

# MARKETING COLLOQUIA

SPRING 2016

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**Thursday, March 31, 2016**

**Where:** 741 JMHH

**When:** 12:00 PM to 1:20 PM

## **EXPLOITING HASSLE COSTS BY TIERED CUSTOMER COMPLAINT MANAGEMENT**

*ABSTRACT:* Can a firm exploit consumer hassle costs to limit the amount of redress it pays out to dissatisfied customers? We examine the internal incentives within Customer Complaint Management (CCM) to determine the organizational structure that minimizes redress payouts subject to honoring legitimate complaints. The optimal organizational structure is multi-tiered in that it restricts payout authority for lower level CCM agents. Only by escalating her complaint, and thereby incurring additional hassle costs, can a dissatisfied customer obtain more redress from the firm. The CCM provides more authority to lower level agents for higher priced products. Larger hassle costs imply higher prices and profits. Finally, implementing tiered CCM is profitable only if consumers have sufficient hassle costs.