Characteristics of Consumers Who Seek Third Party Redress

Using logistic regression analysis, consumers’ propensities to seek redress from specific third party agencies were estimated. These actions included complaining to the Better Business Bureau, consumer agencies, federal agencies, the state attorney general, and taking legal action. Attitudes towards business, education and the consumer’s knowledge of legal rights were found to be important determinants for consumers decisions in seeking third party redress, while age, gender, and income had limited influence. Implications for business and consumer educators were drawn from the findings.

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Introduction

Consumer Complaint Behavior (CCB) has been a field of interest for researchers since the mid-1970’s. CCB is triggered by a consumer’s feelings of dissatisfaction with a purchase (Singh & Pandya, 1991) which results from the difference between the expectation and the reality of a purchase (Bearden & Oliver, 1985). Though dissatisfaction is necessary for CCB to exist, dissatisfaction itself is not a sufficient condition for complaining to occur (Singh & Pandya, 1991). CCB is a choice made by a consumer which is based on judgements that the outcome of the complaint will outweigh the time and costs involved in the process (Strahle & Day, 1984; Singh & Pandya, 1991).

A consumer’s complaining action can take a variety of forms ranging from complaining to family and friends to taking legal action. Among these CCB actions, third party response can be considered to be the most vigorous. Third party refers to an individual and/or organization who is external to the consumer who initiates redress and is not directly involved in the dissatisfying transaction (Singh, 1988). The percentage of consumers who seek third party redress is relatively small (Bearden, 1983), however, this small percentage leads to large and often negative consequences for business (Singh, 1989).

In fact, the incidence of legal cases and complaints to third party agencies increased in the 1980’s, and the costs to the society and the “local industry” increased accordingly (Singh, 1989, p. 330). Furthermore, the continuing globalization of the marketplace gives an increasing opportunity for consumers to purchase products and services directly from international sellers, and cultural, language and legal differences create a need for third party assistance between consumers and international sellers (Joustra, 1992). However, despite these significant consequences for business and consumers relating to third party redress, only limited research efforts have been devoted to investigate consumers’ third party redress actions.

The purpose of this study is to investigate consumers’ third party redress actions. Specifically, which factors encourage consumers’ likelihood to seek redress from a variety of third party options such as the Better Business Bureau, consumer agencies, federal agencies, the state attorney general’s office, and/or filing a law suit.

Literature Review

Research into third party redress is limited. Singh (1989) defined three times when third party actions might be taken by the consumer: (1) when all other CCB options have been unsuccessful, (2) when perception of success of Voice CCB is minimal, and (3) the action may be unrelated to other CCB actions. Urisic (1985) determined through path analysis that access to the legal system, the perceived effectiveness of the action, and the complainers anxiety level about the action was instrumental in determining if third party action would be taken.

Researchers agree that complaint behaviors differ among product classes and between product classes and services. Oster (1980) found complaint frequency increased when an item was infrequently purchased, the product had a low income elasticity, the price of the product was high, or when the product was volatile in price level. More specifically, Duhaim and Ash (1979) found that consumers purchasing transportation items, financial services and/or insurance were more inclined to seek outside assistance in complaint resolution.

Strahle and Day (1984) found that males were more apt than females to take legal action or to seek
assistance from a consumer agency/public official. Duhaime and Ash (1979) found that females relied on third party actions more than males on transportation items, financial services or insurance purchases in their study of gender and complaining behavior. Thus, the previous findings on the effect of gender on third party redress are inconsistent.

Bernhardt (1981) proposed that older consumers would be more likely to seek third party redress since their extended market experience would reinforce their ability to confidently state dissatisfaction. However, empirical research indicates that older consumers are less likely to complain (Bearden, 1983). LaForge (1989) attempts to explain these findings with the learned helplessness theory, the notion that after repeated failure to achieve a desired outcome or in preventing a negative outcome, the learning process inhibits a consumer from complaining. Other explanations include economic constraints, a perception that the effort of complaining is not worth the costs involved, or not knowing where to complain (Bernhardt, 1981). Consumers who exhibit a tendency toward third party redress have been found to be young (Duhaime & Ash, 1979; Bearden, 1983).

Consumers who seek third party redress tend to be well educated and have been found to be in the upper income ranges (Bearden, 1983; Duhaime & Ash, 1979).

Based on the previous literature, the following hypotheses are developed:

H1: Younger consumers are more likely to seek third party redress than older consumers.

H2: More highly educated consumers are more likely to seek third party redress than less highly educated consumers.

H3: More affluent consumers are more likely to seek third party redress than less affluent consumers.

H4: Gender does not influence consumers’ likelihood to take third party action.

Methodology

Data:

Data provided by the 1993 Interview of Consumer Behavior commissioned by the American Association of Retired Persons (AARP) were used to investigate the characteristics of consumers who seek third party redress. The data set was based on telephone interviews among a nationally representative sample of 957 adults 18 years of age or older. Sampling techniques ensured that a substantial number of elderly (over 65) consumers would be included in the interviews. Demographic weighting parameters derived from Current Population Survey (March, 1993) by the U.S. Census Bureau allowed the final sample to mirror the demographic profile of the population of adults 18 years of age or older. The details of data collection are provided by the AARP (1994).

Dependent Variables:

Third party response actions were measured on a five-item, dichotomous category (Yes/No) scale. The respondents were asked which (if any) third party action was taken. The following categories were available for the respondent: (1) complained to the Better Business Bureau, (2) complained to a consumer agency/help line, (3) complained to the state attorney general’s office, (4) complained to a federal agency (i.e. FTC), and (5) took legal action.

Independent Variables:

(1) Age: a continuous variable. (2) Education: a set of dummy variables was used to avoid a potential multicollinearity problem since education and income have a high correlation: less than high school (base), high school graduate, some college, and B.S. or more. (3) Income: total annual income before taxes was grouped into seven categories: less than $10,000, $10,000 - $20,000, $20,000 - $30,000, $30,000 - $40,000, $40,000 - $60,000, $60,000 - $100,000 and $100,000 and over. The average value of each category was used in the analysis. (4) Gender: coded as a dummy variable, (0=male and 1=female). (5) Knowledge of consumer rights: determined based on the response to a question relating to personal understanding of consumer rights and consumer laws by the respondents. A four-level scale was used (poor=1, only fair=2, good=3, and excellent=4). (6) Attitudes towards business: assessed by allowing respondents to rate the extent to which various business types try to take advantage of the consumer. A five-level scale was used (almost all=1, most=2, about half=3, some=4 and almost none=5). (7) Attitudes toward government: involvement on consumer protection responses included (A) government should do more (Gov), (B) competition is enough (Comp), and (C) both are equal (base). (8) Marital status: divided into unmarried (base) and married. (9) Race: divided into Non-Hispanic, Whites, and non-Whites.

Analysis:

The purpose of this study is to identify the characteristics of consumers who are prone to seek third party redress. Logistic regression analysis was performed for each of the five third party response categories, with the dependent variable being whether a particular action response was used by a respondent or not. Independent
variables included age, education, income, gender, knowledge of consumer rights, attitude toward business, attitudes toward consumer protection, marital status and race.

**Results and Discussion**

Of the 957 respondents, 37 percent took some form of third party action during their lifetime (Table 1). Specifically, the respondents sought redress from the Better Business Bureau most frequently. Utilizing a federal agency for complaint resolution was the least frequently used option. The three remaining options (from most frequently used to least frequently used) were the use of a consumer agency, contacting the state attorney’s office and taking legal action.

Table 1.  
Frequency (Percentage of Respondents) Who Sought Third Party Redress

<table>
<thead>
<tr>
<th>Consumer Complaint Behavior</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complained to a Better Business Bureau</td>
<td>258 (26.96%)</td>
<td>699 (73.04%)</td>
</tr>
<tr>
<td>Complained to a consumer agency/help line</td>
<td>114 (11.91%)</td>
<td>843 (88.09%)</td>
</tr>
<tr>
<td>Complained to the state attorney general’s office</td>
<td>101 (10.55%)</td>
<td>856 (89.45%)</td>
</tr>
<tr>
<td>Complained to a federal agency</td>
<td>28 (2.93%)</td>
<td>929 (97.07%)</td>
</tr>
<tr>
<td>Taken legal action</td>
<td>84 (8.78%)</td>
<td>873 (91.22%)</td>
</tr>
<tr>
<td>Took any of the above</td>
<td>358 (37.41%)</td>
<td>599 (62.59%)</td>
</tr>
</tbody>
</table>

The Logit models were estimated using the LOGISTIC procedure of SAS for each of the five third party response options. Most models predict the usage very well (p=0.0001), with the exception of contacting a federal agency (p=0.0778). Table 2 presents the results of the estimation of these models.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Better Business Bureau</th>
<th>Consumer Agency Help Line</th>
<th>State Attorney General's Office</th>
<th>Federal Agency</th>
<th>Legal Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>-0.00066</td>
<td>-0.00089</td>
<td>-0.00117</td>
<td>0.0174</td>
<td>-0.0144</td>
</tr>
<tr>
<td>Education: High School</td>
<td>0.4555*</td>
<td>0.4052</td>
<td>-0.1021</td>
<td>-0.2634</td>
<td>-0.5711</td>
</tr>
<tr>
<td>Some College</td>
<td>0.9642**</td>
<td>0.5888</td>
<td>0.0078*</td>
<td>-0.1029</td>
<td>-0.2428</td>
</tr>
<tr>
<td>Earned B.S.</td>
<td>0.9359**</td>
<td>0.6302</td>
<td>0.1746</td>
<td>0.5308</td>
<td>-0.2443</td>
</tr>
<tr>
<td>Income</td>
<td>0.0957</td>
<td>0.4481**</td>
<td>0.2548</td>
<td>-0.2167</td>
<td>0.2991</td>
</tr>
<tr>
<td>Gender</td>
<td>0.1854</td>
<td>-0.2099**</td>
<td>-0.2143</td>
<td>-0.3488</td>
<td>-0.3774</td>
</tr>
<tr>
<td>Knowledge of Consumer Rights</td>
<td>0.1599</td>
<td>0.0401</td>
<td>0.0759</td>
<td>0.7229</td>
<td>0.3431*</td>
</tr>
<tr>
<td>Attitudes Towards Business</td>
<td>-0.4635***</td>
<td>-0.5562***</td>
<td>-0.3412*</td>
<td>-0.6381*</td>
<td>-0.3913*</td>
</tr>
<tr>
<td>Attitudes Towards Government</td>
<td>0.0620</td>
<td>-0.3523</td>
<td>-0.0461</td>
<td>-0.4454</td>
<td>0.4932</td>
</tr>
<tr>
<td>Attitudes Towards Competition</td>
<td>-0.1502</td>
<td>-0.1459</td>
<td>0.0405</td>
<td>-0.1625</td>
<td>0.4651</td>
</tr>
<tr>
<td>Marital Status</td>
<td>0.2426</td>
<td>-0.2557</td>
<td>0.4725</td>
<td>0.2737</td>
<td>0.2555</td>
</tr>
<tr>
<td>Race</td>
<td>0.1855</td>
<td>-0.2967</td>
<td>-0.2933</td>
<td>0.8188</td>
<td>0.1651</td>
</tr>
<tr>
<td>McFadden’s R2</td>
<td>0.081</td>
<td>0.110</td>
<td>0.120</td>
<td>0.003</td>
<td>0.121</td>
</tr>
</tbody>
</table>

*p < .05, **p < .01, ***p < .001

Each complaint option is discussed individually in the following paragraphs.

**Better Business Bureau**: Education and attitude towards business were found to significantly influence consumers’ likelihood to seek assistance from the BBB. More educated consumers were more likely to seek redress from the BBB than less educated consumers. Those consumers who believed businesses do not deal fairly with them were more inclined to seek assistance from the BBB.

**Consumer Agency**: Among the independent variables, three were found to be significant. Income was found to have a positive effect on the consumers’ likelihood to seek redress from a consumer agency. That is, more affluent consumers were more likely to seek redress from a consumer agency. Consumers who have a negative attitude towards business were more inclined to utilize this redress option. Finally, male respondents were more likely to use consumer agencies for redress than female respondents.

**State Attorney General’s Office**: Consumers who sought redress from the state attorney general’s office were found to have some college education. In
addition, their attitude toward business practices were found to be negative. That is, consumers with negative attitudes toward business tended to seek redress from the state attorney general's office more often than consumers with a positive attitude.

Federal Agency: Knowledge of consumer rights and attitudes toward business practices were found to be significant factors influencing consumers' decisions to seek redress from a federal agency. Although not found to be significant, consumers with more knowledge about consumer rights and/or a negative attitude toward business tended to seek redress from a federal agency more than their counterparts.

Legal Action: Among the independent variables, two were found to be significant in consumers who sought legal action. Consumers who have negative attitudes towards business were more inclined to utilize this redress option. Also, consumers who have a greater knowledge of their rights in the marketplace sought legal action.

Third Party Redress: Two of the ten independent variables were found to be significant among those consumers who sought some type of third party redress - consumer knowledge and attitude toward business. Consumers with more knowledge of consumer rights and/or have a negative attitude towards business tended to seek some type of third party redress more than their counterparts.

The independent variable age was not found to be significant in consumers who sought third party redress with the exception of the specific complaint behavior of contacting a consumer agency. This result does not support the research of Bearden (1983) and Bernhardt (1981) who found that consumers who seek third party redress are younger. Nor does this finding support the notion of learned helplessness expressed by LaForge (1989).

Research by Bearden (1983) supporting the hypothesis that consumers who seek third party redress will have more education and have a higher income was only partially supported in this study. Specifically, consumers who sought redress through the BBB were found to have more education while consumers who sought redress through a consumer agency were found to have a higher income level. Neither education nor income were found to impact a consumers' propensity to seek third party redress.

Gender was found to be significant only when a respondent sought redress from a consumer agency. This finding supports part of the research by Strahile and Day (1984) who found that males more than females sought outside assistance from a consumer agency/public official, but does not support their assertion that males more than females tend to take legal action. Further, results reported by Duhaime and Ash (1979) that females more than males relied on third party action cannot be supported.

Among the independent variables, only one was found to be significant across all categories of third party redress. Consumers who had a negative attitude toward business were found to take third party actions. And, the consumers' knowledge of their marketplace rights was found significant if the consumer sought legal action.

Implications and Conclusion

In this study, specific forms of third party redress were investigated. It was found that a significant number of consumers considered the BBB as a viable source to assist their redress while only a small number of consumers sought redress from other third party agencies such as a consumer agency, the state attorney general's office, a federal agency, or by taking legal action. The effects of various determinants in seeking third party redress were investigated and in contrast to previous literature, age and income did not influence consumers' tendency to seek third party redress.

A consumer's attitude towards business practices in the marketplace is the only mitigating variable in third party redress that was consistently found to have significant value. Education and consumers' knowledge of consumer rights also contributed to consumers' redress seeking from the BBB and when taking legal action. Income and gender were found to contribute to consumer's decision to seek assistance from a consumer agency. As this analysis indicates, consumer characteristics change with each of the complaint options leaving an unanswered question of whether or not this is due to increased costs to the consumer when seeking specific forms of redress. More attention to the specifics of a cost-benefit model of third party redress would provide insight. Unfortunately, this data set was unable to supply the needed information.

The results of this study carries messages for business, educators, and consumers alike. For the businesses seeking to reduce their third party redress liability, an image change is imperative. The one underlying variable determining a consumer's willingness to seek third party redress is their belief that business is basically unjust in its dealings with consumers. Changing this attitude will take perseverance and patience on the part of business.

Educators have the difficulty of informing the consumer of their consumer rights. While the objective seems easy enough (an educator is trained to teach), there is a challenge. The traditional classroom with regard to
student composition and physical size does not exist in the marketplace. Therefore, teaching techniques must be adopted to accommodate the different setting.

This study indicates that a subjective trait, attitude towards business, encourages or discourages a consumer to seek third party redress. With the time and costs involved in taking third party action, it may not be in the consumers best interest to choose a specific third party action based on familiarity. Therefore, if consumers are taught to objectively view their dissatisfaction experience, an appropriate and unbiased third party redress action can be taken.

As consumers become more knowledgeable of their rights, their willingness to participate in third party redress will increase. According to Verhage (1987), the society at large will benefit as businesses impose corrective actions resulting from increased third party action. The relationship between the buyer and seller will also improve. As a consequence, business will become more trustworthy to the consumer thus reducing third party action.

References


Endnote

1. Graduate student, The University of Tennessee, Knoxville.