

# THE RELATIONSHIP OF PERCEIVED JUSTICE, SATISFACTION, REPATRONAGE INTENTIONS AND NEGATIVE WORD OF MOUTH IN SERVICE SETTING

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**Abstract** *This study investigated the relationship of interactional, distributive and procedural justice and satisfaction and the negative of “word of mouth”. Results show that three dimensions of justice are positively and significantly influenced the satisfaction. In turn satisfaction influences the repatronage intentions and negatively influences the “word of mouth”. Implications and directions for future research are discussed.*

*Keyword : Perceived Justice, Satisfaction, Repatronage Intentions and Word Of Mouth*

**Introduction** Previous studies concerning customer satisfaction and dissatisfaction focused on consumer’s evaluation of certain goods and services (e.g. Oliver, 1981; Swan and Combs, 1976). Further justice studies have often emphasized on organizational justice such as reactions of employees to decisions by managers, rather than on individual consumer’s perceived justice.

The purpose of this study is to explore the relationship of dimensions of justice namely distributive justice, interactional justice and procedural justice on retail satisfaction, repatronage intentions and negative word of mouth.

Firms can intensify their customer retention rate, protect against the diffusion of unfavorable or negative word-of mouth, and reducing disadvantages by effectively managing customers’ post purchase dissatisfaction (Tax et al., 1998).

Research shows that most dissatisfied customers exhibit indirect behaviors such as negative word-of-mouth and exit rather than complaint directly to the firm (Best and Andreasen, 1977; Tschol, 1994; Liu and McClure, 2001.(SF3).

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Another study indicates that complaining may increase long-term satisfaction by facilitating the venting of the source of dissatisfaction (Nyer,2000). Thus based on this perspective, an organization should encourage direct complains from customers and also manage the complaint behavior of dissatisfied consumers.

Customers who complaint will repeat their patronage if the complaints are properly resolved (TARP, 1981). If not resolved, those who complaint may not only switch to competitors, but also tell others of their dissatisfaction (Reichheld and Sasser, 1990).

This study hopes will contribute to the existing literature. It studied Indonesian retail banking consumers' attitude and behavior towards complaint intention. Finally this study will benefit retail banking managers for preventing and managing customer's complaints.

Based on the foundations of equity theory (Adam, 1965), the literature in social psychology and organizational behavior suggests that individuals who are involved in conflicts base their perceptions of justice on several factors namely the perceived fairness of the tangible outcome, or decision i.e., distributive justice, the perceived fairness of the procedures used in arriving at that outcome i.e., procedural justice and the perceived fairness of the manner in which they were treated through out the conflict resolution process i.e., interactional justice (Blodgett, Granbois, and Walters, 1993).

## **Literature Review and Hypotheses Development**

Distributive justice is concerned with the distribution or allocation of the conditions that affect an individual's well being (Deutch, 1985). In retail setting, distributive justice could be described that customers are concerned with the fairness of the price, the excellence of product and the correctness of the order.

Customers are also concerned with the fairness of the process by which outcomes are allocated (procedural justice). It could be described in retail setting to include whether the time taken from order to delivery is appropriate, whether procedures are in place for customers to be served efficiently and whether commitment and promises made by sales were honored.

The interactional component encompasses the manner in which the retailer responded to the consumer's complaint i.e., whether the retailer responded to the consumer's complaint namely whether retailer responded in a timely and courteous manner, whether the consumer was given a chance to explain the circumstances, etc.

Based on that literature, it is argued that perceived justice is a critical factor to determine whether a consumer who complaint will repatronize that retailer or engage in negative word-of-mouth behavior and exit.

Tax et al. (1998) explained that dissatisfied post-purchase consumers engage in several different behaviors such as negative word-of-mouth, exit, complaint to the offending firm, appeal to third party, or repeat purchasing as usual.

Goodwin and Ross (1992) found that interactional justice is positively related to satisfaction. Clemmer and Schneider (1996) examined the three dimensions of fairness in services businesses and found that each of these dimensions i.e.,

distributive justice, procedural justice and interactional justice contributed independently to overall satisfaction. It is hypothesized that:

- H1: Distributive justice is positively influenced satisfaction in retail setting.
- H2: Procedural justice is positively influenced satisfaction in retail setting
- H3: Interactional justice is positively influenced satisfaction in retail setting.

Clemmer and Schneider (1996) found that distributive justice, procedural justice and interactional justice each contributed to customer willingness to return. Blodgett et al (1995) suggested that when consumers who are complaint seeking redress from retailers received a fair settlement (distributive justice); they were more likely to return. Furthermore when these consumers were treated with respect (interactional justice), it is also will enhance repatronage intentions. Therefore it is hypothesized:

- H4: Distributive justice will have a positive effect of repatronage intentions
- H5: Procedural justice will have a positive effect on repatronage intentions
- H6: Interactional justice will have a positive effect on repatronage intentions.

Satisfaction is an emotional response to the experience of retail encounters (Swan et al., 1985). Therefore the emotion of satisfaction functions as a foundation for the behavioral intentions to patronize the retail encounter in future. Furthermore a customer who is satisfied is likely to feel more positively towards the retailer and the increasing satisfaction leads to higher repatronage. It is hypothesized that:

- H7: Satisfaction in retail setting will have a positive effect on repatronage intentions.

Satisfaction is an affective or emotional response to a certain retail experience. The higher the satisfaction leads to the more positive affect, and dissatisfaction reflecting greater negative affect. The higher the levels of satisfaction, the greater likely consumer to engage in favorable word-of-mouth (Mangold et al., 1999; Sivadas and Baker-Pewit, 2000). On the contrary, the higher the dissatisfaction, the greater probability of consumer to engage in negative word-of-mouth. Therefore it is hypothesized:

H8 : Satisfaction in retail setting will have a negative effect to negative word-of-mouth.

A total 223 useable surveys were collected. The data were collected via a self-report questionnaires administered to magister students of a private university. Respondent were asked their perception concerning perceived justice related to repatronage intention, satisfaction and negative word of mouth.

**Method  
Sample and  
Data  
Collection**

Since the main purpose of this study was to examine these variables, this study included only those dissatisfied consumers who sought redress from retail bank.

Most measures used in this study were drawn from previous studies (Weun et al., 2004; Teo T.S.H, Lim, V.K.G. 2001; Goodwin Smith et al., 1999; Tax et al, 1998; Oliver and Swan, 1989.nd Ross, 1992; Johnson et al, 1995; Tax et al, 1998; Blodgett et al, 1997; Clemmer and Schneider, 1996). Distributive Justice (3 items, Cronbach's alpha: 0.70). Procedural justice (3 items, Cronbach alpha: 0.73). Interactional justice (4 items, cronbach alpha: 0, 82). Satisfaction (5 items, Cronbach alpha: 0.88). Negative word-of-mouth (2 items, Cronbach alpha: 0.82).

**Measures**

A Regression was performed to estimate the hypothesized relationships. The results were presented in Table 1.

**Results and  
Discussion**

H1 was supported ( $\hat{\alpha}=-0.45$ ,  $p<0.05$ ), which suggests that a greater level of consumer perception of distributive justice leads to the higher consumer perception. H2 was also supported  $\hat{\alpha}=-0.32$ ,  $p<0.05$ ), which suggests that procedural justice has an influence on satisfaction.H3 was also supported ( $\hat{\alpha}=0.35$ ,  $p<0.01$

H4 was supported ( $\hat{\alpha}=0.55$ ,  $p<0.01$ ), which indicate that the higher distributive justice the greater repurchase intention. H5 was also

supported ( $\hat{\alpha}=0.15$ ,  $p<0.01$ ), indicate that the higher procedural justice the higher repurchase intentions H6 was also supported ( $\hat{\alpha}=0.38$ ,  $p<0.05$ ), indicate that the more positive prior complaint experience, the larger perceived likelihood of successful complaint.

Table 1. Estimation Results Path Model

Hypothesis	Standardized Coefficient s	t-value	p-value
H1:DI → SAT	0.45	-3.85	<0.05
H2:PJ → SAT	0.32	-3.11	<0.05
H3:IJ → SAT	0.35	-2.56	<0.01
H4:PDJ → RI	0.55	3.58	<0.01
H5:PJ → RI	0.15	3.22	<0.01
H6:IJ → RI	0.38	4.30	<0.05
H7:SAT → RI	0.49	3.42	<0.01
H8:SAT → NWOM	-0.47	3.21	<0.05

H7 indicate that satisfaction has a significant effect on repurchase intentions ( $\hat{\alpha}=0.49$ ,  $p<0.01$ , and finally H8 was also supported ( $\hat{\alpha}=-0.47$ ,  $p<0.05$ )

Hypothesis 5 (H5) concerning the influence of perceived value of complaint toward complaint intention was also supported ( $\hat{\alpha}=0.33$ ,  $p<0.05$ ), indicate that the larger perceived value of complaint the larger complaint intention).

Hypothesis 6 (H6) concerning the influence of perceive

**Discussion and Implications** This study empirically examined the relationships among distributive, procedural and interactional justice towards satisfaction and the influence of satisfaction towards repatronage intentions and negative word of mouth.

Results indicate that all dimensions of justice directly affect satisfaction, and satisfaction has an influence on repatronage intentions as well as negative word of mouth. The results of this study show that consumer perception concerning justice play a significant role in consumer complaining behavior. It suggests that dissatisfied consumers are quite willing to give the retailer another chance provide the retailer can improve the service performance to satisfy consumer. As long as the retailer ensures satisfaction consumer will engage in repatronage intentions and will not engage in negative word-of-mouth behavior.

These study findings provide several implications for bank managers/marketers. First they should facilitate customers' expression of complaint. Banks should realize the important of consumer complaint as opportunity to improve service quality, value and satisfaction to retain customers. Thus banks should encourage and make it easy for customers to complaint.

This study does not incorporate all the variables that might affect complaint behavior. Besides that sample of this study limited to magister management students, the generalizability of this study is limited Future study should consider consumer demographics such as income, education level and perhaps using cross cultural study population.

#### **Limitations and Future Research**

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