The Role of Redress in B2C E-Business: An Exploratory Study of Consumer Perceptions

Chin Eang Ong
RMIT University, Australia
chineang.ong@rmit.edu.au

Pradip Sarkar
RMIT University, Australia
pradipta.sarkar@rmit.edu.au

Caroline Chan
RMIT University, Australia
caroline.chan@rmit.edu.au

Abstract
Redress provides a formalized recourse to consumers in lodging complaints against poor customer service. Its importance is heightened in the realm of B2C e-business where traditional means of establishing rapport with brick-and-mortar stores do not exist. However, redress has yet to be aptly understood and the study of its role in e-business has been sparse. This paper presents an exploration into the role of redress in online B2C transactions, through the perceptions of a selected group of online consumers, with key implications for online business practices and customer relationship management.

Keywords: B2C e-business, redress, consumer complaint behaviour, qualitative research.

1 Introduction
E-business has benefited consumers significantly by offering convenience (Ranganathan & Jha 2007), cost savings (Melian-Alzola & Padron-Robaina 2007), and expanded range of choices and options (Rotem-Mindali & Salomon 2007). These are characteristic features of e-business that make the phenomenon more attractive to consumers than conventional offline business (Karahanna 2008). However, e-business has its own share of concerns, as perceived by consumers (Dubelaar et al, 2005). These concerns stem from the inability, on the part of consumers, to view and sample products, to make face-to-face inquiries with salespeople, and take up immediate ownership of the product upon purchase (Kaplan and Nieschwitz 2003). This can be
attributed to the perception of heightened risk of being exploited by opportunistic online merchants in an online environment, which the transacting parties may be geographically dispersed and unknown to each other (Cunningham et al. 2005, Pavlou and Gefen 2004). Moreover, in an online environment, consumers are unable to examine physical products prior to the purchase. The merchants, on the other hand, are in a relatively strong position, as long as the payment, from the consumer, comes through promptly (Josang, Ismail and Boyd 2007). Thus, e-business transactions are generally perceived as being more risky by consumers than conventional offline transactions. In fact, the EConsumer (econsumer.gov 2010) survey reported that consumer concerns surrounding e-business transactions included the failure to honor warranty, undisclosed charges, merchandise not in conformity with order, defective products, inaccurate billing, unauthorized use of account information, failure to honor refund, cannot contact merchant, and merchandise never received, as indicated in Figure 1. This highlights the notion of redress as playing a pivotal role in addressing consumer concerns and enhancing their confidence with B2C e-business transactions.

![Econsumer Complaints Top Violations](econsumer.gov 2010)

### Figure 1 (econsumer.gov 2010)

#### 2 What is Redress?

According to Mattila and Wirtz (2004), redress is the initiation of an action involving a complaint to the merchant on the part of the aggrieved consumer to rectify a problem in the e-Business transaction. The consumers may seek a replacement, a refund, or free repair for a faulty product, depending on the nature of their dissatisfaction with the online purchase. Ha and Coghill (2008) state that redress as a provision of internal complaint handling systems and services to resolve disputes. According to the Organisation for Economic Co-operation and Development (OECD 2005), redress refers to compensations or economic returns, whether in the form of a monetary
remedies (replacement for damages, restitution or other monetary support) or a restorative element (exchange of good or service, specific performance or rescission of a contract).

In offline business transactions, redress refers to a post-purchase complaint that necessitates some form of compensation (Davidow 2003). This aspect is further explained by Mitchell (1993), who refers to redress as a provision after-sales support systems aimed at handling complaints, undertaking dispute resolution, as well as the establishment of refund and return policies. The provision of redress in business transactions can serve as a powerful mechanism for improving consumer confidence (Magnini et al. 2007). Redress has received growing attention in conventional offline business, and increasingly being regarded by merchants as an important opportunity to enhance both consumer satisfaction and build customer loyalty (Yuksel, Kilinc & Yuksel 2006).

The importance of redress in conventional offline business has been widely discussed in the previous research, particularly in relation to service recovery (Ok, Back & Shanklin 2006). Tyrrell and Woods (2004) have defined service recovery as rectifying a problem that has caused customer grievance, thereby restoring their confidence. Thus, redress can be seen as playing an important role in enhancing consumer confidence with online transactions (Magnini et al. 2007). Besides service recovery, redress has also been cited as a key element in the concept of Consumer Complaint Behavior (CCB) (Day 1980). A taxonomy of CCB is centered around dissatisfaction with a product or service leading to three consumer complaint behaviors 1) private responses (e.g., negative Word of Mouth), 2) seeking redress (e.g., from merchant), and 3) third-party responses (e.g., taking legal action) (Day & Landon 1977, Singh 1988). Studies from Huang & Chang (2008) and Broadbridge & Marshall (1995), in the context of CCB, point to redress as an obvious discourse sought by dissatisfied consumers following a purchase transaction (that went wrong). Furthermore, Ngai et al (2007) argue that redress presents an opportunity to address the concerns of unhappy consumers, responding to consumer complaint effectively and efficiently improving the continual relationship between the merchant and the consumer. In the same strain, McAlister & Erffmeyer (2003) and Defranco et al. (2005) emphasize the act of redress as offering merchants a “second chance” to restore consumer trust and it also help to improve merchant reputation. Otherwise, a negative word-of-mouth can have major negative influence on consumer buying decision (Awad & Ragowsky 2008). Moreover, Blodgett et al (1995, p.31) comment on the role of customer service in dealing with consumer complaint behaviors by stating that “retailers and service providers should encourage customers who are dissatisfied to seek redress so that they will then have a chance to remedy those problems and retain those customers’ business”. Studies from Nyer (2000) and Huang et al (1996) also highlight the importance of redress as affording the merchant an opportunity to improve its customer service. Moreover, consumers always re-evaluate their total satisfaction in relation to the merchant efforts and initiatives to handle the problem encountered.

Although there has been many past research identify important of redress in CCB. For instance, how the merchants handle with these dissatisfied consumers is important, in light of the discussions show that repurchase decisions are decided increasingly on the basis of responsiveness to legitimate complaints, that also reduce the impact of
dissatisfaction that likely to occur, improve consumer confidence and trust, and restore merchant reputation. However, researchers have not yet focused on how the role of redress in CCB influence consumer confidence to purchase online. Huang and Chang (2008) also point to the impact upon how redress in CCB reinforce into consumer trust has been less clearly established in B2C e-business setting.

In the area of B2C e-business research, redress is considered to set right, remedy, and compensate consumers, when problems and disputes associated with online transactions arise (Logie 2007). Merchants are said to be generally aware of the significance of redress and encouraged to concurrently address issues of consumer grievance in order to reinstate their confidence in the B2C e-business environment (Ong 2005, Australian Government Treasury 2009). This assertion is supported by Wang and Emurian (2005), who claim that redress can assist consumers to mitigate disputes associated with transactions in an online environment. Likewise, Xu and Yuan (2009) are of the opinion that fair and effective redress handling mechanisms are imperative in boosting consumer perceptions of safe transactions and confidence. Moreover, McKnight et al (2002), and Pavlou and Gefen (2004) argue that consumers develop confidence in e-business transactions and tend to trust online merchants if they perceived secured transactions. Hence, redress helps in addressing consumer dissatisfaction and leads to perceptions of safer transactions in B2C e-business (Rule & Friedberg 2005).

Further to the above discussion, developments in redress for e-business date back to 1999 when the OECD (Organisation for Economic Co-operation and Development) developed guidelines for consumer protection in the context of electronic commerce to address consumer complaints and resolve disputes. The initiatives from OECD were further developed with the introduction of the International Consumer Protection and Enforcement Network (ICPEN 2008) and the International Chamber of Commerce (ICC 2003, 2003a). In 2007, a new and improved recommendation on Consumer Dispute Resolution and Redress was developed by the OECD member countries (OECD 2005 & 2007). Earlier in 2005, the European Union (EU) launched ECC-Net, an EU-wide network which assists consumers seeking redress for cross-border complaints and disputes (ECC-Net Fact sheet 2006; ECC-Net Denmark 2006). The Commission of the European Community (2008, p. 2) has supported B2C e-business in EU countries by providing ‘access to redress for the consumers when their rights are violated by traders and to promote confidence in the market and improve the performance of e-business’. Their aim was also to promote online retail in the European Union and offer consumer protection in the transactions between consumers and merchants in member states. Despite the above schemes, as discussed earlier many consumers remain reluctant to commit to online purchasing (Cho 2004; Gefen et al. 2008).

Despite the attempts at advancing redress in a B2C e-business environment, it is still at a developmental stage in Europe (ECC-Net Fact sheet 2006, ECC-Net Denmark 2006), Australia (Australian Government Treasury 2009) and the US (OECD 2005 & 2007). Redress has yet to adequately address consumer issues directly and is considered to be costly (Gwith 2006), complicated, and lengthy procedures (Edwards 2007). Furthermore, consumers are often unaware of how redress will play a supporting role when they make a purchase from a B2C e-business merchant (Huppertz 2007). Thus, the role of redress in B2C e-Business calls for the attention of the academic community as research in this area is sparse and there remains a lack of awareness and
understanding among businesses on how redress can be seen as a strategic initiative to foster a climate of trust and confidence in consumers in engaging with online transactions. In view of this, the objective of this paper is to develop an understanding how redress plays a role in B2C e-Business transactions. The paper will also look at how redress is conveyed to consumers as a mechanism to address post-purchase concerns.

3 Research Methodology
This study employs a research methodology based on an interpretive philosophical perspective (Klein & Myers 1999) generating a descriptive understanding of how redress plays a role in enhancing consumer confidence in B2C e-business, as perceived by consumers.

A qualitative approach is adopted in this research, as it is a method that largely focuses on an individual’s comprehensive description of his or her own experiences (Teddlie & Tashakkori 2003; Johnson & Onwuegbuzie 2004). It is used to answer questions about the nature of the phenomenon with the objective of describing and understanding the phenomenon from the individual’s point of view (Leedy & Ormrod 2005). Qualitative research is descriptive in that the researcher is interested in understanding meanings, gained through words or pictures (Leedy & Ormrod 2005). It affords the researcher an in-depth understanding of underlying reason and to obtain rich, real, and deep information with non-statistical data analysis (Deshpande 1983).

Redress in B2C e-business is a new area with an absence of existing theory explaining the notion. Thus, in light of this absence of any a priori theoretical constructs or conceptual basis, an interpretive and exploratory study, involving in-depth interviews with online consumers was conducted to uncover various aspects of the role of redress in B2C e-Business transactions, as perceived by online consumers (Thomas 2006).

3.1 Empirical Work
In this research, the sampling design process is based on the model proposed by Cooper & Schindler (2006) with a few changes made to accommodate the current research (See Figure 2). The study collected data from consumers in B2C e-business marketplace within the city of Melbourne, Australia. Postgraduate students enrolled in the College of Business, RMIT University, were included in the consumer-sampling frame. The target sample of students were influenced by the works of Chen and Dubinsky (2003) and Drennan et al (2006) who claimed that university students were more likely to be online shoppers. To be eligible for inclusion, participants were required to have access to online payment tools (i.e. credit card, Pay Pal accounts), and had purchased an item online in the 12 months prior to the interviews.

With purposive sampling, students that shopped frequently online were selected as they were expected to best contribute to the understanding of the phenomenon being studied (Erlandson 1993). Through snowball sampling, the aim was gain further insights for in-depth investigation (Zikmund 2003). The sample size tends to be small owing to issues of data saturation (Minichiello et al. 2008) - sampling and data collection end once a saturation point is reached at which no new issues emerge (Strauss and Corbin 1990, Charmaz 2006). In this research, semi-structured interviews with open-ended questions
with 15 participants were conducted and by the 14th and 15th interview no new issues emerged (Marshall & Rossman 2006).

The interview data was examined in relation to the literature review with the aim of “identifying patterns (presented as categories, factors, variables, themes) that cut through the data” (Merriam, 2002). The patterns become the basis for the results and outcome of the study. Therefore, repeated cycles of searching and comparison of themes that emerged from the data can lead to an understanding of the meanings, understanding and issues regarding redress in a B2C e-Business environment. The data analysis stage also draws from grounded theory’s constant comparison of themes as a primary means of managing, organizing and contrasting the data (Strauss & Corbin 1990). Through a process of constant comparison and contrast of data gathered from the interview participants, themes were generated and compared against each other until a point of saturation occurred.

4 Discussion of Findings

Interpretive analysis of interviews with 15 participants resulted in the identification of four themes (See Table 1) characterizing the participant experience, knowledge and understanding with the concern of redress in B2C e-business, which are discussed in this section.
4.1 Assurance of a Risk-Free Transaction

Redress, in the form of assurances of low risk or near zero-free transactions, were perceived as a prime motivator in consumers’ decision to purchase from relatively unfamiliar online merchants. Such assurances were said to manifest as money-back guarantees or replacement (at no extra charge) clauses, communicated either by formal statement on the merchant websites or via one-to-one email and other correspondences. One of the consumers commented:

“I will feel secure about it, if they (merchants) are able guarantee, online, that my purchase will be risk-free. Then, I will go ahead and make the purchase”.

Evidently, consumers were constantly assessing what protections were made available to them because they were keen to avoid risks. On the contrary, consumers were reluctant to engage in transactions if such assurances were not forthcoming from the merchants. One of the key findings of this study was the consumers' perception of risk factors in the absence of any form of support or assurances of corrective actions provided by the merchants. They expressed their discomfort in engaging in transactions with a merchant in such a situation. According to one of the consumers:

“If they (merchants) don't offer any assurances of a risk-free purchase, I would not feel secure going ahead with it. If I buy from them with no such assurances, then there's not much I can do if things go wrong.”

Thus, they would avoid making purchases from an unresponsive merchant at all costs. This reluctance was extended to well-known merchants as well. What was also uncovered was the fact that consumers were willing to forgo large discounts on product price or purchase products unavailable in brick-and-mortar stores, if they held negative perceptions regarding merchants, developed through unfavorable reviews and peer suggestions. Hence, redress was the prime motivator behind the decision to engage in a first-time purchase from an unfamiliar merchant.

4.2 Merchant Accountability

Consumers also noted the assurances of risk-free transactions by merchants were paramount to the establishment of a trust-worthy online environment, and indicated the
level of accountability of the merchant. Consumers engaged in transactions with merchants that demonstrated their accountability to customers and their commitment to the delivery of satisfactory customer service. The interviews revealed that provision of redress through assurances of risk-free transactions, in the form of money back guarantees or transparent refund policies, discussed above, were a clear indication of the fact that the merchants will assume responsibility for transactions that had gone wrong and take appropriate actions to rectify the situation. Merchant accountability was conveyed either by clear statements, explaining the recourse to consumers in the event of transactions errors, frequently asked questions (FAQs), or directly email responses to consumer queries. One consumer quoted:

“You feel that the merchant serious with providing you good customer service, because you have been informed that they will take care to ensure that you don’t lose out if something goes wrong in the transaction”

4.3 Merchant Reputation

Consumers in this study further revealed that their perception of merchant reputation was influenced by the redress mechanism. The provision of redress over a period of time was instrumental in enhancing merchant reputation. In this regard, merchants with a long-standing reputation were considered to be more credible than those with relatively recent online presence, a phenomenon that is also prevalent in offline environments. When asked about how their perception of merchant reputation, consumers reiterated that peer recommendations, well-known branding, positive online reviews and testimonials, were key to their evaluation of merchant credibility. A well-establishment and consistently held reputation implied that the merchant was committed in ensuring that its customers experienced risk-free transactions and offering optimal after-sales services if problems did occur.

If the merchant was not a “house-hold name” in terms of its brand, consumers relied extensively on peer recommendations and online reviews and testimonials by past customers. They indicated that they would go into great lengths to investigate various such reviews on the Internet by visiting blogs, forums, and other independent websites set up by consumers. As stated by one of the consumers:

“I am concerned about the credibility of an online store that I am unfamiliar with, and am afraid of being cheated. However, if I read blogs and forums or am informed by friends of the level of customer service, where the online shop goes at great lengths to correct any discrepancies in their services, I tend to believe that the merchant has a good reputation.”

4.4 A Bargain versus Redress

Consumers were increasingly price-conscious when it came to online shopping. In other words, products offered at cheaper prices were a great motivator behind their decisions to engage in online transactions, and savings gathered through making cheaper online purchases were often assessed against potential risks. Thus, they were more likely to take risks in making online purchases if the merchant offered significant bargains on products that were more expensive in brick-and-mortar or even more established online
stores. Hence, savings owing to bargains were often weighed over return and refund policies. According to one consumer:

“The item was quoted at such a cheap price, that I was willing to take the risk with this unknown online store. I'd have to pay a lot more in a (offline) store.”

5 Conclusion and Implications

The results of the study show (See Figure 3) that redress has a significant influence on the assurance of risk free purchase, accountability and reputation of the online merchant. All these further impacted on consumer trust and confidence to purchase online, except for huge online bargains such as lower price offered from merchants. In this instance, redress has no influence over consumer decision because immediate benefits enjoyed from cheaper price offered already overwhelmed consumer prevail over the role of redress and acceptance on perceived risk.

One of the key aspects of redress is that it serves as an assurance of a risk-free transaction, thereby enhancing consumer confidence in engaging with an online merchant, which supports the claim by Chadwick (2001) and Shalhoub (2006) in their work on consumer confidence and trust in an online business environment. On the contrary, consumer confidence to purchase tends to be low (Teo & Liu 2007) when the risk is perceived to be too high to cope with (Durkan et al. 2003). Furthermore, the presence of a clear and sound redress mechanism demonstrates merchant accountability in the face of problems occurring in the transactions. Consumers tend to trust and engage with merchants that are able to take responsibility to ensure their expectations are adequately addressed (Lacohee et al., 2006). Edwards & Wilson (2007) have argued that merchant accountability was a result of their complaint handling and assurance that the consumer had the right to seek redress. This is supported by De Matos et al (2007) in their assertion that complaint handling influenced consumers’ perceptions of a merchant assuming responsibility for failures, and taking corrective actions to rectify the problems and restore consumer confidence. Indeed, assurances of risk-free transactions, communicated as part of the redress mechanism, reinforce the accountability of the merchant, as shown in Figure 3.
The Role of Redress in B2C E-Business...

Figure 3: The role of Redress in the decision to purchase online

The examination of the interrelationship between themes revealed a merchant with a well-established reputation was perceived to be accountable in ensuring that the concerns of consumers were addressed, which in turn, further enhanced its reputation. This is hardly surprising given the fact that accountability of a merchant, perceived satisfactorily by consumers over a period of time, leads to an enhancement of its reputation. Positive experiences with redress bring about favorable word-of-mouth recommendations from personal acquaintances and testimonials and reviews in the blogosphere and online forums. This is in line with Blodgett and Granbois (1992) who claimed that the outcome of a “redress-seeking episode” influences the nature of the word-of-mouth recommendations to fellow consumers and future decisions to purchase. In B2C e-business, consumers were largely reliant on peer recommendations and reviews in blogs and online forums for information on the accountability and reputation of merchants, before committing themselves to making purchases. This is in view of the fact that there was no physical store to personally establish rapport with sales personnel through one-on-one communications. Thus, consumers were greatly interested in the redress experiences of previous customers. Good recommendations and reviews undoubtedly influenced the decision to purchase, and vice-versa. Though redress played a significant role in enhancing consumer confidence with a merchant, it was not considered an essential element in purchase decisions involving generic products offered at a bargain. Essentially, redress does not play a crucial role if the risk-level of the transaction is perceived to be low at the outset of the transaction.

The qualitative study carried out in this paper highlights importance of formulating appropriate redress strategies by online merchants, as a poorly handled redress situation or the absolute lack of it will dissuade future consumers. In the highly competitive B2C
environment, involving a multitude of business entities offering lucrative discounts, it is the household names such as Amazon, ebay, and iTunes that stand out. Lesser known merchants will need to communicate their redress policy and follow it up with satisfactory customer service to attract new customers and retain them. Redress procedures need to be explained in an articulately and transparently, as complicated complaint procedures will be discouraging to consumers and weaken their confidence in the merchant (Cheng, Lam & Hsu 2006). In worst-case scenarios, this will bring about customer complete “exit” from the online shops (Ok, Back & Shanklin 2006). Indeed, limited redress options and the lack of customer service support increase the vulnerability of consumers in B2C e-business (Chadwick 2001, Ha & Coghill 2008). Thus, redress will need to be well incorporated into their customer relationship management strategies and embedded into their business practices. Furthermore, online merchants need to establish systems for gathering feedback from customers with regards to redress, as this will enable them to initiate improvements to their customer services.

It should be noted that the findings of this exploratory study reflect the perceptions of a select group of online consumers, as generalizations directed at the larger population of online consumers was not the aim. This exploratory study is part of an on-going PhD research project and the next step will involve an examination of the perspectives of online merchants regarding the role of redress.

References


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