

Measuring the  
Grapevine-  
Consumer Response  
and Word-of-Mouth

Conducted for the Corporate  
Consumer Affairs Department  
of The Coca-Cola Company by  
Technical Assistance Research  
Programs, Inc



Customer Information Centre

The *Coca-Cola*  
COMPANY

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## EXECUTIVE SUMMARY

An in-depth knowledge of consumer behavior is a necessary foundation for any successful marketing program. One important aspect of consumer behavior is word-of-mouth communications: consumers telling other consumers about their experiences with a company or product. Surprisingly, little in the way of empirical research is available that quantifies the extent of such consumer word-of-mouth communications.

In an effort to address this gap in the marketing literature, The Coca-Cola Company contracted with Technical Assistance Research Programs, Inc. (TARP) to conduct a study of word-of-mouth communications. This study was designed to measure the extent of word-of-mouth that resulted from the Consumer Affairs Department of The Coca-Cola Company responding to consumer complaints and inquiries. Secondly, the study explored the marketing benefits resulting from complaint/inquiry handling.

(Relative to the volume of soft drinks sold, The Coca-Cola Company received very few consumer complaints. More than 85 percent of those complaints received by the Corporate Consumer Affairs Department are resolved to the consumers satisfaction. Consumers who had submitted complaints were targeted for study because it was felt that the word-of-mouth resulting from such complaints would have special significance for marketing.)

A mail survey methodology was used to collect data from separate samples of complaining and inquiring consumers whose communications had been processed by the Consumer Affairs Department of The Coca-Cola Company during a seven-month period in 1980. 1,104 complainants and 613 inquirers were mailed two-page questionnaires, each covering similar topics.<sup>1</sup> The response rate for the complainant survey was 60.0 percent and 62.0 percent for the survey of inquirers.

TARP found that the extent of word-of-mouth communications varied substantially on the basis of consumers' satisfaction with their interaction with The Coca-Cola Company. Specific findings included:

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<sup>1</sup>Less than 3 percent of the communications received by the Consumer Affairs Department of The Coca-Cola Company during 1980 were complaint-related. The disproportionate size of the complaint sample was necessary to fulfill the study's research objectives.

## **Complainants**

- Consumers who felt their complaints had not been satisfactorily resolved told a median of 9-10 people about their negative experience.
- Consumers who were completely satisfied with the response from the Consumer Affairs Department of The Coca-Cola Company told a median of 4-5 people about their positive experience.
- More than 12 percent of the complainants told more than 20 people about the response they received from The Coca-Cola Company.

## **Inquirers**

- Consumers who felt their inquiries had not been satisfactorily answered by the Consumer Affairs Department of The Coca-Cola Company told a median of 4-5 people about their negative experience.
- Consumers who felt their questions were completely answered told a median of 3-4 people about their positive experience.
- More than 9 percent of the inquirers told more than 20 people about the response they received from The Coca-Cola Company.

For both complaints and inquiries, then, there was a substantial multiplier effect between the number of consumers who initially contacted The Coca-Cola Company and the number of people who ultimately heard about the results of these interactions.

TARP found that brand loyalty can be reinforced by satisfactorily responding to consumer complaints/inquiries. Conversely, brand loyalty can be severely eroded when consumers are not satisfied with responses to their complaints/inquiries. Findings in this area include:

## **Complainants**

- Nearly 10 percent of those consumers who were completely satisfied with the response from the Consumer Affairs Department now buy more products of The Coca-Cola Company.
- More than 30 percent of the consumers who felt their complaints had not been satisfactorily resolved said they no longer buy the products of The Coca-Cola Company; nearly 45 percent of these dissatisfied complainants claim they now buy products of The Coca-Cola Company less often.

## **Inquirers**

- 17.0 percent of the consumers whose questions were completely answered by the Consumer Affairs Department now buy more products of The Coca-Cola Company.
- 12.5 percent of the consumers whose questions had not been answered to their satisfaction no longer buy the products of The Coca-Cola Company; another 12.5 percent of these dissatisfied inquirers claim they now buy the products of The Coca-Cola Company less often.

The Coca-Cola Company's study conducted by TARP is of great significance to both the fields of marketing and consumer affairs. It is one of the few studies that quantifies the phenomenon of word-of-mouth communications. While the study only measures the extent of word-of-mouth in the consumers complaining or inquiring interaction with business, it does provide a point of reference upon which to base further research. More significantly, it demonstrates the importance of an aggressive consumer response system that is responsive to consumer needs. Forward looking management can turn the corporate consumer response system into a high performance profit center. This study also illustrates the marketing-related pitfalls of being unresponsive to consumer complaints/inquiries.

## 1. BACKGROUND AND PURPOSE

### 1.1 Consumer Response as a Marketing Plus

The Impact of Word-of-Mouth Communications on Sales: Although based on a rather limited body of empirical evidence, the marketing profession is in general agreement “that the American consumer is immensely susceptible to word-of-mouth.”<sup>1</sup> Such word-of-mouth communications result from the good and bad experiences consumers have with products. Therefore, consumer response policies may affect sales through the circulation of the positive and negative word of mouth created by corporate complaint/ inquiry handling efforts.

The literature suggests that the word-of-mouth testimonial is an extremely important factor in the calculus of the consumers final purchasing decision. It can be an even more influential factor than mass media advertising. While the mass media is an effective device for making people aware of a product, in certain instances, consumers more often rely on word-of-mouth when making their actual purchasing decisions.<sup>2</sup>

The literature is silent on the relative circulation given to positive and negative word-of-mouth. When asked their opinions on this subject, marketing personnel from a number of major corporations indicated to TARP that consumers who had good experiences probably talked to as many people as those who had bad experiences. None of these opinions, however, were based on empirical data.

As to the impact of word-of-mouth on the purchasing decision, empirical evidence is available. Johan Arndt found that negative word-of-mouth has a stronger effect on the ultimate decision to purchase than do positive word of mouth testimonials. In his research, he compared the purchasing patterns of consumers who had received negative, positive, and neutral/no word-of-mouth about a specified food product. Using the purchases made by the neutral/no word-of-mouth consumers as a point of reference, he discovered that negative word-of-mouth retarded sales of the designated food product twice as strongly as positive word-of-mouth promoted the sales of that product.<sup>3</sup>

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<sup>1</sup>William H. Whyte, “The Web of Word-of-Mouth,” *Fortune* 50 (November 1954), p. 140.

<sup>2</sup>James F. Engel, David A. Knapp, and Deanne E. Knapp, “Sources of Influence in the Acceptance of New Products for Self-Modification: Preliminary Findings,” in Raymond Haas (ed.), *Science, Technology and Marketing* (Chicago: AMA, 1966), pp. 776-782.

<sup>3</sup>Johan Arndt, “Role of Product Related Conversations in the Diffusions of a New Product,” *Journal of Marketing Research*<sup>4</sup> (August 1967), pp. 291-295. 42 percent of the neutral/no word-of-mouth consumers purchased the designated food product. 54 percent of those receiving positive word-of-mouth and 18 percent of the recipients of negative word-of-mouth purchased the specified food product.

The Marketing Benefits of Complaint Handling. Technical Assistance Research Programs, Inc. (TARP) completed a study for the White House office of Consumer Affairs in 1979 which suggested that properly implemented consumer response policies can be a marketing plus for business.<sup>4</sup> Specifically, TARP presented evidence that the effective handling of consumer complaints provides enlightened corporations with a powerful marketing edge over their competition. In this sense, consumer response Office of Consumer Affairs is not viewed as simply an administrative expense but, instead, as a potential profit center.

The key to TARP's findings rests on the importance of maintaining brand loyalty. The data from the White House study indicated that there is a positive relationship between complaining and brand loyalty among consumers experiencing problems with products or services. Those who complain about their problems are more likely to maintain brand loyalty than consumers who remain silent.<sup>5</sup>

The reason for this is simple. Complaining consumers give business a chance to retain their patronage. When business makes a serious effort to respond to such complaints, a potentially negative situation can be turned into a marketing opportunity. Noncomplaining, dissatisfied consumers may not be angry enough to complain, but they are often unhappy enough to switch brands.

The irony here is that the problems of these non-complainants are generally the easiest to resolve. If only given the chance, business could have retained the patronage of many of these consumers. Therefore, this often large pool of non-complainants represents a significant lost marketing opportunity. Given the high costs of marketing (e.g., mass media campaigns), it is often less expensive to resolve the problems of old customers than to win new customers.

The positive relationship between complaining and brand loyalty was found to be strongest in highly competitive industries that produced relatively undifferentiated goods, where it was easy for the consumer to switch brands. On the basis of this finding,

<sup>4</sup>TARP, Consumer Complaint Handling in America: Final Report (Washington, D.C.: White House Office of Consumer Affairs, 1979).

<sup>5</sup>TARP conducted a survey of households that had experienced problems with products or services during 1975. These problem households were divided into three groupings: (1) complainants whose problems had been satisfactorily resolved by business; (2) complainants whose problems had not been satisfactorily resolved by business, and (3) those households that had not complained about their problems. (Satisfactory resolution was defined from the customer's point of view.)

The strongest continued brand loyalty was reported by the complainants whose problems had been satisfactorily resolved. Non-complainants were the most apt to switch brands. They exhibited less brand loyalty than even those complainants who problems had not been satisfactorily resolved. (Strictly from a marketing standpoint, then, business is better off with dissatisfied complainants than non-complainants.)

TARP has concluded that it may be to business' self-interest to solicit complaints.

Objectives of the The Coca-Cola Company's Study: Although the findings from TARP's White House study should apply to the soft drink industry, TARP's research has not directly addressed this product line. Therefore, The Coca-Cola Company commissioned a special study to examine the marketing impact of its corporate level consumer response policies. The handling of both consumer complaints and inquiries was examined. As principal focus of this study, a special investigation was conducted into the relative circulation of the positive and negative word-of-mouth resulting from The Coca-Cola Company's corporate level consumer response policies.<sup>6</sup>

## **1.2 Methodology**

A survey methodology was used to collect data for this study. Two surveys were designed and fielded. These surveys dealt with the attitudes and behavior of consumers whose complaints or inquiries had been handled by the Consumer Affairs Department of The Coca-Cola Company. A sample of consumers whose complaints had been processed during a seven month period in 1980 was selected. (Every consumer whose complaint had been classified as being packaging-, product-, advertising-, or promotion-related was included in this sample.<sup>7</sup>) A like sample of consumers who had submitted requests for information was drawn.

Separate 2-page questionnaires were designed for complainants and those who had submitted requests for information. The questionnaires were pretested and revised on the basis of the field test. Similar topics were covered in each questionnaire. 1,104 complainants and 613 people who made inquiries for information were mailed questionnaires.

During 1980, the Consumer Affairs Department of The Coca-Cola Company handled more than 169,000 consumer inquiries. In this same period, nearly 4,400 consumer complaints were received. Therefore, less than 3 percent of the work load related to the handling of complaints. The disproportionate size of the complainant sample was necessary to fulfill the study's research objectives. (It was felt that word-of-mouth communications resulting from such complaints would have special significance for marketing.)

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<sup>6</sup>This aspect of the study was commissioned in an effort to address the existing gap in the marketing literature.

<sup>7</sup>These four categories of consumer problems accounted for the majority of the complaints submitted to the Consumer Affairs Department of The Coca-Cola Company. In terms of subject matter, they are representative of the basic types of complaints received. For this reason, study findings may be generalized to the complaint work load as a whole.

The response rate for the survey of complainants was 60.0 percent and 62.0 percent for the survey of inquirers. 2.4 percent of the questionnaires in each sample could not be delivered because of insufficient address or no forwarding address.

A geography item was included in both questionnaires. The respondents were asked to indicate the state in which they resided. This item was included to insure that a disproportionate percentage of the respondents were not from Georgia.<sup>8</sup> Only 6.4 percent of the complainant respondents and 3.6 percent of the inquiry respondents resided in Georgia. Geography, therefore, was not a biasing factor.

### **1.3 The Relationship Between The Coca-Cola Company and its Bottlers**

The Coca-Cola Company in Atlanta is in the business of manufacturing beverage syrups and concentrates for sale to a network of independent bottlers in the United States and overseas. These franchised bottlers for Coca-Cola produce the finished beverage for sale in their territories. Local bottlers determine their own policies concerning consumer response, and The Coca-Cola Company has no authority regarding these local policies.

The data collected for this research is based only on complaints/ inquiries handled by The Coca-Cola Company. The consumer response systems of the local bottlers are not addressed directly by this research. However, the implications for marketing raised by this study should apply in the local bottler context.

### **1.4 Contents of Report**

Section 2 reports the findings from the survey of complaining consumers. The results of the inquirer survey are dealt within.

Section 3. The relative impact of word-of-mouth communications on the sale of products of The Coca-Cola Company is examined in Section 4.

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<sup>8</sup>It was thought that, due to the high visibility of The Coca-Cola Company in Atlanta, the proportion of Georgia respondents might be significantly overrepresented. This might bias the results of the two surveys.

## RESULTS OF SURVEY FROM COMPLAINING CUSTOMERS

### 2.1 General Findings

Age: As Table 2-1 indicates, consumers of all ages submitted complaints.

TABLE 2-1  
AGE OF COMPLAINANTS

AGE OF COMPLAINANTS	PERCENTAGE OF RESPONDENTS
Under 12 Years of Age	0.5%
12-14 Years of Age	1.5%
15-21 Years of Age	8.5%
22-30 Years of Age	24.7%
31-45 Years of Age	35.7%
46-64 Years of Age	22.7%
65 Years and Older	6.4%

Type of Problem: Table 2-2 below lists the principal causes of consumer complaints. Of those contacted, product- and packaging-related problems accounted for nearly 70 percent of the complaints.

TABLE 2-2  
TYPE OF PROBLEM CAUSING CONSUMERS TO COMPLAINT<sup>+</sup>

TYPE OF CONSUMER PROBLEM	PERCENTAGE OF RESPONDENTS
Product-related	36.3%
Packaging-related	33.3%
Promotion-related	28.4%
Advertising-related	2.0%

<sup>+</sup>Type of problem classified by analysts in the Consumer Affairs Department of The Coca-Cola Company.

Satisfaction with Response from the Corporate Consumer Affairs Department of The Coca-Cola Company: Complainants were asked to rate the clarity, timeliness, and tone of the response they received from The Coca-Cola Company's corporate headquarters. A scale of one to five was used for assessing these aspects of the response, with one being the lowest score and five being the highest. Table 2-3 reports that complainants gave the Coca-Cola Company's Consumer Affairs Department high ratings on each of these criteria.

TABLE 2-3  
CLARITY, TIMELINESS, AND TONE OF THE RESPONSE PREPARED BY  
THE CONSUMER AFFAIRS DEPARTMENT OF THE COCA-COLA COMPANY

ASSESSMENT CRITERIA	MEAN PERFORMANCE RATING
Clarity	4.54
Timeliness	4.32
Tone	4.59

Table 2-4 on the following page presents the complainants' satisfaction-level resulting from the action taken by The Coca-Cola Company to resolve their problems. As this table illustrates, more than 85 percent of the respondents were satisfied with "the action taken". This rate of satisfactorily resolved complaints is several percentage points higher than resolution rates reported in other studies.

For example, a Nielsen survey of consumers who had complained about problems with low-cost consumer goods (including soft drink beverages) reported that 78 percent of the complaints received by the manufacturer were resolved to the consumer's satisfaction.<sup>1</sup> TARP's White House study reported that less than 60 percent of "low cost" (problems where the financial loss was less than \$5) consumer complaints were satisfactorily resolved.

TABLE 2-4  
OVERALL COMPLAINANT SATISFACTION WITH ACTION TAKEN BY THE  
CONSUMER AFFAIRS DEPARTMENT OF THE COCA-COLA COMPANY

SATISFACTION RATING	PERCENTAGE OF RESPONDENTS
Completely Satisfied	60.0%
Response Acceptable	25.5%
Not Satisfied	14.5%

<sup>+</sup> Respondent "was not completely satisfied but the response was acceptable."

Confidence in The Coca-Cola Company: Respondents to the complainant survey were asked: "What are your feelings about The Coca-Cola Company in Atlanta based on their response to your complaint?" 40.6 percent of the complainants answered that their "confidence in The Coca-Cola Company has increased." Only 19.2 percent of the respondents had "less confidence in The Coca-Cola Company than before." The feelings of the remaining 40.2 percent remained unchanged.

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<sup>1</sup>The Consumer's View of Product and Package Performance Northbrook, Illinois: A.C. Nielsen Company, 1981).

Consumer Purchasing Patterns Since Receiving the Response from the Consumer Affairs Department of The Coca-Cola Company: Maintenance of brand loyalty is one of the primary objectives of a corporate consumer response policy. The aim is to convince as many complainants as possible continue buying products of The Coca-Cola Company. To determine the extent to which this objective was being met, the respondents were asked: "Since receiving the response from The Coca-Cola Company's headquarters, how often have you bought that company's products?" Table 2-5 on the following page reports the responses to this question.

TABLE 2-5  
MAINTENANCE OF BRAND LOYALTY SINCE RECEIVING RESPONSE  
FROM THE CONSUMER AFFAIRS DEPARTMENT OF THE COCA-COLA COMPANY

REPURCHASE PATTERNS	PERCENTAGE OF RESPONDENTS
Buy More	7.1%
Buy at Same Rate	68.8%
Buy Less	17.5%
Don't Buy Any More	6.6%

These respondents were unhappy enough to take the time and trouble to contact The Coca-Cola Company about their problems. It is, therefore, not surprising that the brand loyalty of some of these consumers was shaken. The data from Table 2-5 indicate, however, that only 6.6 percent of the complainants discontinued buying The Coca-Cola Company's products. The efforts of the Consumer Affairs Department in conjunction with the strength of the consumer's basic commitment to products of The Coca-Cola Company contribute to this result.

The performance of The Coca-Cola Company's corporate headquarters is much higher than industry-wide efforts. For example, the Nielsen survey reported that only 50 percent of the people encountering a package defect and only 39 percent of those encountering a product defect said that they continued to use the "offending" brand.

Word-of-Mouth: Each respondent was asked: "Did you talk to any of your family or friends about the response you received from the corporate headquarters of The Coca-Cola Company?" Only 5.4 percent of the complainants reported talking to no one. 12.3 percent indicated that they had discussed their contact with The Coca-Cola Company with more than 20 people. The respondents talked to a median of 5-6 people.

Contact with Local Bottlers of Coca-Cola: 54.9 percent of the complainants said that they had been contacted by their local bottler of Coca-Cola. Of those so contacted, 77.9 percent were satisfied with the response they received. While this is a relatively high satisfaction rate, the corporate headquarters has been more successful at satisfying complainants than the local bottlers.

**2.2 Factors Relating to Overall Satisfaction with the Corporate Level Response to Consumer Complaints:**

Table 2-6 reports the relationship between the causes of consumer complaints and overall satisfaction with the corporate level response. These data suggest that complaints dealing with product-related issues were the most difficult to resolve to the consumers satisfaction.

TABLE 2-6  
RELATIONSHIP BETWEEN TYPE OF CONSUMER PROBLEM AND  
OVERALL COMPLAINANT SATISFACTION (BY % OF RESPONDENTS)

TYPE OF CONSUMER PROBLEM \ OVERALL SATISFACTION RATING	Completely Satisfied	Response Acceptable	Not Satisfied
	Product-related	50.9%	31.0%
Packaging-related	67.0%	23.2%	9.8%
Promotion-related	61.3%	21.9%	16.8%
Advertising-related	-	-	-

+ Complainants with advertising-related problems are too few to provide meaningful trend data.

Table 2-7 on the following page reports the relationship between clarity, timeliness, and tone, and overall complainant satisfaction with the response from the Consumer Affairs Department. This relationship is described in terms of the mean performance ratings earned at the three different levels of overall satisfaction. (The one-to-five scale used in Section 2.1 is applied.) The data show that the higher the quality of the response, the greater the overall level of satisfaction reported by the complainants; e.g., completely satisfied complainants felt they had received clearer responses than those consumers who felt their complaints were not satisfactorily resolved.

TABLE 2-7  
RELATIONSHIP BETWEEN CLARITY, TIMELINESS, AND TONE  
OF RESPONSE AND OVERALL COMPLAINANT  
SATISFACTION (BY MEAN PERFORMANCE RATINGS) +

QUALITY OF RESPONSE \ OVERALL SATISFACTION RATING	Completely Satisfied	Response Acceptable	Not Satisfied
	Clarity	4.9	4.2
Timeliness	4.8	4.0	3.6
Tone	4.9	4.3	3.7

+ Mean performance ratings are calculated on the basis of a one-to-five scale where a score of five rates highest and a rating of one lowest.

**2.3 Relationship Between Word-of-Mouth and Overall Satisfaction with the Corporate Level Response to Consumer Complaints:**

The findings reported in Table 2-8 on the following page run counter to the impressions of the marketing personnel interviewed by TARP during its White House sponsored complaint-handling study. These data show that complainants whose problems were not satisfactorily resolved said they told twice as many people about their negative experiences than satisfied complainants told about their positive interaction. When dealing with consumer complainants, then, negative word-of-mouth receives a wider circulation than positive word-of-mouth. This finding, coupled with the evidence that negative word-of-mouth is a powerful deterrent to sales, makes minimising such negative word-of-mouth a significant marketing concern.

**TABLE 2-8**  
**RELATIONSHIP BETWEEN WORD-OF-MOUTH AND OVERALL**  
**COMPLAINANT SATISFACTION**

MEDIAN NUMBER OF PEOPLE TALKED TO	OVERALL SATISFACTION RATING		
	Completely satisfied	Response Acceptable	Not satisfied
	4-5 People	5-6 people	9-10 people

**2.4 Relationship Between Overall Satisfaction with the Corporate Level Response to Consumer Complaints and Repurchasing Patterns:**

Table 2-9 illustrates the importance of successfully resolving consumer complaints. The claimed aggregate brand loyalty of those consumers whose complaints were satisfactorily resolved actually increased. However, those respondents whose complaints were not satisfactorily resolved claimed that their brand loyalty has been affected quite negatively. More than three-quarters of these complainants now either buy fewer or no longer purchase products of The Coca-Cola Company. This finding is the basis for TARP’s contention that it is good business to be responsive to consumer complaints.

**TABLE 2 -9**  
**RELATIONSHIP BETWEEN OVERALL COMPLAINANT SATISFACTION**  
**AND REPURCHASING PATTERNS (BY % of RESPONDENTS)**

OVERALL SATISFACTION RATINGS \ REPURCHASE PATTERNS	Buy More	Buy at Same Rate	Buy Less	Don't Buy
Completely Satisfied	9.9%	84.0%	5.2%	0.9%
Response Acceptable	2.7%	59.6%	31.5%	6.2%
Not Satisfied	2.5%	22.2%	44.4%	30.9%

As Section 2.1 indicates, a very high percentage of the complaints handled by The Coca-Cola Company’s Corporate Consumer Affairs Department are resolved to the consumer’s satisfaction. This high level of performance insures that most consumers who complain to corporate headquarters will remain loyal to products of The Coca-Cola Company.

However, while consumers are being satisfied at the corporate level, the fact is that only a small percentage of those who experience problems with products of The Coca-Cola Company complain directly to corporate headquarters.<sup>2</sup> Most complaints are received by retail sales outlets or local bottlers. If complaints are not handled effectively at this level, the brand loyalty of a significantly large percentage of complainants may be affected.

An even greater worry are those consumers who experience problems with the products of The Coca-Cola Company but do not complain. The Nielsen study found that in 1981 70 percent of those interviewed who reported product- or packaging-related problems never complained. These non-complainants are prime candidates to switch brands. As TARP's White House study indicates, these non-complainants exhibited less brand loyalty than even dissatisfied complainants.<sup>3</sup>

In sum, Table 2-9 shows that it is possible to still retain the brand loyalty of consumers who are unhappy with a company's product or marketing practices. These data further suggest that the brand loyalty of those consumers whose problems are not satisfactorily resolved will be very negatively affected.

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<sup>2</sup>Based on an extrapolation from complaint work load statistics supplied by The Coca-Cola Company and from findings of the Nielsen study, TARP estimates that less than 1 percent of consumer complaints dealing with the Company's products/marketing practices are received by corporate headquarters.

<sup>3</sup>TARP's White House study identified two principal reasons why many of those who experienced consumer problems do not complain. First, most of these consumers do not believe that business will be responsive to their problems. Second, others do not know how or where to complain. The data reported in Table 2-9 provide business with a marketing-related justification for breaking down the barriers to complaining.

**3 RESULTS FROM THE SURVEY OF CONSUMERS WHO SUBMITTED REQUESTS FOR INFORMATION**

**3.1 General Findings**

Age: As was the case with complaints, Table 3-1 reports that consumers from every age group submitted requests for information.

**TABLE 3-1  
AGE OF INQUIRERS**

AGE OF INQUIRERS	PERCENTAGE OF RESPONDENTS
Under 12 Years of Age	0.3%
12-14 Years of Age	5.5%
15-21 Years of Age	17.9%
22-30 Years of Age	21.3%
31-45 Years of Age	28.3%
46-64 Years of Age	20.8%
65 Years and Older	5.9%

Subject of Inquiries: Table 3-2 summarizes the issues raised by the respondents' requests for information. Questions about promotion related matters accounted for the bulk of the inquiries.

**TABLE 3-2  
QUESTIONS RAISED IN INQUIRIES TO THE COCA-COLA COMPANY<sup>+</sup>**

TYPE OF QUESTION RAISED	PERCENTAGE OF RESPONDENTS
Product-related	7.1%
Packaging-related	10.6%
Promotion-related	71.4%
Advertising-related	10.9%

<sup>+</sup>Type of inquiry classified by analysts in the Consumer Affairs Department of The Coca-Cola Company.

Satisfaction with Response from the Corporate Consumer Affairs Department of The Coca-Cola Company: Inquirers were asked to rate the clarity, timeliness, and tone of the response they received from the corporate headquarters of The Coca-Cola Company. The same one-to-five scale used in the complaint questionnaire was employed in this survey. (A score of one rated lowest, while a score of five was the highest rating.) Table 3-3 reports that inquirers gave The Coca-Cola Company high ratings on each of these criteria.

TABLE 3-3  
CLARITY, TIMELINESS, AND TONE OF THE RESPONSE  
PREPARED BY THE CONSUMER AFFAIRS DEPARTMENT  
OF THE COCA-COLA COMPANY

ASSESSMENT CRITERIA	MEAN PERFORMANCE RATING
Clarity	4.46
Timeliness	4.20
Tone	4.64

In addition, the respondents were asked: “Did the response sent to you by the corporate headquarters of The Coca-Cola Company answer your question?” This question was used as an indicator of overall inquirer satisfaction. Table 3-4 reports that 77.8 percent of the respondents felt that their questions had been completely answered, while only 5.5 percent felt that their inquiries had not been answered.

TABLE 3-4  
OVERALL INQUIRER SATISFACTION WITH THE ANSWER  
PROVIDED BY THE CONSUMER AFFAIRS DEPARTMENT  
OF THE COCA-COLA COMPANY

EXTENT TO WHICH CONSUMER’S QUESTION ANSWERED	PERCENTAGE OF RESPONDENTS
Ques. Answered	77.8%
Ques. Partially Answered	16.7%
Ques. Not Answered	5.5%

Confidence in The Coca-Cola Company: Respondents to the inquirer survey were asked “What are your feelings about The Coca-Cola Company in Atlanta based on their response to your question?” 46.0 percent of the inquirers answered that their “confidence in The Coca-Cola Company has increased.” Only 7.7 percent of the respondents had “less confidence in The Coca-Cola Company than before.” The feelings of the remaining 46.3 percent were unchanged.

Inquirer Purchasing Patterns Since Receiving the Response from the Consumer Affairs Department of The Coca-Cola Company: Table 3-5 suggests that the responses prepared by the Consumer Affairs Department had a positive impact on sales. Respondents to the inquirer survey were asked: “Since receiving the response from The Coca-Cola Company’s headquarters, how often have you bought that company’s products?” More than 16 percent of the inquirers say they have increased their purchases of the Company’s products since receiving the response from corporate headquarters. The data suggest that The Coca-Cola Company’s inquiry response policies reinforce consumer feelings of brand loyalty.

**TABLE 3-5**  
**PURCHASING PATTERNS SINCE RECEIVING RESPONSE FROM**  
**THE CONSUMER AFFAIRS DEPARTMENT OF THE COCA-COLA COMPANY**

PURCHASING PATTERNS	PERCENTAGE OF RESPONDENTS
Buy More	16.4%
Buy at Same Rate	76.7%
Buy Less	4.5%
Don't Buy	2.4%

Word-of-Mouth: The respondents talked to a median of 3-4 people about the response they received to their inquiries from The Coca-Cola Company's corporate headquarters. Only 17.5 percent talked to no one. 9.4 percent of the inquirers indicated that they had talked to more than 20 people about their contact with The Coca-Cola Company.

Contact with Local Bottlers of Coca-Cola: 19.6 percent of the inquirers reported that they had been contacted by their local bottler of Coca-Cola. 74.2 percent of those so contacted were satisfied with the response they received from the local bottler. As was the case with consumer complaints, these data suggest that, while the local bottlers earn a relatively high satisfaction rate, the corporate headquarters has been more successful at satisfying inquirers.

### 3.2 Factors Relating to Overall Satisfaction with the Corporate Level Response to Consumer Inquiries

Table 3-6 reports the relationship between the types of questions raised and overall satisfaction with the corporate response. The data indicate that product- and packaging-related inquiries proved most difficult to answer to the consumer's satisfaction.

**TABLE 3-6**  
**RELATIONSHIP BETWEEN TYPE OF QUESTION RAISED AND OVERALL**  
**INQUIRER SATISFACTION (BY % OF RESPONDENTS)**

TYPE OF QUESTION RAISED	OVERALL SATISFACTION RATING		
	Question Answered	Question Partially Answered	Question Not Answered
Product-related	54.2%	29.2%	16.6%
Packaging-related	57.6%	33.3%	9.1%
Promotion-related	83.3%	12.6%	4.1%
Advertising-related	84.4%	12.5%	3.1%

Table 3-7 reports the relationship between clarity, timeliness, and tone, and overall inquirer satisfaction with the Consumer Affairs Department response. This relationship is defined in terms of the mean performance rating earned at the three different levels of overall satisfaction. (The one-to-five scale used in Section 3.1 is applied.) These data show a positive relationship between clarity and tone, and whether the inquirers believed that their questions had been answered. Timeliness was not as strongly related to overall satisfaction.

**TABLE 3-7**  
**RELATIONSHIP BETWEEN CLARITY, TIMELINESS, AND TONE OF RESPONSE**  
**AND OVERALL INQUIRER SATISFACTION**  
**(BY MEAN PERFORMANCE RATINGS) +**

OVERALL SATISFACN RATING	TYPE OF QUESTION RAISED		
Question	Question Answered	Question Partially Not Answered	Question Answered
Clarity	4.8	3.6	1.9
Timeliness	4.4	3.3	3.7
Tone	4.8	4.2	3.4

+ Mean performance ratings are calculated on the basis of a one-to-five scale where a score of five rates highest and a rating of one lowest.

**3.3 Relationship Between Word-of-Mouth and Overall Satisfaction with the Corporate Level Response to Consumer Inquiries**

Table 3-8 on the following page reports only a weak relationship between word-of-mouth and overall inquirer satisfaction. Inquirers whose questions had not been satisfactorily answered talked to a median of only one more friend/neighbor than did the respondents whose questions had been satisfactorily answered. Further, inquirers, both satisfied and unsatisfied, talked to fewer people about interacting with The Coca-Cola Company than did the complainant counterparts.

Intensity of feelings may have accounted for these differences. Consumers were probably less disappointed when their questions were not answered than when their complaints were not resolved. Disappointed inquirers were therefore probably less motivated than unhappy complainants to tell their friends and neighbors about their interaction with The Coca-Cola Company.

**TABLE 3-8**  
**RELATIONSHIP BETWEEN WORD-OF-MOUTH AND OVERALL**  
**INQUIRER SATISFACTION**

MEDIAN NUMBER OF PEOPLE TALKED TO	OVERALL SATISFACTION RATING		
	Question Answered	Question. Partially Answered	Question Not Answered
	3-4 People	4-5 People	4-5 People

**3.4 Relationship between Overall Satisfaction with the Corporate Level Response to Consumer Inquiries and Repurchasing Patterns**

Table 3-9 on the following page illustrates how effective inquiry handling can be a marketing plus, but that unanswered consumer questions lose sales. The claimed aggregate brand loyalty of the satisfied inquirers increased substantially. The completely satisfied respondents who increased their purchase of The Coca-Cola Company’s products outnumbered those who “buy less/don’t buy” by a margin of almost four to one. On the other hand, the aggregate brand loyalty of the completely dissatisfied inquirers suffered. Double the percentage of these dissatisfied inquirers “buy less/don’t buy” than buy more of the company’s products.

As Section 3.1 reports, the vast majority of inquiries received by the Corporate Consumer Affairs Department of The Coca-Cola Company are answered to the consumer’s satisfaction. This high level of performance means that The Coca-Cola Company’s corporate consumer inquiry response policies increase sales. This can also be said for inquiries handled by local bottlers.

**TABLE 3-9**  
**RELATIONSHIP BETWEEN OVERALL INQUIRER SATISFACTION AND REPURCHASING**  
**PATTERNS (BY % OF RESPONDENTS)**

OVERALL SATISFCN RATING \ REPURCHASE PATTERNS	Buy More	Buy at Same Rate	Buy Less	Don’t Buy
Question Answered	17.0%	78.5%	2.8%	1.7%
Question Partially Answered	14.5%	68.8%	12.5%	4.2%
Question Not Answered	12.5%	62.5%	12.5%	12.5%

The brand loyalty of partially satisfied and dissatisfied inquirers was eroded much less than that of their complainant counterparts; e.g., three times the percentage of dissatisfied complainants as compared to dissatisfied inquirers “buy less/don’t buy” products of The Coca-Cola Company. Once again, intensity of feelings probably accounts for this result. It is likely that dissatisfied complainants were more affected when their problems were not resolved to their satisfaction than were inquirers whose questions were not answered to their satisfaction.

**4. THE RELATIVE IMPACT OF WORD-OF-MOUTH ON THE SALE OF PRODUCTS OF THE COCA-COLA COMPANY**

**4.1 Complaint Handling Policies**

While this study found that there was a strong relationship between the extent of word-of-mouth communications and overall complainant satisfaction with the response prepared by the Consumer Affairs Department, the issue of the “absolute” impact this word-of-mouth had on the sale of products of The Coca-Cola Company was not addressed by the complainant survey. It would have been necessary to interview the recipients of such word-of-mouth communications in order to deal with this issue. However, using Arndt’s findings in conjunction with the complainant survey data, it is possible to calculate the “relative” impact that word-of-mouth communications had on sales.

The formula for calculating relative sales impact is

$$\frac{P_{PWM}}{(2) (P_{NWM})} \quad I_{Compl\ Handle\ WM}$$

where:

$P_{PWM}$  = Number of people who received positive word of-mouth communications from consumers whose complaints were handled by the Consumer Affairs Department

$P_{NWM}$  = Number of people who received negative word-of-mouth communications from consumers whose complaints were handled by the Consumer Affairs Department

$I_{Compl\ Handle\ WM}$  = Relative impact of word-of-mouth communications, resulting from the responses of the Consumer Affairs Department to complaints, on the sale of products of The Coca-Cola Company

P<sub>NWM</sub> is multiplied by a factor of two to account for Arndt’s finding that negative word-of-mouth retards the sales of food products twice as strongly as positive word-of-mouth promotes sales.

P<sub>PWM</sub> is calculated using the formula

$$(X_{\text{Compl Sat}}) (Y_{\text{Compl Sat}}) + (X_{\text{Accept}}) (Y_{\text{Accept}}) - P_{\text{PWM}}$$

where:

- X<sub>Complete Sat</sub> = Median number of people who received positive word-of-mouth from complainants whose problems were completely resolved
- Y<sub>Complete Sat</sub> = Number of complainants completely satisfied by the Consumer Affairs Department during a year period
- X<sub>Accept</sub> = Median number of people who received positive word-of-mouth from complainants who were “not completely satisfied but the response was acceptable”
- Y<sub>Accept</sub> = Number of complainants who received an acceptable response from the Consumer Affairs Department during a year period

This formula assumes that the word-of-mouth from those complainants whose problems are completely or acceptably resolved is exclusively positive.

P<sub>NWM</sub> is derived by the formula

$$(X_{\text{Not Sat}}) (Y_{\text{Not Sat}}) = P_{\text{NWM}}$$

where:

- X<sub>Not Sat</sub> = Median number of people who received negative word-of-mouth from complainants whose problems were not satisfactorily resolved
- Y<sub>Not Sat</sub> = Number of complainants who received an unsatisfactory response from the Consumer Affairs Department during a year period

It is assumed that the word-of-mouth from consumers whose complaints are not satisfactorily resolved is exclusively negative.

The value of <sup>1</sup>Compl Handle WM, the relative impact of word-of-mouth communications on sales, resulting from the responses of the Consumer Affairs Department to complaints, is calculated as follows:<sup>1</sup>

(5 WM recipients) (2,620 complainants) + (6 WM recipients) (1,113 complainants)	=	<sup>P</sup> PWM
13,100 WM recipients + 6,678 WM recipients	=	<sup>P</sup> PWM
19,778 WM recipients	=	<sup>P</sup> PWM
(10 WM recipients) (633 complainants)	=	<sup>P</sup> NWM
6,330 WM recipients	=	<sup>P</sup> NWM
$\frac{19,778 \text{ WM recipients}}{(2)(6,330 \text{ WM recipients})}$	=	<sup>l</sup> Compl Handle WM
$\frac{19,778 \text{ WM recipients}}{12,660 \text{ WM recipients}}$	=	<sup>l</sup> Compl Handle WM
1.56	=	<sup>l</sup> Compl Handle WM

During 1980, 1.56 customers were gained as a result of positive word-of-mouth communications for every customer lost because of negative word-of-mouth. By satisfying the vast majority of complainants, the Consumer Affairs Department of The Coca-Cola Company was able to quite effectively counteract the effects of negative word-of-mouth. Complaint handling, then, can be viewed as a marketing plus.

Only 6,330 people received negative word-of-mouth communications from dissatisfied complainants. If none of the problems experienced by the complainants had been resolved, 43,660 friends and neighbors would have received such negative word-of-mouth. From this point of view, the complaint-handling policies of the Consumer Affairs Department were responsible for decreasing circulation of negative word-of-mouth by a factor of nearly 600 percent during 1980.

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<sup>1</sup>These calculations are based on the 1980 work load (4,366 complaints) of the Consumer Affairs Department.

<sup>2</sup>It is assumed that positive word-of-mouth communications resulted from inquiries that were either completely or partially answered.

**4.2 Inquiry Handling Policies**

As in the case of the complainant survey, the survey of inquirers did not address the absolute number of customers gained or lost as a result of word-of-mouth. The relative impact of inquiry-related word-of-mouth can, however, be calculated by adapting the ICompl Handle WM formula. The applicable formula is

$$\frac{P_{PWM}}{(2) (P_{NWM})} = I_{\text{Inquiry Handle WM}}$$

where:

$P_{PWM}$  = Number of people who received positive word-of-mouth communications from inquirers whose questions were answered by the Consumer Affairs Department<sup>2</sup>

$P_{NWM}$  = Number of people who received negative word-of-mouth communications from inquirers whose questions had been responded to by the Consumer Affairs Department

$I_{\text{Inquiry Handle WM}}$  = Relative impact of word-of-mouth communications, resulting from the responses of the Consumer Affairs Department to inquiries, on the sale of products of The Coca-Cola Company

The value of  $I_{\text{Inquiry Handle WM}}$  is computed as follows: <sup>3</sup>

(4 WM recipients) (7,217 inquirers) +		
(5 WM recipients) (1,554 inquirers)	=	$P_{PWM}$
28,868 FM recipients + 7,745 WM recipients	=	$P_{PWM}$
36,613 WM recipients	=	$P_{PWM}$
(5 WM recipients) (510 inquirers)	=	$P_{NWM}$
2,550 WM recipients	=	$P_{NWM}$

$$\frac{36,613 \text{ WM recipients}}{(2)(2,550 \text{ WM recipients})} = \text{Inquiry Handle WM}$$

$$\frac{36,613 \text{ WM recipients}}{5,100 \text{ WM recipients}} = \text{Inquiry Handle WM}$$

$$7.18 = \text{Inquiry Handle WM}$$

During 1980, 7.18 customers were gained because of positive word-of-mouth for every customer lost as a result of negative word-of-mouth communications. The effectiveness with which the Consumer Affairs Department handled inquiries is responsible for this favorable ratio.

Only 2,550 people received negative word-of-mouth communications from consumers whose questions had not been answered. If The Coca-Cola Company had not answered any of the 9,276 nonsticker inquiries received during 1980, 46,380 people would have received negative word-of-mouth. Therefore, the inquiry handling policies of the Consumer Affairs Department were responsible for decreasing the circulation of negative word-of-mouth by a factor of more than 1,700 percent.

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<sup>3</sup> These calculations are based on the 1980 nonsticker inquiry work load of the Consumer Affairs Department. Sticker-related inquiries were requests for decals of the Company's logos. Nonsticker inquiries concerned questions about the Company's products, marketing practices, etc. 9,276 nonsticker inquiries were handled by the Consumer Affairs Department during 1980.