- ***React quickly or never, if something goes wrong***
  Ensure that grievances are effectively "repaired" early in the recovery process (within five weeks of the online complaint, according to the data of the study). Offering a timely post-complaint recovery should substantially reduce complainers' potential retaliations. A desire for revenge naturally decreases over time and "quenching" effects of having complained publicly also already help. Therefore, compensation thereafter is wasted money, though an apology at any time can probably never be wrong.

{*Box 2*}

EXPERIMENT: DESIGN AND PROCEDURE

Participants were confronted with a fictional scenario (time 1) that described a "double deviation", which was followed by a recovery attempt after an online public complaint (at time 2, after a filler task). They were asked to imagine themselves in the role of a customer who experienced a service failure at a French restaurant and exposed to the relationship quality manipulations. Then they read the information about a service failure and a failed recovery. The total value of the meal was USD 75. After reading this, the participants answered a series of questions about feelings of betrayal, desire for revenge and avoidance. To simulate online public complaining, all participants had to write a blog about the restaurant on "an influential newsgroup about French cuisine".

Next, (time 2), they were exposed to different levels of recovery. In the "no recovery" condition, the owner did not offer any apologies or compensation. In both recovery conditions (i.e., normal and high), the owner recognized his fault and offered an apology. He then offered a USD 50 gift certificate in the "normal recovery" condition versus a full reimbursement (USD 75) and a bottle of French wine (USD 25) in the "high recovery" condition. Then, the participants completed another series of questions.

» Although online complainers were unlikely to patronize the firm again, a timely recovery attempt substantially decreased their desire for revenge. «



> ***Identify your strong-relationship customers***
It makes sense to differentiate between strong- and weak-relationship customers given the different patterns of grudge evolvement and reactions to recoveries. Firms should make special efforts to identify customers with close ties. Yet, the identification of these customers could be more challenging than expected. Customers who perceive a high level of relationship quality are not necessarily those who had the longest relationship with a firm or who had the highest frequency of interaction. Accordingly, firms should collect data about their customers' perceptions of relationship quality, and not exclusively rely on behavioral measures already available in their information systems.

> ***Focus on post-complaint recovery of strong-relationship customers***
To prevent "love-becomes-hate" situations, firms should develop recovery procedures that are specifically designed to satisfy the needs of strong-relationship customers. Their betrayal and desire for revenge almost disappear over time when they receive any level of recovery. Indeed, there were no differences in their desire for revenge after receiving a normal recovery (a USD 50 gift certificate) versus a high-end recovery (i.e., a USD 75 cash value and a USD 25 bottle of wine) for a USD 75 dinner. These results suggest that firms need not "go beyond the call of duty" with strong relationship customers, who seem more interested by the social rather than the economic value of a recovery. It is advisable for firms to pay particular attention to tracking the online activities of these customers. Once identified, firms should quickly offer them a recovery that includes: an acknowledgement of responsibility, an apology, and a "normal" compensation in the form of a gift certificate or replacement rather than a cash reimbursement.

On the other hand, firms should be cautious about using a post-complaint recovery with weak-relationship customers. The revenge of these customers is conditioned by the level of a recovery. As a result, firms have to invest in a costly recovery to obtain a pronounced decrease in their revenge. A normal recovery is not sufficient. Because these customers are unlikely to return, they may not

be worth such a high investment. Additionally, the desire for revenge of these customers decreases more quickly, and becomes very low after five weeks even when no recovery is offered. It seems that time will naturally reduce the revenge of weak-relationship customers anyway.

... and what about Dave Caroll?

Dave refused the very late offer for compensation of United and stuck to his original plan of making two more songs and videos on his experiences. By creatively working on his "United breaks guitars trilogy" and its enormous resonance and success with customers with similar experiences (almost everybody, it seems) his grudge vanished into thin air: *"I've been done being angry for quite some time and, if anything, I should thank United. They've given me a creative outlet that has brought people together from around the world. We had a pile of laughs making the recording and the video while the images are spinning on how to make 'United: Song 2' even better than the first. So, thanks United. If my guitar had to be smashed due to extreme negligence I'm glad it was you that did it!" (http://www.davecarrollmusic.com/ubg/story/)*

FURTHER READING

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